(15) Summary of Quarterly Information (Unaudited)

The following tables reflect the restatement of our previously issued quarterly condensed consolidated financial statements as discussed in Note 3.

	Three Months Ended March 31, 2006				Three Months Ended June 30, 2006			
	(as previously reported)	Stock-based compensation and related payroll tax withholding adjustments	Other adjustments	(as restated)	(as previously reported)	Stock-based compensation and related payroll tax withholding adjustments	Other adjustments	(as restated)
	(In thousands, except per share amounts)							
Consolidated Statements of Operations Data:								
Net revenue	$ 110,779	$ —	$ —	$ 110,779	$ 127,324	$ —	$ —	$ 127,324
Total costs and operating expenses:								
Data communications and telecommunications (excluding depreciation and amortization)	96,462			96,462	110,981			110,981
Research and development	3,240	17	(9)	3,248	3,539	14	(6)	3,547
Selling and marketing	3,590	13	(8)	3,595	4,260	11	(5)	4,266
General and administrative	4,521	33	(82)	4,472	5,288	75	(150)	5,213
Depreciation and amortization	1,566		(18)	1,548	1,822		(18)	1,804
Restructuring costs	—		72	72	—		105	105
Merger related expenses	—			—	1,542			1,542
Total costs and operating expenses	109,379	63	(45)	109,397	127,432	100	(74)	127,458
Income (loss) from operations	1,400	(63)	45	1,382	(108)	(100)	74	(134)
Interest income	412			412	450			450
Interest expense	(94)			(94)	(95)			(95
Other expense, net	(47)			(47)	(43)			(43)
Foreign exchange (loss) gain	(17)			(17)	148			148
Income (loss) before taxes	1,654	(63)	45	1,636	352	(100)	74	326
Foreign income tax expense	(11)			(11)	(11)			(11)
Net income (loss)	$ 1,643	$ (63)	$ 45	$ 1,625	$ 341	$ (100)	$ 74	$ 315
Net income (loss) per share:								
Basic	$ 0.05	$ (0.00)	$ 0.00	$ 0.05	$ 0.01	$ (0.00)	$ 0.00	$ 0.01
Diluted	$ 0.05	$ (0.00)	$ 0.00	$ 0.05	$ 0.01	$ (0.00)	$ 0.00	$ 0.01
Weighted average common shares outstanding								
Basic	33,257			33,257	33,133			33,133
Diluted	34,335			34,335	34,948			34,948

	Three Months Ended September 30, 2006	Three Months Ended December 31, 2006
Consolidated Statements of Operations Data:		
Net revenue	$ 133,470	$ 139,510
Total costs and operating expenses:		
Data communications and telecommunications (excluding depreciation and amortization)	117,858	122,396
Research and development	3,277	3,426
Selling and marketing	4,281	4,205
General and administrative	7,300	8,077
Depreciation and amortization	1,810	1,893
Write-off of leasehold improvements	1,047	—
Restructuring costs	105	990
Merger related expenses	1,244	210
Total operating expenses	136,922	141,197
Loss from operations	(3,452)	(1,687)
Interest income	508	517
Interest expense	(71)	(77)
Other expense, net	(49)	(49)
Foreign exchange (loss) gain	58	183
Loss before taxes	(3,006)	(1,113)
Foreign income tax expense	(11)	(4)
Net loss	$ (3,017)	$ (1,117)
Basic and diluted net loss per share	$ (0.09)	$ (0.03)
Basic and diluted weighted average common shares outstanding	33,187	33,217

	Three Months Ended March 31, 2005				Three Months Ended June 30, 2005			
	(as previously reported)	Stock-based compensation and related payroll tax withholding adjustments	Other adjustments	(as restated)	(as previously reported)	Stock-based compensation and related payroll tax withholding adjustments	Other adjustments	(as restated)
	(In thousands, except per share amounts)							
Consolidated Statements of Operations Data:								
Net revenue	$ 88,672	$ —	$ —	$ 88,672	$ 94,581	$ —	$ —	$ 94,581
Total costs and operating expenses:								
Data communications and telecommunications (excluding depreciation and amortization)	76,301			76,301	81,874			81,874
Research and development	3,132	29	8	3,169	3,126	33	13	3,172
Selling and marketing	2,727	27		2,754	2,866	29		2,895
General and administrative	3,313	54	30	3,397	3,746	94	30	3,870
Depreciation and amortization	1,720		23	1,743	1,726		(114)	1,612
Restructuring costs	—			—	—			—
Total costs and operating expenses	87,193	110	61	87,364	93,338	156	(71)	93,423
Income (loss) from operations	1,479	(110)	(61)	1,308	1,243	(156)	71	1,158
Interest income	210			210	254			254
Interest expense	(1,246)			(1,246)	(1,116)			(1,116)
Other expense, net	(20)			(20)	(140)			(140)
Foreign exchange (loss) gain	(233)			(233)	(347)			(347)
Debt conversion premium and transaction costs	—			—	(661)			(661)
Income (loss) before taxes	190	(110)	(61)	19	(767)	(156)	71	(852)
Foreign income tax expense	—			—	—			
Net income (loss)	$ 190	$ (110)	$ (61)	$ 19	$ (767)	$ (156)	$ 71	$ (852)
Net income (loss) per share:								
Basic	$ 0.01	$ (0.01)	$ (0.00)	$ 0.00	$ (0.03)	$ (0.01)	$ 0.00	$ (0.04)
Diluted	$ 0.01	$ (0.01)	$ (0.00)	$ 0.00	$ (0.03)	$ (0.01)	$ 0.00	$ (0.04)
Weighted average common shares outstanding								
Basic	21,661			21,661	21,998			21,998
Diluted	23,149			23,149	21,998			21,998

	Three Months Ended September 30, 2005				Three Months Ended December 31, 2005			
	(as previously reported)	Stock-based compensation and related payroll tax withholding adjustments	Other adjustments	(as restated)	(as previously reported)	Stock-based compensation and related payroll tax withholding adjustments	Other adjustments	(as restated)
	(In thousands, except per share amounts)							
Consolidated Statements of Operations Data:								
Net revenue	$ 94,644	$ —	$ —	$ 94,644	$ 107,588	$ —	$ —	$ 107,588
Total costs and operating expenses:								
Data communications and telecommunications (excluding depreciation and amortization)	83,143			83,143	94,834			94,834
Research and development	3,076	22	5	3,103	3,101	21	2	3,124
Selling and marketing	2,999	19		3,018	3,026	19		3,045
General and administrative	4,102	77	(105)	4,074	4,177	35	(10)	4,202
Depreciation and amortization	1,682		(114)	1,568	1,584			1,584
Restructuring costs	—		135	135	83			83
Total costs and operating expenses	95,002	118	(79)	95,041	106,805	75	(8)	106,872
Income (loss) from operations	(358)	(118)	79	(397)	783	(75)	8	716
Interest income	294			294	351			351
Interest expense	(128)			(128)	(111)			(111)
Other expense, net	(40)			(40)	(124)			(124)
Foreign exchange (loss) gain	(174)			(174)	(185)			(185)
Debt conversion premium and transaction costs	(1,314)			(1,314)	—			—
Income (loss) before taxes	(1,720)	(118)	79	(1,759)	714	(75)	8	647
Foreign income tax expense	—			—	93			93
Net income (loss)	$ (1,720)	$ (118)	$ 79	$ (1,759)	$ 621	$ (75)	$ 8	$ 554
Net income (loss) per share:								
Basic	$ (0.06)	$ (0.00)	$ 0.00	$ (0.06)	$ 0.02	$ (0.00)	$ 0.00	$ 0.02
Diluted	$ (0.06)	$ (0.00)	$ 0.00	$ (0.06)	$ 0.02	$ (0.00)	$ 0.00	$ 0.02
Weighted average common shares outstanding								
Basic	29,641			29,641	33,682			33,682
Diluted	29,641			29,641	35,034			35,034

Condensed Consolidated Balance Sheet	As of March 31, 2006 (as previously reported)	Stock-Based Compensation and Related Payroll Withholding Adjustments	Other Adjustments	(as restated)
	(In thousands, except per share data)			
Assets				
Cash and cash equivalents	$ 27,856	$ —	$ —	$ 27,856
Short-term marketable investments	18,191			18,191
Accounts receivable, net of allowance for doubtful accounts of $2,807	52,067		(551)	51,516
Prepaid expenses and other current assets	3,489			3,489
Total current assets	101,603		(551)	101,052
Property and equipment, at cost:				
Network equipment	50,550			50,550
Equipment under capital lease	4,917			4,917
Computer software	10,535			10,535
Leasehold improvements	6,984			6,984
Furniture and fixtures	1,050			1,050
	74,036			74,036
Less: Accumulated depreciation and amortization	(60,301)		(319)	(60,620)
Property and equipment, net	13,735		(319)	13,416
Other assets	330			330
Total assets	$ 115,668	$ —	$ (870)	$ 114,798
Liabilities and Stockholders' Equity				
Accounts payable	$ 33,213	$ —	$ —	$ 33,213
Accrued expenses	27,569	274	(251)	27,592
Deferred revenue	10,517			10,517
Current portion of long-term debt	1,629			1,629
Total current liabilities	72,928	274	(251)	72,951
Long term debt, net of current portion	1,798			1,798
Other long term liabilities	796			796
Stockholders' equity:				
Common stock, $0.001 par value, authorized—170,000 shares; issued—34,179 shares	34			34
Treasury stock; 1,069 shares at cost	(4,358)			(4,358)
Additional paid-in capital	474,261	10,007	(256)	484,012
Accumulated other comprehensive loss	(16)			(16)
Accumulated deficit	(429,775)	(10,281)	(363)	(440,419)
Total stockholders' equity	40,146	(274)	(619)	39,253
Total liabilities and stockholders' equity	$ 115,668	$ —	$ (870)	$ 114,798

