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OF COUNSEL

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HAROLD E. FISCHER, JR.

VINCENT T. EARLY
(1922-2001)

JOSEPH J. BURGIE
(1926-1992)

LAWRENCE M. BRENTON
(1950-2007)

May 21, 2008

NTM-t-0801

Jean Jewell, Commission Secretary
Idaho Public Utilities Commission
Statehouse
472 West Washington Street
Boise, ID 83702

RECEIVED
2008 MAY 23 AM 10:43
IDAHO PUBLIC UTILITIES COMMISSION

RE: Neutral Tandem-Idaho, LLC

Dear Ms. Jewell:

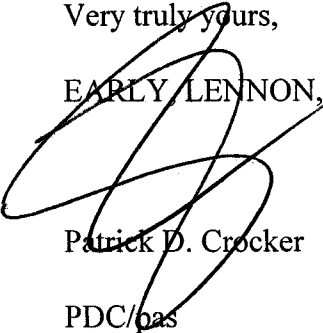
Enclosed herewith for filing with the Commission, please find an original and three (3) copies of the above captioned Corporation's Application for Authority to Provide Resold and Facilities-based Local Exchange and Interexchange Services within the State of Idaho.

In addition, enclosed is a duplicate copy of this letter. Please date-stamp the duplicate and return it to me in the enclosed stamped, self-addressed envelope.

Should you have any questions, please contact me.

Very truly yours,

EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.L.C.


Patrick D. Crocker

PDC/pas

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

RECEIVED

2008 MAY 23 AM 10:43

IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
Neutral Tandem-Idaho, LLC)
For a Certificate of Public Convenience and)
Necessity to Provide Facilities-based and Resold)
Local Exchange and Interexchange Services)
in the State of Idaho)

PUC Docket No:

NTM-T-08-01

APPLICATION FOR AUTHORITY TO PROVIDE
RESOLD AND FACILITIES-BASED LOCAL EXCHANGE
AND INTEREXCHANGE TELECOMMUNICATIONS SERVICES

Neutral Tandem-Idaho, LLC ("Applicant") hereby applies to the Idaho Public Utilities Commission ("Commission") for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange and interexchange services within the State of Idaho pursuant to *Idaho Code* §§ 61-526-528 and IDAPA 31.01.01.111. In support thereof, Applicant provides the following information:

I. Proposed Services

Applicant seeks authority to provide facilities-based and resold local exchange and interexchange telecommunications service to and from all points in the State of Idaho.

Applicant's initial service offering will consist of transit and access services for competitive carriers. Initially, Applicant intends to provide facilities-based and resold non-switched dedicated and private line services that will provide CLECs, ISPs, paging companies, cellular companies, and cable companies with broadband transmission services. The Company will not initially be marketing to residential or small businesses; but primarily other carriers.

Applicant has no plans to provide dial tone services to end user customers at this time. If future market conditions warrant, however, Applicant may expand its service offerings to include end user dial tone services. If Applicant does offer end user dial tone service in the future it will comply with all applicable state and federal regulations.

II Form of Business

1. Name, Address and Form of Business

a. **Applicant is not a sole proprietorship.**

b. **Applicant is not a partnership.**

c. **Applicant is a limited liability company;**

1. a short statement of the character of public service in which it may engage,

Applicant's initial service offering will consist of transit and access services for competitive carriers. Applicant initially intends to provide facilities-based and resold non-switched dedicated and private line services for the provision of broadband transmission services. The Company will market primarily to business customers including CLECs, ISPs, paging companies, cellular companies, and cable companies.

2. the name of the state in which it is organized,

Applicant is organized under the laws of the State of Delaware.

3. its principal business address and

**Neutral Tandem-Idaho, LLC
One South Wacker Drive, Suite 200
Chicago, IL 60606**

its principal business address within Idaho,

Applicant will not have a principal business address in Idaho.

4. a certified copy of its articles of incorporation,

A copy of Applicant's Articles of Organization is attached as Exhibit A.

5. if not incorporated in Idaho, a certificate of good standing issued by the Secretary of State, and

Attached hereto as Exhibit B.

6. name and address of registered agent for service in Idaho.

**Corporation Service Company
1401 Shoreline Drive, Suite 2
Boise, ID 83702**

2. If a corporation, the names and addresses of the ten common stockholders of applicant owning the greatest number of shares of common stock and the number of such shares owned by each, as follows:

Applicant is a limited liability company, solely owned by Neutral Tandem, Inc.