Condensed Consolidated Balance Sheet	(as previously reported)	Stock-Based Compensation and Related Payroll Withholding Adjustments	Other Adjustments	(as restated)
	As of June 30, 2006 (In thousands, except per share data)			
Assets				
Cash and cash equivalents	$ 30,020	$ —	$ —	$ 30,020
Short-term marketable investments	19,400			19,400
Accounts receivable, net of allowance for doubtful accounts of $3,182	56,193		(582)	55,611
Prepaid expenses and other current assets	3,173			3,173
Total current assets	108,786		(582)	108,204
Property and equipment, at cost:				
Network equipment	48,612			48,612
Equipment under capital lease	4,917			4,917
Computer software	10,271		23	10,294
Leasehold improvements	7,037			7,037
Furniture and fixtures	998			998
	71,835		23	71,858
Less: Accumulated depreciation and amortization	(58,211)		(301)	(58,512)
Property and equipment, net	13,624		(301)	13,346
Other assets	325			325
Total assets	$ 122,735	$ —	$ (860)	$ 121,875
Liabilities and Stockholders' Equity				
Accounts payable	$ 38,621	$ —	$ —	$ 38,621
Accrued expenses	26,971	317	(288)	27,000
Deferred revenue	11,738			11,738
Current portion of long-term debt	1,661			1,661
Total current liabilities	78,991	317	(288)	79,020
Long term debt, net of current portion	1,370			1,370
Other long term liabilities	922			922
Stockholders' equity:				
Common stock, $0.001 par value, authorized—170,000 shares; issued—34,216 shares	34			34
Treasury stock; 1,069 shares at cost	(4,358)			(4,358)
Additional paid-in capital	475,223	10,064	(283)	485,004
Accumulated other comprehensive loss	(13)			(13)
Accumulated deficit	(429,434)	(10,381)	(289)	(440,104)
Total stockholders' equity	41,452	(317)	(572)	40,563
Total liabilities and stockholders' equity	$ 122,735	$ —	$ (860)	$ 121,875

Condensed Consolidated Balance Sheet	As of March 31, 2005 (as previously reported)	Stock-Based Compensation and Related Payroll Withholding Adjustments	Other Adjustments	(as restated)
	(In thousands, except per share data)			
Assets				
Cash and cash equivalents	$ 22,719	$ —	$ —	$ 22,719
Short-term marketable investments	18,876			18,876
Accounts receivable, net of allowance for doubtful accounts of $3,507	41,761		(179)	41,582
Prepaid expenses and other current assets	2,937			2,937
Total current assets	86,293		(179)	86,114
Property and equipment, at cost:				
Network equipment	58,605			58,605
Equipment under capital lease	1,867			1,867
Computer software	10,213			10,213
Leasehold improvements	6,457			6,457
Furniture and fixtures	1,071			1,071
	78,213			78,213
Less: Accumulated depreciation and amortization	(66,951)		(565)	(67,516)
Property and equipment, net	11,262		(565)	10,697
Deferred debt financing costs	165			165
Other assets	284			284
Total assets	$ 98,004	$ —	(744)	$ 97,260
Liabilities and Stockholders' Deficit				
Accounts payable	$ 25,824	$ —	$ —	$ 25,824
Accrued expenses	20,084	139	51	20,274
Deferred revenue	7,372			7,372
Current portion of long-term debt	655			655
Total current liabilities	53,935	139	51	54,125
Long term debt, net of current portion	65,594			65,594
Other long term liabilities	1,061			1,061
Stockholders' equity:				
Common stock, $0.001 par value, authorized—170,000 shares; issued—22,106 shares	22			22
Treasury stock; 356 shares at cost	(341)			(341)
Additional paid-in capital	407,321	10,067	(229)	417,159
Deferred compensation	—	(337)		(337)
Accumulated other comprehensive loss	(36)			(36)
Accumulated deficit	(429,552)	(9,869)	(566)	(439,987)
Total stockholders' deficit	(22,586)	(139)	(795)	(23,520)
Total liabilities and stockholders' deficit	$ 98,004	$ —	$ (744)	$ 97,260

Condensed Consolidated Balance Sheet	As of June 30, 2005 (as previously reported)	Stock-Based Compensation and Related Payroll Withholding Adjustments	Other Adjustments	(as restated)
	(In thousands, except per share data)			
Assets				
Cash and cash equivalents	$ 24,111	$ —	$ —	$ 24,111
Short-term marketable investments	18,506			18,506
Accounts receivable, net of allowance for doubtful accounts of $3,391	39,673		(256)	39,417
Prepaid expenses and other current assets	2,825			2,825
Total current assets	85,115		(256)	84,859
Property and equipment, at cost:				
Network equipment	59,582			59,582
Equipment under capital lease	3,065			3,065
Computer software	10,337			10,337
Leasehold improvements	6,463			6,463
Furniture and fixtures	1,064			1,064
	80,511			80,511
Less: Accumulated depreciation and amortization	(68,659)		(451)	(69,110)
Property and equipment, net	11,852		(451)	11,401
Deferred debt financing costs	155			155
Other assets	374			374
Total assets	$ 97,496	$ —	$ (707)	$ 96,789
Liabilities and Stockholders' Deficit				
Accounts payable	$ 26,399	$ —	$ —	$ 26,399
Accrued expenses	18,419	190	17	18,626
Deferred revenue	7,441			7,441
Current portion of long-term debt	1,017			1,017
Total current liabilities	53,276	190	17	53,483
Long term debt, net of current portion	54,019			54,019
Other long term liabilities	1,079			1,079
Stockholders' equity:				
Common stock, $0.001 par value, authorized—170,000 shares; issued—24,362 shares	24			24
Treasury stock; 356 shares at cost	(341)			(341)
Additional paid-in capital	419,786	10,075	(229)	419,786
Deferred compensation	—			
Accumulated other comprehensive loss	(28)	(240)		(28)
Accumulated deficit	(430,319)	(10,025)	(495)	(430,319)
Total stockholders' deficit	(10,878)	(190)	(724)	(10,878)
Total liabilities and stockholders' deficit	$ 97,496	$ —	$ (707)	$ 97,496

Condensed Consolidated Balance Sheet	As of September 30, 2005 (as previously reported)	Stock-Based Compensatio and Related Payroll Withholding Adjustments	Other Adjustments	(as restated)
	(In thousands, except per share data)			
Assets				
Cash and cash equivalents	$ 19,935	$ —	$ —	$ 19,935
Short-term marketable investments	23,375			23,375
Accounts receivable, net of allowance for doubtful accounts of $2,257	43,723		(249)	43,474
Prepaid expenses and other current assets	3,179			3,179
Total current assets	90,212		(249)	89,963
Property and equipment, at cost:				
Network equipment	59,938			59,938
Equipment under capital lease	4,152			4,152
Computer software	10,516			10,516
Leasehold improvements	6,692			6,692
Furniture and fixtures	1,061			1,061
	82,359			82,359
Less: Accumulated depreciation and amortization	(70,338)		(337)	(70,675)
Property and equipment, net	12,021		(337)	11,684
Other assets	365			365
Total assets	$ 102,598	$ —	$ (586)	$ 102,012
Liabilities and Stockholders' Equity				
Accounts payable	$ 27,545	$ —	$ —	$ 27,545
Accrued expenses	20,731	239	59	21,029
Deferred revenue	8,442			8,442
Current portion of long-term debt	1,370			1,370
Total current liabilities	58,088	239	59	58,386
Long term debt, net of current portion	1,997			1,997
Other long term liabilities	1,016			1,016
Stockholders' equity:				
Common stock, $0.001 par value, authorized—170,000 shares; issued—34,120 shares	34			34
Treasury stock; 356 shares at cost	(341)			(341)
Additional paid-in capital	473,871	10,079	(229)	483,721
Deferred compensation	—	(175)		(175)
Accumulated other comprehensive loss	(28)			(28)
Accumulated deficit	(432,039)	(10,143)	(416)	(442,598)
Total stockholders' equity	41,497	(239)	(645)	40,613
Total liabilities and stockholders' equity	$ 102,598	$ —	$ (586)	$ 102,012

Item 9. ***Change in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

Special Committee Review of Historical Stock Option Granting Practices and Restatement of Consolidated Financial Statements

Background Findings and Restatement

As discussed in the Explanatory Note preceding Part I and in Note 3 in the Notes to the Consolidated Financial Statements of this Form 10-K, on August 20, 2006 our board of directors formed a Special Committee of independent directors to commence a voluntary internal investigation of our historical stock option grants and practices. The Special Committee was given broad authority to investigate and address our historical stock option grants and practices. The Special Committee was composed of two independent members of our Board of Directors, W. Frank King and Robert H. Brumley. The Special Committee retained the law firm of Goodwin Procter LLP as its independent outside counsel. Goodwin Procter LLP hired Law and Economics Consulting Group as independent accounting experts to aid in its investigation.

On October 17, 2006, the Special Committee concluded that the measurement dates for determining the accounting treatment of certain historical stock option grants differed from the measurement dates used by us in preparing our financial statements. Because the prices at the originally stated grant dates were, in certain cases, lower than the prices on the actual dates of the determination, we determined that it should have recognized material amounts of stock-based compensation expense which were not accounted for in our previously issued financial statements. The Special Committee also found in a number of instances that the date and exercise price of option grants had been determined, with hindsight, to provide a more favorable price for such grants.

On October 18, 2006, the Audit Committee, in consultation with management, concluded that our previously issued unaudited interim and audited annual consolidated financial statements for fiscal 1999 and subsequent periods through June 30, 2006, should no longer be relied upon because these financial statements contained material misstatements and would need to be restated. We subsequently determined that fiscal 1999 did not require restatement.

In accordance with the determinations of the Special Committee's investigation, our Board of Directors terminated the employment of our Vice President, Business Affairs and General Counsel and directed our compensation committee to adjust downward the compensation for the upcoming fiscal year for both our Chief Executive Officer, Ofer Gneezy, and our Executive Vice President, Gordon VanderBrug, because their oversight of our stock option granting practices was inadequate. Additionally, the Special Committee recommended, and we have implemented, changes to our stock-based compensation transaction procedures and approval policies that require additional and more systematic authorization to ensure that all stock option transactions adhere to our approval process and stated policies, and that all such transactions are properly recorded in our stock administration systems and have appropriate supporting documentation.

Our management determined that we did not maintain effective entity level controls over the granting, approval and documentation of stock options based on criteria established in the COSO framework as of September 30, 2006. Specifically, we did not maintain controls adequate to prevent or detect instances of either (i) intentional override or intervention of our controls, or (ii) misconduct by a former member of senior management and we did not maintain controls to provide reasonable assurance that historical measurement dates for stock option grants to employees were appropriately determined and the Company's accounting for those grants was in accordance with Accounting Principles Board Opinion 25, Accounting for Stock Issued to Employees and, beginning January 1, 2006 Financial Accounting

Standard No. 123(R), Share-based Payments. This material weakness resulted in the restatement described in Note 3 to the restated consolidated financial statements included in this Form 10-K. Our management determined that this control deficiency was a design deficiency in our entity level controls and was a material weakness as of September 30, 2006, based upon the actual misstatements identified, the potential for additional material misstatements to have occurred as a result of the deficiency, and the lack of other mitigating controls.

Changes in internal controls

Management has taken steps to remediate the material weakness identified above by implementing changes to our internal control over financial reporting as of December 31, 2006. Specifically, management, along with our Board of Directors, has implemented changes during the fourth quarter of 2006 to our option granting process for the timing, approval and pricing of stock option grants as detailed below:

- All option grants to our employees must be approved in minuted meetings of our Compensation Committee;
- The exercise price of each stock option will be the closing price on the date of the Compensation Committee meeting;
- In advance of each meeting, our Compensation Committee will receive information from management, including, but not limited to, information related to the number of options in the pool and a recommendation of option recipients, including the number of options for each recommended recipient;
- All option grants other than new hire grants will be granted at the same time each year;
- If the Compensation Committee agrees to a grant date other than the ordinarily prescribed time, the grants must be approved in a minuted meeting of the Compensation Committee;
- Every offer letter must state that each option is subject to approval by our Compensation Committee and that the exercise price of option grants will be the closing price on the date of approval by our Compensation Committee;

Our management and Board of Directors will also be implementing the following changes to our option granting process in 2007 as detailed below:

- Our Compensation Committee has adopted a written charter in January 2007, taking into account similarly situated corporations and industry-wide best practices.
- Our Compensation Committee will arrange for counsel, in conjunction with outside third parties as deemed necessary, to provide training to management on stock option granting practices and accounting on at least a biannual basis;
- Our Compensation Committee shall be required to do a self-assessment process and communicate the results to the full Board.

Additionally, management is investing in ongoing efforts to continuously improve the control environment and has committed considerable resources to the continuous improvement of the design, implementation, documentation, testing and monitoring of our internal controls.

During the quarter ended December 31, 2006, there have not been any other changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of disclosure controls and procedures

As of December 31, 2006, we carried out an evaluation, under the supervision and with the participation of our management, including the our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the securities and Exchange Act of 1934, as amended . Based upon that evaluation, our management, including our Chief Executive Officer and the Chief Financial Officer, concluded that our disclosure controls and procedures are effective.

Management's Annual Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon that evaluation, management has concluded that our internal control over financial reporting was effective on December 31, 2006.

Our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and such firm has issued an attestation report on management's assessment of our internal control over financial reporting, which appears on page 108.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that compliance with the policies or procedures may deteriorate.

Item 9B. *Other Information*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of iBasis, Inc.:

We have audited management's assessment, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*, that iBasis, Inc. and its subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2006, of the Company and our report dated June 11, 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to the adoption of a new accounting standard.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
June 11, 2007

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The following table sets forth information on each of our directors.

Director's Name	Age	Position(s) Held	Director Since	Year Term Will Expire	Class of Director
Ofer Gneezy	55	President, Chief Executive Officer, Treasurer and Director	1996	2008	3
Gordon J. VanderBrug	64	Executive Vice President, Assistant Secretary and Director	1996	2009	1
Charles N. Corfield(1)(2)(5)	48	Director	1997	2008	3
Charles M. Skibo(1)(3)(5)	68	Director	1999	2007	2
W. Frank King(2)(3)(4)(5)	67	Director	2001	2007	2
David Lee(2)(3)(5)	69	Director	2002	2009	1
Robert H. Brumley (4)(5)	58	Director	2005	2008	3

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Shareholder Litigation Committee.

(4) Member of the Special Committee.

(5) Our Board of Directors has determined these directors to be independent in accordance with The Nasdaq Stock Market listing rules.

Mr. Gneezy co-founder of iBasis, has served as President, Chief Executive Officer, Treasurer and director since our formation in August 1996. From 1994 to 1996, Mr. Gneezy served as President of Acuity Imaging, Inc., a multinational company focused on the industrial automation industry. From 1980 to 1994, Mr. Gneezy was an executive of Automix, Inc. (a predecessor to Acuity Imaging), an industrial automation company, most recently having served as its President and Chief Executive Officer. Since July 2000, Mr. Gneezy has served as a director and a member of the Audit Committee of NMS Communications Corporation, which provides communication solutions for wireless and wireline networks. Mr. Gneezy graduated form Tel-Aviv University, has a Masters of Science in engineering from M.I.T and is a graduate of the Advanced Management Program at Harvard's University's Graduate School of Business Administration.

Dr. VanderBrug co-founder of iBasis, has served as Executive Vice President, Assistant Secretary and director of iBasis since October 1996. From 1991 to 1996, Dr. VanderBrug was the Director of Marketing, Electronic Imaging Systems of Polaroid Corporation. In 1980, Dr. VanderBrug co-founded Automatix, Inc. Dr. VanderBrug received his B.A. in mathematics from Calvin College, an M.A. in mathematics from Wayne State University, and his Ph.D. in computer science from the University of Maryland.

Mr. Corfield has been a director of iBasis since September 1997. Since 2000, Mr. Corfield has been the Chief Executive Officer of SandCherry Networks. Mr. Corfield co-founded Frame Technology, a software company, in 1986 and was a member of its board of directors and its Chief Technology Officer until Adobe Systems acquired it in 1995. Mr. Corfield serves on the board of directors of SandCherry Networks, BeVocal, and Intuicom.

Mr. Skibo has been a director of iBasis since September 1999. Mr. Skibo was the Chief Executive Officer of Salvage Services of America, Inc., ("SSA") from March 2006 until April 2007. Prior to his position with SSA, from September 2004 until June 2005, Mr. Skibo served as the Chief Executive Officer and as a director of HouseRaising, Inc., a public company focused on software and custom home building services. He served as President of iBasis Speech Solutions, Inc. from November 2001 to July 2002. From January 1999 to September 2001, Mr. Skibo served as the Chief Executive Officer and Chairman of Colo.com, a company that provided facilities and co-location services to communication and information technology industries. Since 1994, Mr. Skibo has also served as Chairman and Chief Executive Officer of Strategic Enterprises and Communications, Inc., a venture capital firm. From 1985 to 1987, Mr. Skibo was President and Chief Executive Officer of US Sprint and its predecessor company, US Telecom. Mr. Skibo is a director of CyraCom International, Inc., a private company providing interpretation services to the hospital industry and Pay Ease, a private company focused on providing payment systems over the Internet.

Dr. King has been a private investor since November 1998 and a director of iBasis since June 2001. From 1992 to 1998, he was Chief Executive Officer and director of PSW Technologies, Inc. (formerly a division of Pencom, Inc.), a provider of software services. From 1988 to 1992, Dr. King was Senior Vice President of Development of Lotus Development Corporation, and for the previous 19 years he served in various positions with IBM Corporation, including his last position as Vice President of Development for the entry system division. Dr. King is a director of NMS Communications, Inc. and eOn Communications Corporation.