3. Names and addresses of the officers and directors of applicant.

The sole manager and member of the Applicant:

**Neutral Tandem Inc. (100% Owner)
One South Wacker Drive, Suite 200
Chicago, IL 60606**

**Neutral Tandem-Idaho, LLC does not have any separately designated officers.
The officers of Neutral Tandem, Inc. are:**

Rian J. Wren	President and Chief Executive Officer
Richard L. Monto	General Counsel and Secretary
Rob Junkroski	Chief Financial Officer
Surendra Saboo	Chief Operations Officer and Executive V.P.

All officers may be reached at Applicant's principle place of business.

4. Name and addresses of any corporation, association, or similar organization holding a 5% or greater ownership or a management interest in the applicant. As to the ownership, the amount and character of the interest must be indicated. A copy of any management agreement must be attached.

Applicant is a wholly owned subsidiary of Neutral Tandem, Inc.

5. Names and addresses of subsidiaries owned or controlled by applicant.

Applicant does not own or control any subsidiaries.

4. Correspondence pertaining to this Application should be directed to Applicant's counsel:

Patrick D. Crocker
Early, Lennon, Crocker & Bartosiewicz, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007
Phone: (269) 381-8844
Fax: (269) 381-8822
E-mail: pcrocker@earlylennon.com

III Telecommunications Service

1. The date on which applicant proposes to begin construction or anticipates it will begin to provide service.

Applicant anticipates it will begin to provide service shortly after obtaining authorization. It anticipates that it will enter into the appropriate interconnection and service arrangements with Qwest Corporation ("Qwest") or other certificated facilities-based carriers to offer services.

2. A written description of customer classes and customer service[s] that the applicant proposes to offer to the public.

Applicant's initial service offering will consist of transit and access services for competitive carriers. Initially, the Company intends to provide facilities-based and resold non-switched dedicated and private line services for the provision of broadband transmission services. The Company intends to initially market to CLECs, ISPs, paging companies, cellular companies, and cable companies. The Company will not be marketing to residential or small businesses; but primarily other carriers.

IV Service Territory

1. A description sufficient for determining whether service is to be offered in a particular location; and the names of all incumbent local exchange corporations with whom the proposed utility is likely to compete.

Applicant intends to provide service throughout the State of Idaho. Initially Applicant intends to provide service in the Qwest service areas and does not plan to provide service in areas of any small or rural local exchange carriers. However, Applicant seeks statewide authority so that it may expand into other service areas as market conditions warrant and as additional service areas become open to competition.

2. Written description of the intended manner of service, for example, resold services or facilities based. A general description of the property owned or controlled by applicant.

Applicant will provide resold and facilities-based local exchange and interexchange services. Initially, the Company intends to provide facilities-based and resold non-switched dedicated and private line services for the provision of broadband transmission services. Applicant does not currently own property and has not yet completed plans for construction of voice or data transport facilities in Idaho. While Applicant plans to provide services primarily over their own facilities, where it lacks facilities and where customer demand warrants, it may resell the high capacity special access services of other facilities-based carriers, such as DS-1, DS-3, and multiplexing services.

3. A statement describing with whom the applicant is likely to compete.

Applicant will compete with Qwest for the provision of service.

4. A description of the property owned by the applicant clarifies the applicant's proposed services and operation.

Applicant does not currently own facilities or property in Idaho. Applicant intends to deploy its own switching platform facilities in collocated sites throughout Idaho and lease fiber optic facilities.

V. Financial Information

As a newly-created entity, initially Applicant will rely on the financial support of its parent company, Neutral Tandem, Inc., which has the necessary funds to provide local service. The success of Applicant's parent company, Neutral Tandem, Inc. in developing innovative products and services and expanding its geographic reach has translated into impressive growth in recent years and as such Applicant will be relying on it's parent company for full financing. Neutral Tandem, Inc. is well-qualified financially to operate and expand its business through its subsidiary. The ability to honor this commitment is illustrated by the financial statements taken from Neutral Tandem, Inc.'s Form 10-K, as filed with the Securities and Exchange Commission is attached hereto as Exhibit C.

1. Latest annual report, if any.

VI "Illustrative" Tariff Filings

Proposed initial tariff and price sheets setting forth rates, rules, terms, and regulations applicable to the contemplated service. .

Attached hereto as Exhibit D, Applicant submits an illustrative tariff containing rates, rules, terms and regulations.

VII Customer contacts

1. Contact information for the applicant.
 - a. The name, address, and telephone number and electronic mailing addresses (if available) of the person(s) responsible for consumer inquiries and complaints from the public.

**Jan Hewitt
Neutral Tandem-Idaho, LLC
One South Wacker Drive, Suite 200
Chicago, IL 60606
(888) 682-6336
billing@neutraltandem.com**

- b. A toll-free number for customer inquiries and complaints.