Mr. Lee has been a director of iBasis since May 2002. Mr. Lee has founded, served as chairman, and held senior executive positions at several communications technology companies, including ITT Corporation. Mr. Lee joined ITT after that company acquired Qume Corporation, a company he had co-founded in 1973. At ITT Qume, Mr. Lee held the positions of Executive Vice President from 1978 to 1981, and President from 1981 through 1983. Mr. Lee later became President and Chairman of Data Technology Corporation. Through his service on the Advisory Committee on Trade Policy and Negotiation for Presidents Bush (senior) and Clinton, and his role on President George W. Bush's Council on the 21st Century Workforce, Mr. Lee is one of the world's foremost experts on US-China commerce and the Chinese telecommunications industry. Mr. Lee is Chairman of the Board of eOn Communications Corporation, and is a director of Linear Technology Corporation. Mr. Lee also served as a Regent for the University of California.

Mr. Brumley has been a director of iBasis since September 2005. Mr. Brumley has been President and CEO of TerreStar Networks, an emerging provider of advanced mobile satellite services, since August 2005. Prior to joining TerreStar, Mr. Brumley was founder and managing member of Pegasus Global LLC, an international development and advisory services firm specializing in technology, capital formation, and market strategies and solutions for domestic and international companies from January 2002 until August 2005. From January 2000 until January 2002, Mr. Brumley was the Executive Vice President for Strategy and Corporate Development for Cambrian Communications, LLC, a wholesale metropolitan area network provider. Cambrian Communications filed for bankruptcy in September 2002. Mr. Brumley is a director of Motient Corporation.

Executive Officers

The following table sets forth information on each of our executive officers who are not also our directors:

Name	Age	Position
Dan Powdermaker	43	Senior Vice President of Worldwide Sales
Paul H. Floyd	49	Senior Vice President of R&D, Engineering and Operations
Richard G. Tennant	62	Senior Vice President of Finance and Administration and Chief Financial Officer
Mark S. Flynn	53	Chief Legal Officer and Corporate Secretary

Mr. Powdermaker has served as our Senior Vice President of Worldwide Sales since June 2002. An early member of the iBasis management team, Mr. Powdermaker has spent the past seven years at iBasis developing relationships with carriers and service providers around the world and establishing the sales force to support these customers and partners. During that time, he has worked to bring iBasis' initial U.S. customers onto The iBasis Network™, has served as Vice President of Sales for Asia and more recently as Vice President, Europe, the Middle East and Africa. Prior to joining iBasis, Mr. Powdermaker worked in sales management for AT&T Global Markets, a networking services division of AT&T focused on the world's 2,000 largest telecommunications users.

Mr. Floyd has served as our Senior Vice President of R&D, Engineering and Operations since September 2001. From April 2001 until September 2001, Mr. Floyd was our Vice President of Research and Development. Prior to joining iBasis, from 2000 until January 2001, Mr. Floyd was a Senior Vice President of DSL Business at Paradyne Networks, Inc., a manufacturer of high-speed broadband access products and technology that support and manage high-bandwidth applications and network traffic. From 1996 to 2000, Mr. Floyd served as Vice President of Research and Development and Engineering at Paradyne.

Mr. Tennant has served as our Chief Financial Officer since October 2001 and was promoted on February 16, 2006 from Vice President of Finance and Administration to Senior Vice President of Finance and Administration. From June 2000 to September 2001, Mr. Tennant was the Vice President, Chief Financial Officer and Treasurer of ScoreBoard, Inc., a software company providing optimization solutions for wireless carriers. From 1999 to 2000, Mr. Tennant served as Senior Vice President and Chief Financial Officer of Orbcomm Global, L.P., the world's first commercial provider of global low-earth satellite data and messaging services. From 1997 to 1999, Mr. Tennant served as Senior Vice President and Chief Financial Officer of Information Resource Engineering, now known as SafeNet, Inc., a developer and manufacturer of security and encryption products for computer data networks.

Mr. Flynn has served as our Chief Legal Officer and Corporate Secretary since February 2007. Previously, from 2001 to 2006, Mr. Flynn was Vice President, General Counsel and Secretary of Imagistics International Inc., a NYSE traded provider of office imaging products and services. Prior to joining Imagistics, Mr. Flynn was a partner in the corporate department of the law firm of Wiggin and Dana LLP in Stamford, CT. from 1999 to 2001. Previously Mr. Flynn was Senior Deputy General Counsel with Olin Corporation, a diversified manufacturer, from 1997 to 1999; Executive Vice President, General Counsel and Secretary of ServiceMaster Diversified Health Services, L.P., a nursing home management and development company, from 1992 to 1997; and Vice President, General Counsel and Secretary of Arcadian Corporation, a fertilizer manufacturer, from 1989 to 1992.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, as well as persons who own more than ten percent of a registered class of our equity securities to file reports of ownership on Forms 3, 4, and 5 with the SEC and with us. Based on our review of copies of such forms, all officers, directors and 10% holders complied with the Section 16(a) filing requirements.

Code of Ethics

We have adopted a code of ethics that applies to each officer, employee and member of our Board of Directors. This code of ethics is available on our website at *www.ibasis.com*. We post any amendments or waivers of the Code of Ethics on our website. A free copy of this code may be obtained by visiting this site, writing to our Investor Relations Department at iBasis, Inc., 20 Second Avenue, Burlington, MA 01803, or by sending an email to *ir@ibasis.net*.

Shareholder Proposals and Communications

There have not been any changes to the procedures by which shareholders may recommend nominees to our Board of Directors since the procedures were described in our 2006 Annual Meeting Proxy filed on March 23, 2006.

Audit Committee

The Audit Committee of the board of directors is composed of three directors, Charles Corfield, David Lee and W. Frank King, each of whom is independent as defined by The Nasdaq Stock Market listing rules. Our Board of Directors made an affirmative determination as to the independence of each member of the Audit Committee, including a determination that no member of the Audit Committee has a relationship with iBasis that may interfere with his independence from iBasis and its management. No member of the Audit Committee has participated in the preparation of our financial statements, and each committee member is able to read and understand fundamental financial statements, including our balance sheet, income statement, and cash flow statement. Our Board of Directors has determined that Dr. King is an audit committee financial expert as defined by applicable rules and regulations under the Exchange Act.

Item 11. *Executive Compensation*

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

Compensation Objectives

Our compensation programs are designed to meet the following objectives:

- Offer compensation opportunities that attract highly qualified executives, reward outstanding initiative and achievement, and retain the leadership and skills necessary to build long-term shareholder value;
- Emphasize pay-for-performance by maintaining a significant portion of executives' total compensation at risk, tied to both our annual and long-term financial performance and the creation of shareholder value; and
- Further our short and long-term strategic goals and values by aligning executive officer compensation with business objectives and individual performance.

Our Compensation Committee believes that an executive's compensation should be tied not just to how the individual executive performs, but also to how well we and our management team perform against both financial and non-financial goals.

Compensation Elements

Our executive compensation program is intended to be simple and clear, and consists of the following elements (depending on individual performance as well as our performance):

- Base salary;
- Annual performance-based cash bonus;
- Commissions (only for Mr. Powdermaker);
- Long-term incentives in the form of stock options;
- Severance and change in control arrangements; and
- Benefits that are offered to executives on the same basis as our non-executive employees; and

Targeted Compensation and Compensation Mix

In determining all of our compensation elements, we have historically targeted the median of the market. However, in the third quarter of 2002, in order to facilitate our efforts to reduce our debt obligations, we instituted a salary freeze that resulted in compensation well below the median of the market, which also helped us to perform in a very challenging business climate with limited internally generated capital resources. In the first quarter of 2006, due to our improved financial position and due to our desire to continue to retain our executive officers and hire new employees, we lifted this salary freeze and modestly increased salaries. Although our business environment remains challenging, the growth in our business and other actions taken by our management to strengthen our capital structure have improved our overall financial performance and we are now in a position to target compensation at the median of the market again. Our 2007 Base Salary increases discussed below reflect this change in policy. Actual compensation paid to each executive officer will be above or below the targeted percentile based on individual employee performance and our performance, attraction and retention considerations, internal equity considerations, executive seniority, and other key business factors.

Role of Management in Determining Compensation Decisions

At the request of our Compensation Committee, our management makes recommendations to our Compensation Committee relating to executive compensation program design, specific compensation amounts, bonus targets, incentive plan structure and other executive compensation related matters, including with respect to such matters pertaining to our Chief Executive Officer. Our Compensation Committee maintains decision making authority with respect to these executive compensation matters.

Our Compensation Committee reviews the recommendations of our management with respect to total executive compensation and each element of compensation when making pay decisions. In allocating compensation among compensation elements, we emphasize incentive, not fixed compensation to ensure that executives only receive superior pay for superior results. We equally value short- and long-term compensation because both short- and long-term results are critical to our success.

Compensation Elements

Our executive compensation program has three primary integrated components: base salary, annual incentive awards, and long term-incentive awards in the form of stock options. We also provide severance and acceleration of vesting of options to our executives under certain arrangements we have with them under their employment agreements or offer letters. In addition, our compensation program is comprised of various benefits provided to all employees, including life insurance, health insurance, dental insurance and other customary benefits. The objectives and details of why each element of compensation is paid are described below.

Base Salary

Our objective for paying base salaries to executives is to reward them for performing the core responsibilities of their positions and to provide a level of security with respect to a portion of their compensation. Our Compensation Committee considers a number of factors when setting base salaries for executives, including the following:

- Existing salary levels;
- Competitive pay practices;
- Individual and corporate performance; and
- Internal equity among our executives, taking into consideration their relative contributions to our success.

In the first quarter of 2006, we lifted the base salary freeze and increased base salaries for our executive officers by approximately 3% to 4% which we determined to be an appropriate amount based on our cash constraints. Although we recognized that these modest increases would not compensate for the extended freeze, we believed that even a small increase would be symbolically significant, signaling renewed confidence in our business. Given the length of the duration of the salary freeze, and despite this salary increase, our Compensation Committee believed that our named executive officers' 2006 base salaries remained significantly behind the competitive market. Distinctions among individual performance of our named executives and internal equity considerations were not significant factors in determining 2006 base salary levels. The actual salary earned by our each of our named executive officers in 2006 can be found in the Summary Compensation Table.

Annual Incentive Awards

Our objective for offering annual cash bonus awards to our named executive officers is to motivate them to achieve our financial goals, while taking into account their individual goals and responsibilities. Our Compensation Committee implemented our 2006 executive officer bonus plan, effective as of the first quarter of 2006 pursuant to which our named executive officers became eligible to receive cash bonus awards payable in early 2007, except that Mr. Powdermaker's bonus is calculated and paid on a quarterly basis, and the commission portion of his incentive compensation is calculated and paid on a monthly basis in accordance with our 2006 commission plan that we have established for him as the head of our sales organization. The amounts payable under our 2006 executive officer bonus plan were to be calculated based on our net income for fiscal 2006 against the 2006 financial plan approved by our Board of Directors.

Under our 2006 executive officer bonus plan, we assigned a specific bonus target to each executive for performance in 2006. Our Compensation Committee intentionally designed these bonus targets to allow for superior pay in the event we have superior financial results and also to offset the low base salaries that had resulted from the previous salary freeze. Cash bonus targets were determined based on individual responsibility levels and performance expectations and would be payable in a proportionate amount representing the percentage of our targeted corporate net income goal pursuant to our 2006 financial plan. In addition, Mr. Powdermaker received a bonus target substantially less than the target of our other executive officers as he also receives a bonus payment based on a sales commission plan. Our management made recommendations to our Compensation Committee regarding suggested 2006 target bonuses based on competitive total cash survey data. In reviewing our management's proposal, our Compensation Committee considered the below-market base salaries, the difficulty level of reaching the incentivized targets, executive officer performance and the survey data provided by management. After discussion and deliberation, our Compensation Committee approved our management's recommendations. Our 2006 executive officer bonus plan is described in detail below the Grant of Plan Based Awards table.

Payouts under our 2006 executive officer bonus plan are dependent on our achievement towards the net income goal such that 100% of the bonus target amounts would be paid upon achievement of 100% of the net income goal. Above and below target performance methodologies were also established.

We and our Compensation Committee consider the specific net income goals in our 2006 financial plan to be our confidential information, the disclosure of which would cause us to experience financial harm. The target in our 2006 executive officer bonus plan was aggressively set with a high level of difficulty for achievement as demonstrated by the maximum actual 2006 bonus payout for any named executive officer at substantially below 100% of the target payout. We believe that tying annual bonus payments for each of our named executive officers to the achievement of challenging net income goals best aligns the interest of our executives with the interests of our shareholders and promotes a unity of purpose among our key business leaders.

Regardless of our actual financial performance under our 2006 financial plan, our Compensation Committee retained the discretion to adjust bonuses payable under our 2006 executive officer bonus plan up or down as it deemed appropriate. Our Compensation Committee reviewed our performance as it related to our 2006 financial plan and determined to revise the definition of net income before determining the formulaic payout under our 2006 executive officer bonus plan. Our Compensation Committee determined that for Messrs. Tennant, Floyd and Powdermaker, the definition of net income should be revised to eliminate the impact of non-recurring expenses related to our stock option grant investigation, the KPN transaction and a lease termination charge. After these adjustments, the bonus payouts were at 56.19% of the target bonus for Messrs. Tennant and Floyd and 50% for Mr. Powdermaker. Mr. Powdermaker's bonus payout was less due to the quarterly calculation and quarterly payment of his bonus.

For Mr. Gneezy and Mr. VanderBrug, the Compensation Committee did not, in calculating their bonus payments, revise net income by eliminating the impact of the stock option investigation related expenses due to the fact that they were our most senior officers with the ultimate oversight responsibility for our stock option grant practices and our Compensation Committee did not consider it appropriate to eliminate this financial impact. Their bonus payouts were at 33% of their target bonus. Actual bonus payouts for 2006 that were paid in 2007 can be found in the Summary Compensation Table.

Mr. Powdermaker is also compensated by commissions tied directly to his meeting wholesale gross profit quotas on a monthly basis to recognize the contributions he makes throughout the year toward our 2006 quotas, which is consistent with the compensation structure of the sales organization that he leads.

Long-Term Incentives

Our named executive officers are eligible to receive long-term incentive awards under our Stock Plan. Our objectives of providing our named executive officers with long-term incentive awards are:

- To align executive and shareholder interests;
- To provide a competitive compensation package; and
- To provide for retention of executives through the use of vesting over time.

In 2006, all long-term incentive awards were issued in the form of stock options. Our stock options for all our employees, including our named executive officers, vest in quarterly installments, generally over four years.

When determining the potential grant of option awards for a named executive officer, our Compensation Committee considers the following factors:

- The executive officer's current contribution to our performance;
- Our executive retention objectives;
- The executive officer's anticipated contribution to meeting our long-term strategic performance goals;
- Industry practices and norms; and
- The executive officer's existing level of stock ownership, and whether past incentives are still effective.

Our management made recommendations to our Compensation Committee regarding the 2006 stock option grants. In reviewing management's proposal, our Compensation Committee considered each executive officer's current contribution to our overall performance, our executive officer retention objectives, the executive officer's anticipated contribution to meeting our long-term strategic performance goals, and industry practices and norms. After discussion and deliberation, our Compensation Committee approved our management's recommendations. Details of the options granted in 2006 can be found in the Grants of Plan-Based Awards table.

In addition, as disclosed elsewhere in this Form 10-K, the measurement dates for determining the accounting treatment of certain historical stock option grants differed from the measurement dates we used in preparing our consolidated financial statements. As a result, we needed to determine a new measurement date of certain option grants. Also, as a result of the change in the measurement dates of certain stock option grants, certain options vesting subsequent to December 2004 result in non-qualified deferred compensation for purposes of Section 409A of the Code, and holders are subject to an excise tax on the value of the options in the years in which they vest. To avoid these adverse tax consequences, prior to December 31, 2006, we and our named executive officers agreed to amend their affected stock options to increase the applicable exercise price to the fair market value of our common stock on the revised measurement date. In connection with the filing of our restated financial statements in this Form 10-K, we have finalized these new exercise prices. We will not compensate our named executive officers for any increase in the exercise price that may arise as a result of this amendment. We have also concluded that it is probable that we will implement a plan to assist affected employees, other than our named executive officers, for the amount of this tax, or adjust the terms of the original option grant, which would also have financial statement ramifications.

In addition, our management, along with our Board of Directors, has implemented changes during the fourth quarter of 2006 to our option granting process for the timing, approval and pricing of stock option grants as detailed below:

- All option grants to our employees must be approved in minuted meetings of our Compensation Committee;
- The exercise price of each stock option will be the closing price on the date of our Compensation Committee meeting;
- In advance of each meeting, our Compensation Committee will receive information from our management, including, but not limited to, information related to the number of options in the pool and a recommendation of option recipients, including the number of options for each recommended recipient;
- All option grants other than new hire grants will be granted at the same time each year;
- If our Compensation Committee agrees to a grant date other than the ordinarily prescribed time, the grants must be approved in a minuted meeting of our Compensation Committee; and
- Every offer letter for new hires must state that each option is subject to approval by our Compensation Committee and that the exercise price of option grants will be the closing price on the date of approval by our Compensation Committee;

Severance and Change in Control Arrangements

We entered into arrangements to provide a competitive total compensation package for all of our named executive officers and to provide them with a level of security in the event of a change-in-control to minimize creating conflicting interests between the executive and our company.

Each arrangement provides compensation elements and payments that would be made, and vesting acceleration that would occur, in the event of certain types of executive terminations.

Each officer's employment may be terminated at any time with or without cause and each officer may voluntarily resign at any time with or without good reason. A detailed description of the arrangements and payouts associated with these agreements is provided in this Item 11 under the caption "Potential Payments Upon Termination or Change in Control."

Perquisites and Benefits

We do not offer our executives any perquisites and all benefits received by executives are provided under the same terms and conditions as to our other employees, including health and dental coverage, group term life insurance, disability programs and matching contributions to our 401(k) plan.

2007 Compensation

- 2007 Base Salaries.

Our management made recommendations to our Compensation Committee of larger salary increases for our executive officers and smaller bonus opportunities as a percentage of base salary for 2007 to bring our compensation program more in line with the competitive marketplace. In reviewing our management's proposal, our Compensation Committee considered a variety of factors including existing salary levels, competitor pay practices from both survey data and information publicly available, the four-year salary freeze on executives, internal equity, and 2006 corporate and individual performance. After discussion and deliberation, our Compensation Committee ultimately approved our management's recommendations as detailed below:

Name	Title	2006 Base Salary	2007 Base Salary
Ofer Gneezy	Pesident & Chief Executive Officer	$ 208,000	$ 350,000
Gordon VanderBrug	Executive Vice President	$ 187,000	$ 300,000
Paul Floyd	VP Engineering & Operations	$ 185,000	$ 225,000
Dan Powdermaker	SVP, Worldwide Sales	$ 154,500	$ 180,000
Richard Tennant	SVP Finance & Chief Financial Office	$ 185,000	$ 250,000

- 2007 Bonus Targets.