1-888-682-6336

- c. The name, number and electronic mailing addresses (if available) of the person(s) designated as a contact for the Commission Staff for resolving complaints, inquiries and matters concerning rates and price lists or tariffs.

**Richard L. Monto
Neutral Tandem-Idaho, LLC
One South Wacker Drive, Suite 200
Chicago, IL 60606
(312) 384-8090
rmonto@neutraltandem.com**

VIII Interconnection Agreements

1. Statements of whether the applicant has initiated interconnection negotiations. If yes, then when and with whom.

Applicant has not yet initiated interconnection negotiations but intends to do so upon being granted authority by the Commission.

IX Compliance with Commission Rules

1. A written statement that the applicant has reviewed all of the Commission rules and agrees to comply with them, or request for waiver of those rules believed to be inapplicable.

Applicant has reviewed all of the Commission rules and agrees to comply with them.

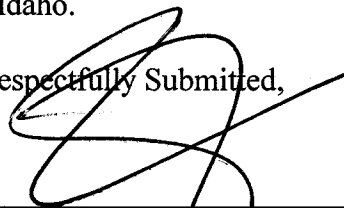
X Escrow Account for Advance Deposits

1. If a company requires advance deposits by its customers, the company must submit a signed copy of an escrow account with a bonded escrow agent or a security bond. The escrow or bond shall be sufficient to meet customer deposit refunds in case of company default.

Applicant will not require deposits or prepayments.

WHEREFORE, Neutral Tandem-Idaho, LLC requests that the Idaho Public Utilities Commission approve the request authority to provide facilities-based and resold local exchange and interexchange telecommunications services in Idaho.

Respectfully Submitted,



Patrick D. Crocker
Early, Lennon, Crocker & Bartosiewicz, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007
269-381-8844
269-381-8822 (fax)

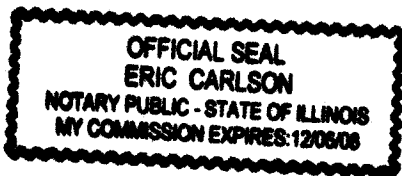
VERIFICATION

Richard L. Monto, General Counsel and Secretary of Neutral Tandem-Idaho, LLC, first being duly sworn on oath, deposes and says that he has read the foregoing Application and verifies that the statements made therein are true and correct to the best of his knowledge, information and belief.

Neutral Tandem-Idaho, LLC

BY: Richard L. Monto
Richard L. Monto
General Counsel and Secretary

The foregoing instrument was acknowledged before me this 22 day of April,
2008 by Richard L. Monto.



[Signature]
Notary Public
County of
State of
My Commission Expires

EXHIBIT A

Articles of Organization

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "NEUTRAL TANDEM-IDAHO, LLC", FILED IN THIS OFFICE ON THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 2007, AT 5:32 O'CLOCK P.M.

4480959 8100

071368012

You may verify this certificate online
at corp.delaware.gov/authver.shtml



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6268708

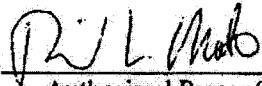
DATE: 12-27-07

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:32 PM 12/27/2007
FILED 05:32 PM 12/27/2007
SRV 071368012 - 4480959 FILE

**STATE of DELAWARE
LIMITED LIABILITY COMPANY
CERTIFICATE of FORMATION**

- **First:** The name of the limited liability company is Neutral Tandem-Idaho, LLC
- **Second:** The address of its registered office in the State of Delaware is 2711
Centerville Road Suite 400 in the City of Wilmington, DE 19808. The
name of its Registered agent at such address is _____
Corporation Service Company
- **Third:** (Use this paragraph only if the company is to have a specific effective date of
dissolution: "The latest date on which the limited liability company is to dissolve is
_____.")
- **Fourth:** (Insert any other matters the members determine to include herein.)

In Witness Whereof, the undersigned have executed this Certificate of Formation this
27th day of December, 20 07.