As discussed above, management made recommendations to our Compensation Committee relating to generally providing smaller bonus opportunities as a percentage of base salary for 2007 to bring our compensation program more in line with the competitive marketplace. As was the case for 2006 bonuses, the actual payouts for 2007 will depend on the level of achievement of the net income goals in the 2007 financial plan approved by our Board of Directors. After discussion and deliberation, our Compensation Committee ultimately approved our management's recommendations as detailed below:

Name	Title	2006 Target Bonus	2007 Target Bonus
Ofer Gneezy	Pesident & Chief Executive Officer	$ 400,000	$ 350,000
Gordon VanderBrug	Executive Vice President	$ 360,000	$ 300,000
Paul Floyd	VP Engineering & Operations	$ 200,000	$ 190,000
Dan Powdermaker	SVP, Worldwide Sales	$ 81,000	$ 90,000
Richard Tennant	SVP Finance & Chief Financial Office	$ 200,000	$ 190,000

On January 15, 2007, our Board of Directors approved our Compensation Committees' recommendations relating to the 2006 annual bonus payouts and 2007 base salaries and bonus targets.

Impact of Tax and Accounting on Executive Compensation

Section 162(m) of the Internal Revenue Code ("the Code"), limits the tax deduction to $1 million for compensation paid to certain executives of public companies. This deduction limitation does not apply to compensation that constitutes "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. In any case, the combined salary and bonus of each executive officer has been below the $1 million limit. Our Compensation Committee's present intention is to structure executive compensation to minimize the application of the deduction limitation of Section 162(m) of the Code unless it feels that the necessary changes in our accounting methods in order to do so would not be in our best interest or in the best interest of our shareholders.

Our Compensation Committee has considered the impact of FAS 123R on our compensation program, but determined that stock options are still the best long-term incentive instrument for us because we believe that stock options are more appreciated and understood by our management team than other types of equity-based compensation and we were concerned about the tax implications of other forms of equity. We will continue to review compensation strategies and may implement additional approaches at some point in the future.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee is currently an officer or employee of ours. Mr. Gneezy was formerly a member of our Compensation Committee until August, 2005. None of our executive officers served as a member of the Board of Directors or compensation committee of any other entity that has one or more executive officers serving as a member of our Board of Directors or our Compensation Committee.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, which appears elsewhere in this Annual Report on Form 10-K, with our management. Based on this review and discussion, the Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K.

Members of iBasis, Inc.
Compensation Committee:

Charles N. Corfield
Charles M. Skibo

EXECUTIVE COMPENSATION

The following table summarizes aggregate amounts paid by or accrued by our company for the fiscal year ended December 31, 2006 for services rendered by our named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Ofer Gneezy **President & Chief Executive Officer**	2006	$208,000	$60,485	$132,000	$4,400	$404,885
Gordon VanderBrug **Executive Vice President**	2006	$187,000	$60,485	$118,800	$4,400	$370,685
Paul Floyd **Senior Vice President, Engineering & Operations**	2006	$185,000	$48,341	$112,387	$4,400	$350,128
Dan Powdermaker **Senior Vice President, Worldwide Sales**	2006	$154,500	$48,341	$133,326(4)	$4,400	$340,567
Richard Tennant **Senior Vice President, Finance & Chief Financial Officer**	2006	$185,000	$48,341	$112,387	$4,400	$350,128

(1) Represents the proportionate amount of the total fair value of option awards recognized by us as an expense in 2006 for financial accounting purposes. The fair values of these awards and the amounts expensed in 2006 were determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (FAS 123R). The awards for which expense is shown in this table include the awards described in the Grants of Plan-Based Awards Table, as well as awards granted in previous years for which we continued to recognize expense in 2006. See Note 4 to our Consolidated Financial Statements for details as to the assumptions used to determine the fair value of the option awards.

(2) Reflects the actual amounts earned during fiscal year 2006 under our 2006 executive officer bonus plan, although paid in 2007.

(3) Reflects the 401(k) match that is available to all of our employees.

(4) Reflects the sum of Mr. Powdermaker's quarterly payouts under the 2006 bonus plan ($40,500) and his monthly sales commissions paid pursuant to his 2006 sales commission plan ($92,826).

Grants of Plan-Based Awards

The following table shows information regarding grants of equity awards during the fiscal year ended December 31, 2006 to our executive officers named in the Summary Compensation Table above.

Name	Grant Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)(2)	Grant Date Fair Value of Stock and Option Awards
Ofer Gneezy		$ 0	$ 400,000	$ 800,000			
	3/29/2006				26,667	$ 6.54	$ 151,735
Gordon VanderBrug		$ 0	$ 360,000	$ 720,000			
	3/29/2006				26,667	$ 6.54	$ 151,735
Paul Floyd		$ 0	$ 200,000	$ 400,000			
	3/29/2006				16,667	$ 6.54	$ 94,835
Dan Powdermaker		$ 0	$ 81,000	$ 162,000			
			$ 81,000				
	3/29/2006				16,667	$ 6.54	$ 94,835
Richard Tennant		$ 0	$ 200,000	$ 400,000			
	3/29/2006				16,667	$ 6.54	$ 94,835

(1) Reflects the SFAS 123R date of the grant.

(2) As required under our Stock Plan, these stock options were granted with an exercise price equal to the closing price of our common stock on the date of grant. The March 29, 2006 option grants were not included in the restatement of our stock based compensation.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The compensation paid to our named executive officers in 2006 summarized in our Summary Compensation Table above is determined in accordance with employment agreements and letter agreements that we have entered into with each of our named executive officers. These agreements provided a compensation package, including severance benefits, to our named executive officers. The material terms of these agreements are discussed under the caption "Compensation Discussion and Analysis—Employment and Change in Control Agreements" and "Potential Payments Upon Termination or Change in Control."

On March 15, 2006, we adopted our 2006 executive officer bonus plan.

Payouts under the 2006 bonus plan are dependent on achievement towards the net income goal in our 2006 financial plan, although our Compensation Committee had the discretion to amend the goal. The payouts from the plan are linear up to 100% of the net income goal in our 2006 financial plan, so that 100% of the bonus target would be paid at 100% achievement of the net income goal in our 2006 financial plan. For performance from 100% of the net income goal in the 2006 financial plan up to 150% of the net income goal in the 2006 financial plan, the bonus payout would increase linearly from 100% of the bonus target to 200% of the bonus target. The maximum bonus that can be paid is 200%. The table below demonstrates various payouts for various performance levels in the plan:

Achievement Towards 2006 Financial Plan Net Income Goal	Percentage of Bonus Target Paid Out
0%	0%
50%	50%
100%	100%
125%	150%
150%	200%

Mr. Powdermaker's incentive compensation also includes a commission opportunity with a target payment of $81,000 at 100% achievement of 2006 wholesale gross profit quota where the actual amount paid is dependent on the percentage achievement of monthly quota amounts.

The options granted to our named executive officers in 2006 summarized in our Grants of Plan-Based Awards Table were granted pursuant to our Stock Plan. These options were granted with an exercise price equal to the fair market value of our common stock on the stated date of grant. All of the options granted in 2006 vest quarterly over a period of four years in sixteen installments of 6.25% of the options granted and have a ten year term.

As a result of the review of our historic stock option granting practices and related accounting determinations, we agreed in December 2006 to amend certain options granted to our named executive officers after October 3, 2004 or that vest after December 31, 2004, and that have an exercise price that is less than the fair market value of our common stock on the redetermined date of grant. These amendments increase the option exercise price to the fair marke value on the redetermined date of grant and there was no consideration from us to our named executive officers for these amendments. In connection with the filing of our restated financial statements in this Form 10-K, we have finalized these new exercise prices.

Outstanding Equity Awards

The following table shows grants of stock options outstanding on December 31, 2006, the last day of the fiscal year, held by each of the executive officers named in the Summary Compensation Table above.

	Option Awards(1)				
Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Equity Incentive Plan Awards Number of Securities Underlying Unearned Options(#)	Option Exercise Price($)	Option Expiration Date
Ofer Gneezy	26,667	0	0	$ 3.30	12/03/2008
	9,752	0	0	$44.55	05/25/2010
	3,582	0	0	$44.55	05/25/2010
	6	0	0	$ 2.16	11/15/2011
	16,661	0	0	$ 2.16	11/15/2011
	20,000	7,501	0	$ 3.18(2)	08/11/2013
	10,004	0	0	$ 2.64	08/11/2013
	1,248	468	0	$ 3.18(2)	08/11/2013
	780	0	0	$ 2.64	08/11/2013
	833	0	0	$ 6.36	09/14/2014
	6,667	5,834	0	$ 7.05(2)	09/14/2014
	5,000	21,667	0	$ 6.54	03/29/2016
Gordon VanderBrug	20,000	0	0	$ 3.30	12/03/2008
	9,166	0	0	$40.50	05/25/2010
	834	0	0	$40.50	05/25/2010
	2	0	0	$ 2.16	11/15/2011
	16,665	0	0	$ 2.16	11/15/2011
	20,000	7,500	0	$ 3.18(2)	11/15/2011
	10,001	0	0	$ 2.64	08/11/2013
	2,499	0	0	$ 2.64	08/11/2013
	6,667	5,834	0	$ 7.05(2)	09/14/2014
	833	0	0	$ 6.36	09/14/2014
	5,000	21,667	0	$ 6.54	03/29/2016
Paul Floyd	20,000	0	0	$ 2.16	11/15/2011
	22,395	0	0	$ 3.72	06/24/2013
	35,939	0	0	$ 3.72	06/24/2013
	16,667	6,251	0	$ 3.18(2)	08/11/2013
	10,416	0	0	$ 2.64	08/11/2013
	833	0	0	$ 6.36	09/14/2014
	6,667	5,834	0	$ 7.05(2)	09/14/2014
	3,125	13,542	0	$ 6.54	03/29/2016

Dan Powdermaker	10,000	0	0	$ 2.16	11/15/2011
	12,500	0	0	$ 3.72	06/24/2013
	4,167	0	0	$ 3.72	06/24/2013
	2,187	0	0	$ 3.72	06/24/2013
	21,147	0	0	$ 3.72	06/24/2013
	16,667	6,251	0	$ 3.18(2)	08/11/2013
	10,416	0	0	$ 2.64	08/11/2013
	833	0	0	$ 6.36	09/14/2014
	6,667	5,834	0	$ 7.05(2)	09/14/2014
	3,125	13,542	0	$ 6.54	03/29/2016
Richard Tennant	37,500	0	0	$ 2.16	11/15/2011
	12,500	0	0	$ 5.10(2)	11/15/2011
	16,667	6,251	0	$ 3.18(2)	08/11/2013
	10,416	0	0	$ 2.64	08/11/2013
	833	0	0	$ 6.36	09/14/2014
	6,667	5,834	0	$ 7.05(2)	09/14/2014
	3,125	13,542	0	$ 6.54	03/29/2016

(1) All outstanding stock option grants vest in quarterly increments over a four-year period.

(2) Reflects revised exercise price of stock options amended as of December 2006.

Option Exercises

No options to purchase our common stock were exercised by our executive officers named in the Summary Compensation Table above during the fiscal year ended December 31, 2006

Pension Benefits

We do not have any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not have any non-qualified defined contribution plans or other deferred compensation plans.

Potential Payments Upon Termination or Change in Control

Mr. Gneezy and Dr. VanderBrug

The terms of our employment agreements with Ofer Gneezy, our President and Chief Executive Officer, and Gordon VanderBrug, our Executive Vice President, in addition to providing for a base salary in amounts to be determined by our Compensation Committee and for the potential to receive an annual bonus at the discretion of our Compensation Committee, also provide that in the event that we terminate each executive officer's employment without cause, or if each executive officer resigns for good reason, then the terminated or terminating executive officer is entitled to continuation of his base salary and his health benefits for one year. Further, in the event of an acquisition or change in control, the executives' options and restricted shares, if any, automatically become fully vested immediately prior to the event, and each option remains exercisable until the expiration of the option or until it sooner terminates in accordance with its terms.

For purposes of these employment agreements, an acquisition is defined as (i) a meger, consolidation or similar transaction in which securities possessing more than 50% of the total combined voting power of our outstanding securities are transferred to a person or persons different from the person who held those securities immediately prio to such transaction, or (ii) the sale, transfer, or other disposition of all or substantially all of our assets to one or more persons (other than our wholly-owned subsidiary) in a single transaction or series of related transactions.

For purposes of these employment agreements, a change in control is defined as a change in ownership or control of our company effected because either (i) a person or related group of persons (other than us or a person that directly or indirectly controls, is controlled by, or is under common control with us) directly or indirectly acquires beneficial ownership (determined pursuant to Rule 13d-3 promulgated under the Exchange Act) of securities possessing more than 50% of the total combined voting power of our outstanding seucirites pursuant to a tender or exchange offer made directly to our stockholders or (ii) over a period of 36 consecutive months or less, a change in the composition of our Board of Directors occurs such that a majority of our Board of Directors ceases, by reason of one or more proxy contests for the elction of directors to be composed of indviduals who either (A) have been members of our Board of Directors continuously since the beginning of such period, or (B) have been elected or nominated for election as members of our Board of Directors during such period by at least a majority of our Board of Directors who were still in office at the time such electon or nomination was approved by our Board of Directors.

Messrs. Floyd, Powdermaker and Tennant

The terms of our letter agreements with Messrs. Floyd, Powdermaker, and Tennant for serving in their respective capacities provide that if, within six months following an acquisition or change of control, we terminate any of these executive officers, without cause, or if any of these executive officers resigns for good reason, then we are obligated to pay the terminated or terminating executive officer his base salary for nine months and his stock options immediately vest and become exercisable. Mr. Powdermaker would also be entitled to continuation of his health benefits for the nine month period.

The following tables summarize payments to our named executive officers assuming a termination as of the last day of our fiscal year 2006.

	Severance Payable Upon a *Termination Without* Cause or For Good Reason(1)		*Accelerated Vesting of Equity* Upon a Change in Control(2)		
Officer	Cash Severance	Health Insurance Benefits	Value of Vested Equity	Value of Accelerated Unvested Equity	Total
Ofer Gneezy	$208,000	$ 8,892	$457,895	$101,650	$776,437
Gordon VanderBrug	$187,000	$11,441	$425,969	$ 98,902	$723,312

(1) In the event of termination without cause or by the executive for good reason, the executive is entitled to 12 months base salary continuation (which is mitigated dollar for dollar in the event the executive begins new employment) and 12 months of health insurance continuation.

(2) Reflects the excess of the fair market value over the exercise price of all vested and unvested outstanding stock options based on a stock price of $8.50 as of 12/29/2006. Any unvested and outstanding equity awards held by the executive will become 100% vested upon a change-in-control.

Officer	Severance Payable Upon a Termination Without Cause or For Good Reason Following a Change in Control $	Accelerated Vesting of Equity Upon a Termination Following a Change in Control(1)		Total
		Value of Vested Equity(2)	Value of Accelerated Unvested Equity	
Paul Floyd	$ 138,750	$ 586,518	$ 75,658	$ 800,926
Dan Powdermaker	$ 115,875	$ 435,486	$ 75,658	$ 627,019
Richard Tennant	$ 138,750	$ 497,881	$ 75,658	$ 712,289

(1) If the executive is terminated without cause or resigns for good reason within 6 months of a change in control, any unvested and outstanding equity awards held by the executive will become 100% vested.

(2) Reflects the excess of the fair market value over the exercise price of all vested and unvested outstanding stock options based on a stock price of $8.50 as of 12/29/2006.

(3) The cost of providing continuation of Mr. Powdermakers health benefits for 9 months would be $12,151.

Compensation of Directors

In 2006, each of our non-employee independent directors earned $15,000 in cash compensation and 20,000 stock options vesting in a series of four installments of 25%, with the first installment exercisable immediately and with each additional installment to become exercisable at each of the next three annual shareholder meetings for their services as directors. Neither Mr. Gneezy nor Dr. VanderBrug received additional compensation for serving as our directors. The directors who do not live in the Boston Metropolitan area were also reimbursed for travel expenses. We maintain directors' and officers' liability insurance and our by-laws provide for mandatory indemnification of directors and officers to the fullest extent permitted by Delaware law. In addition, our certificate of incorporation limits the liability of directors to either our company or our shareholders for breaches of the directors' fiduciary duties to the fullest extent permitted by Delaware law.

For 2007, our Board of Directors approved a modified director compensation package that will pay the following cash to our directors:

- $20,000 annual retainer for service on our Board of Directors.
- $10,000 annual retainer for service on our Audit Committee.
- $5,000 annual retainer for service on our Compensation Committee.
- A special one-time payment for each Special Committee member in connection with the review of our prior stock option grant practices in the amounts of $50,000 for Mr. King and $25,000 for Mr. Brumley.

On May 10, 2007 each of our non-employee directors received a grant of 15,000 stock options that vest in full on May 10, 2008; provided that accelerated vesting shall occur with respect to the options granted to a director who ceases to be a director upon the closing of the Share Purchase and Sale Agreement with KPN.

Director Compensation Paid for Fiscal Year 2006

The table below summarizes all compensation paid to directors during fiscal year 2006.

Name	Fees Earned or Paid in Cash ($)	Option Awards($)(1)(2)	Total ($)
Charles Corfield(4)	$ 15,000	$ 78,644	$ 93,644
Charles Skibo	$ 15,000	$ 78,644	$ 93,644
Frank King	$ 15,000	$ 78,644	$ 93,644
David Lee	$ 15,000	$ 76,615	$ 91,615
Robert Brumley	$ 15,000	$ 126,780	$ 141,780

(1) Represents the proportionate amount of the total fair value of stock option awards recognized by us as an expense in 2006 for financial accounting purposes. The fair values of these awards and the amounts expensed in 2006 were determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No.123 (revised 2004) Share-Based Payment (FAS 123R). The awards for which expense is shown in this table include the awards granted in 2006, as well as awards granted in previous years for which we continued to recognize expense in 2006. See Note 4 to our Consolidated Financial Statements for details as to the assumptions used to determine the fair value of the option awards.

(2) All Directors received a grant of 20,000 stock options on April 3, 2006. The fair value of each of these awards determined under FAS 123R was $103,400.