By: 
Authorized Person(s)

Name: Neutral Tandem, Inc. by Richard Monto, Vice President
Typed or Printed

EXHIBIT B

Certificate of Authority to Transact Business



APPLICATION FOR REGISTRATION OF FOREIGN LIMITED LIABILITY COMPANY

(Instructions on back of application)

08 JAN -9 AM 9:44
SECRETARY OF STATE
STATE OF IDAHO

1. The name of the limited liability company is:

Neutral Tandem-Idaho, LLC

2. If the name of the limited liability company is not permissible or is not available in Idaho, the name the foreign limited liability company will use in Idaho is:

N/A

3. The jurisdiction under whose laws the limited liability company is organized is: Delaware
and the date of its formation was: December 27, 2007

4. The name and address of the registered agent in Idaho is:

Corporation Service Company, 1401 Shoreline Drive, Suite 2, Boise, Idaho 83702

5. The address of the limited liability company's office in the jurisdiction under whose laws it is organized is:

2711 Centerville Road, Suite 400, Wilmington, DE 19808

6. The address of the limited liability company's principal office, if other than the address in #5 above, is:

1 South Wacker Drive, Suite 200, Chicago, IL 60606

7. The address to which correspondence should be addressed is:

1 South Wacker Drive, Suite 200, Chicago, IL 60606

Attn: Ronald Gavillet

8. Signature of a manager, if any, or a member if there are no managers.

Signature *Richard Monto*

Typed Name Neutral Tandem, Inc. by Richard Monto, VP

Manager Member

Secretary of State use only

S:\corp\normal\llc form\app\reg\regfile.htm
Revised 09/2002

W70209

IDAHO SECRETARY OF STATE
01/09/2008 05:00
CK: 100004253 CT: 74104 BH: 1093616
1 @ 100.00 = 100.00 REGFORGLLC # 2
1 @ 20.00 = 20.00 EXPEDITE C # 3

EXHIBIT C

**Neutral Tandem, Inc.'s
Financials from Form 10-K**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-33778

NEUTRAL TANDEM, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

31-1786871
(I.R.S. Employer
Identification No.)

**One South Wacker
Suite 200
Chicago, Illinois**
(Address of principal executive offices)

60606
(Zip Code)

Registrant's telephone number, including area code (312) 384-8000

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.001 Par Value Per Share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant consummated its initial public offering on November 7, 2007. Accordingly, as of June 29, 2007, the last day of the registrant's most recently completed fiscal quarter, the registrant's common stock was not publicly traded. The aggregate market value of the registrant's common stock, \$0.001 par value per share, held by non-affiliates of the registrant on February 15, 2008, was \$293,446,000 (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer, director and each other person known to the registrant who beneficially owns more than 5% or more of the registrant's outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 15, 2008, the registrant had 31,003,962 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Neutral Tandem, Inc. definitive Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after December 31, 2007 are incorporated by reference in Part III of this Form 10-K.

NEUTRAL TANDEM, INC.

FORM 10-K

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Neutral Tandem, Inc.
Chicago, Illinois

We have audited the accompanying consolidated balance sheets of Neutral Tandem, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Neutral Tandem, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
March 4, 2008

NEUTRAL TANDEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except share and per share amounts)

	<u>December 31,</u>	<u>December 31,</u>
	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,020	\$ 20,084
Accounts receivable	12,104	7,876
Deferred tax asset-current	2,242	2,699
Other current assets	<u>1,016</u>	<u>866</u>
Total current assets	127,382	31,525
Property and equipment—net	37,410	29,090
Restricted cash	419	397
Other assets	805	979
Total assets	<u>\$ 166,016</u>	<u>\$ 61,991</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 575	\$ 1,919
Accrued liabilities:		
Circuit cost	5,694	2,735
Rent	1,163	948
Payroll and related items	1,692	891
Other	2,768	1,515
Current installments of long-term debt	<u>4,384</u>	<u>5,317</u>
Total current liabilities	16,276	13,325
Other liabilities	527	2,420
Deferred tax liability-noncurrent	2,095	2,026
Long-term debt—excluding current installments	<u>3,196</u>	<u>7,585</u>
Total liabilities	22,094	25,356
Commitments and Contingencies		
Preferred convertible stock—Series A, par value of \$.001; 9,200,000 authorized shares; 9,000,000 shares issued and outstanding at December 31, 2006 liquidation preference of \$9.0 million at December 31, 2006	—	9,000
Preferred convertible stock—Series B-1, par value of \$.001; 5,830,228 authorized shares; 5,737,416 shares issued and outstanding at December 31, 2006 liquidation preference of \$8.5 million at December 31, 2006	—	8,500
Preferred convertible stock—Series B-2, par value of \$.001; 1,374,752 authorized shares; 1,352,867 shares issued and outstanding at December 31, 2006 liquidation preference of \$8.5 million at December 31, 2006	—	8,500
Preferred convertible stock—Series C, par value of \$.001; 2,009,947 authorized shares; 1,909,947 shares issued and outstanding at December 31, 2006 liquidation preference of \$12.0 million at December 31, 2006	—	12,000
Shareholders' equity (deficit):		
Preferred stock—par value of \$.001; 50,000,000 authorized shares; no shares issued and outstanding at December 31, 2007	—	—
Common stock—par value of \$.001; 150,000,000 authorized shares; 30,832,939 shares and 5,319,434 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively	32	6
Warrants	6,920	—
Additional paid-in capital	132,889	806
Accumulated earnings (deficit)	<u>4,081</u>	<u>(2,177)</u>
Total shareholders' equity (deficit)	143,922	(1,365)
Total liabilities and shareholders' equity (deficit)	<u>\$ 166,016</u>	<u>\$ 61,991</u>

See notes to consolidated financial statements.

Page 00 of 110

NEUTRAL TANDEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2007	2006	2005
Revenue	\$85,555	\$52,866	\$27,962
Operating Expense:			
Network and facilities expense (excluding depreciation and amortization)	30,163	21,305	11,349
Operations	15,536	11,613	8,189
Sales and marketing	1,770	1,553	1,360
General and administrative	9,426	4,166	3,053
Depreciation and amortization	11,076	7,160	3,141
Impairment of fixed assets	—	1,234	—
Loss (gain) on disposal of fixed assets	(144)	333	—
Total operating expense	<u>67,827</u>	<u>47,364</u>	<u>27,092</u>
Income from operations	<u>17,728</u>	<u>5,502</u>	<u>870</u>
Other (income) expense			
Interest expense, including debt discount of \$139, \$124 and \$68, respectively	1,668	1,289	843
Interest income	(1,321)	(778)	(170)
Change in fair value of warrants	4,919	832	674
Other income	—	—	(11)
Total other expense	<u>5,266</u>	<u>1,343</u>	<u>1,336</u>
Income (loss) before income taxes	12,462	4,159	(466)
Provision (benefit) for income taxes	6,204	(499)	—
Net income (loss)	<u>\$ 6,258</u>	<u>\$ 4,658</u>	<u>\$ (466)</u>
Net income (loss) per share:			
Basic	<u>\$ 0.68</u>	<u>\$ 0.88</u>	<u>\$ (0.08)</u>
Diluted	<u>\$ 0.24</u>	<u>\$ 0.20</u>	<u>\$ (0.08)</u>
Weighted average number of shares outstanding:			
Basic	<u>9,248</u>	<u>5,293</u>	<u>5,628</u>
Diluted	<u>26,378</u>	<u>23,481</u>	<u>5,628</u>

See notes to consolidated financial statements.

NEUTRAL TANDEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands)

	<u>Shares Outstanding</u>				Additional Paid-In Capital	Accum Deficit/ Earnings	Total Shareholders' Equity	
	Series X Preferred Shares	Common Shares	Warrants	Common Shares				Warrants
Balance at December 31, 2004	100	5,490,000	—	\$ 5	\$ —	\$ 116	\$(6,242)	\$ (6,121)
Net loss and comprehensive loss	—	—	—	—	—	—	(466)	(466)
Series X conversion to common shares	(100)	417,084	—	—	—	—	—	—
Purchase of common shares for retirement	—	(386,800)	—	—	—	—	—	—
Exercise of stock options	—	15,000	—	—	—	2	—	2
Stock option expense	—	—	—	—	—	29	—	29
Accretion of preferred stock	—	—	—	—	—	—	(53)	(53)
Balance at December 31, 2005	—	5,535,284	—	5	—	147	(6,761)	(6,609)
Net income and comprehensive income	—	—	—	—	—	—	4,658	4,658
Purchase of common shares for retirement	—	(299,100)	—	—	—	(1)	—	(1)
Exercise of stock options	—	83,250	—	1	—	261	—	262
Stock option expense	—	—	—	—	—	399	—	399
Accretion of preferred stock	—	—	—	—	—	—	(74)	(74)
Balance at December 31, 2006	—	5,319,434	—	6	—	806	(2,177)	(1,365)
Net income and comprehensive income	—	—	—	—	—	—	6,258	6,258
Proceeds from issuance of common shares, net of costs	—	7,248,700	—	7	—	93,104	—	93,111
Preferred conversion to common shares	—	18,000,230	—	18	—	37,982	—	38,000
Reclassification of warrants	—	—	402,236	—	6,920	—	—	6,920
Exercise of stock options	—	264,575	—	1	—	91	—	92
Stock option expense	—	—	—	—	—	906	—	906
Balance at December 31, 2007	—	30,832,939	402,236	\$ 32	\$ 6,920	\$132,889	\$ 4,081	\$ 143,922

See notes to consolidated financial statements.