As a result of the review of our historic stock option granting practices and related accounting determinations, we agreed in December 2006 to amend certain options granted to our directors after October 3, 2004 or that vest after December 31, 2004, and that have an exercise price that is less than the fair market value of our common stock on the redetermined date of grant. These amendments increase the option exercise price to the fair marke value on the redetermined date of grant and there was no consideration from us to our directors for these amendments. In connection with the filing of our restated financial statements in this Form 10-K, we have finalized these new exercise prices.

The following table shows grants of stock options outstanding on December 31, 2006, the last day of the fiscal year, held by each of our directors named in the director compensation table above.

	Option Awards[1]				
			Equity Incentive Plan Awards		
Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Number of Securities Underlying Unearned Options (#)	Option Exercise Price($)	Option Expiration Date
Charles Corfield	13,334	0	0	$ 15.00	09/09/2009
	13,334	0	0	$ 2.16	11/15/2011
	13,333	6,667	0	$ 3.18(2)	08/11/2013
	6,667	0	0	$ 2.64	08/11/2013
	10,000	10,000	0	$ 7.14(2)	04/03/2016
Charles Skibo	26,667	0	0	$ 15.00	09/09/2009
	13,334	0	0	$ 2.16	11/15/2011
	16,667	0	0	$ 3.06	11/19/2011
	13,333	6,667	0	$ 3.18(2)	08/11/2013
	6,667	0	0	$ 2.64	08/11/2013
	10,000	10,000	0	$ 7.14(2)	04/03/2016
Frank King	26,667	0	0	$ 9.30	06/20/2011
	16,667	0	0	$ 2.16	11/15/2011
	13,333	6,667	0	$ 3.18(2)	08/11/2013
	6,667	0	0	$ 2.64	08/11/2013
	10,000	10,000	0	$ 7.14(2)	04/03/2016
David Lee	26,667	0	0	$ 2.07	05/09/2012
	6,666	3,334	0	$ 3.18(2)	08/11/2013
	3,334	0	0	$ 2.64	08/11/2013
	10,000	10,000	0	$ 7.14(2)	04/03/2016
Robert Brumley	13,334	13,333	0	$ 7.71	09/20/2015
	10,000	10,000	0	$ 7.14(2)	04/03/2016

(1) All outstanding stock option grants vest in quarterly increments over a four-year period.

(2) Reflects revised exercise price of stock options amended as of December 2006.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Equity Compensation Plan Information

The following table provides information as of December 31, 2006 with respect to the shares of our Common Stock that may be issued under our existing equity compensation plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	2,404,096	$ 5.18	1,312,272
Equity compensation plans not approved by security holders	0	N/A	0
Total	2,404,096	$ 5.18	1,312,272

(1) Consists of the Company's Amended and Restated 1997 Stock Incentive Plan.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of our common stock by:

- each person we know owns beneficially more than five percent (5%) of our common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and named executive officers as a group.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options and warrants held by that person that are currently exercisable or exercisable within 60 days of June 1, 2007 are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Percentage of ownership is based on 33,467,841 shares of common stock outstanding on June 1, 2006. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each shareholder named in the table has sole voting and investment power with respect to the shares set forth opposite the shareholder's name. Unless otherwise indicated, the address for each shareholder is c/o iBasis, Inc., 20 Second Avenue, Burlington, Massachusetts 01803.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership Number	Percent of Class
LC Capital Master Fund, Ltd.(1) c/o Trident Fund Services (B.V.I.) Limited P.O. Box 146 Waterfront Drive Wickhams Cay Road Town, Tortola British Virgin Islands	3,322,959	9.93%
Lampe, Conway & Co., LLC Steven G. Lampe Richard F. Conway 680 Fifty Avenue Suite 1202 New York, NY 10019		
Singer Children's Management Trust(2) c/o Romulus Holdings, Inc. 560 Sylvan Ave Englewood Cliffs, NJ 07632	2,415,178	7.05%
Loeb Partners Corporation(3) 61 Broadway New York, NY 10006	1,692,291	5.06%
Koninklijke KPN N.V.(4) KPN Telecom B.V. Maanplein 55 2516 CK The Hague The Netherlands	8,123,484	19.53%
Ofer Gneezy(5)	1,480,323	4.41%
Gordon J. VanderBrug(6)	627,341	1.87%
Charles N. Corfield(7)	536,474	1.60%
Charles Skibo(8)	118,335	*
David Lee(9)	80,001	*
W. Frank King(10)	100,251	*
Robert H. Brumley(11)	61,667	*
Richard G. Tennant(12)	101,625	*
Paul H. Floyd(13)	133,959	*
Dan Powdermaker(14)	104,087	*
Mark S. Flynn(15)	—	*
All executive officers and directors as a group (11 persons)(16)	3,344,063	9.71%

* Represents less than 1% of the outstanding shares of common stock.

(1) According to a Schedule 13G Amendment filed with the SEC on February 7, 2007.

(2) According to a Schedule 13G Amendment filed with the SEC on February 14, 2007, shares consist of (i) 1,633,283 shares of common stock, (ii) warrants to purchase 222,033 shares of common stock at an exercise price of $1.95 per share, (iii) warrants to purchase 481,529 shares of common stock at an exercise price of $5.55 per share, and (iv) warrants to purchase 78,333 shares of common stock at an exercise price of $6.30 per share.

(3) According to information contained in a Schedule 13D filed with the SEC on June 29, 2006, and excludes the number of shares issuable upon exercise of warrants within 60 days of June 20, 2006.

(4) According to a Schedule 13D filed with the SEC on June 29, 2006, pursuant to the Voting Agreements (described in the section titled, "Changes in Control" below), KPN Telecom may be deemed to have shared voting or dispositive power with respect to: (i) 1,399,992 shares with Mr. Ofer Gneezy (includes 16,667 shares held by The Ofer Gneezy 1999 Family Trust for the benefit of Mr. Gneezy's children for which Mr. Gneezy disclaims beneficial ownership of the shares of common stock held by The Ofer Gneezy 1999 Family Trust, and 93,543 shares subject to stock options exercisable within 60 days of June 20, 2006); (ii) 553,729 shares with Dr. Gordon VanderBrug (includes 392,448 shares held by the G.J. & C.E. VanderBrug Family Limited Partnership for which Dr. VanderBrug disclaims beneficial ownership of the shares held by the G.J. & C.E. VanderBrug Family Limited Partnership, and 84,166 shares subject to stock options exercisable within 60 days of June 20, 2006); (iii) 2,270,161 shares with LC Capital Master Fund, Ltd. (excludes the number of shares issuable upon exercise of warrants within 60 days of June 20, 2006); (iv) 1,692,291 shares with Loeb Partners Corporation (excludes the number of shares issuable upon exercise of warrants within 60 days of June 20, 2006); and (v) 2,207,311 shares with Singer Chidren's Management Trust (excludes the number of shares issuable upon exercise of warrants within 60 days of June 20, 2006). KPN and KPN Telecom (i) are not entitled to any rights as a stockholder of the Company as to the shares of common stock listed above, except pursuant to the proxies granted under the Voting Agreements, and (ii) disclaim any beneficial ownership of the shares of common stock listed above.

(5) Includes 111,512 shares of common stock issuable upon exercise of options within 60 days of June 1, 2007. Also includes 16,667 shares held by The Ofer Gneezy 1999 Family Trust for the benefit of Mr. Gneezy's children. Mr. Gneezy disclaims beneficial ownership of the shares held by the Ofer Gneezy 1999 Family Trust.

(6) Includes 101,667 shares of common stock issuable upon exercise of options within 60 days of June 1, 2007. Also includes 392,449 shares held by the G.J. & C.E. VanderBrug Family Limited Partnership. Dr. VanderBrug disclaims beneficial ownership of the shares held by the G.J. & C.E. VanderBrug Family Limited Partnership, except to the extent of his pecuniary interest therein. Does not include 9,744 shares of Common Stock held by Dr. VanderBrug's spouse of which shares Dr. VanderBrug disclaims beneficial ownership.

(7) According to a Form 4 filed with the SEC on May 14, 2007, includes 88,335 shares of Common Stock issuable upon exercise of options within 60 days of May 14, 2007. Also includes 448,139 shares held by the Charles N. Corfield Trust u/a/d 12/19/91, revised and amended 10/19/04, a revocable trust of which Mr. Corfield is the sole trustee.

(8) According to a Form 4 filed with the SEC on May 14, 2007, includes 118,335 shares of common stock issuable upon exercise of options within 60 days of May 14, 2007.

(9) According to a Form 4 filed with the SEC on May 14, 2007, includes 75,001 shares of common stock issuable upon exercise of options within 60 days of May 14, 2007.

(10) According to a Form 4 filed with the SEC on May 14, 2007, includes 100,001 shares of common stock issuable upon exercise of options within 60 days of May 14, 2007.

(11) According to a Form 4 filed with the SEC on May 14, 2007, includes 61,667 shares of common stock issuable upon exercise of options within 60 days of May 14, 2007.

(12) Includes 95,625 shares of common stock issuable upon exercise of options within 60 days of June 1, 2007.

(13) Includes 123,959 shares of common stock issuable upon exercise of options within 60 days of June 1, 2007.

(14) Includes 95,626 shares of common stock issuable upon exercise of options within 60 days of June 1, 2007.

(15) See notes (5)–(14). Our remaining executive officer does not benefically own any shares of our common stock.

(16) Includes 971,728 shares of common stock issuable upon exercise of options within 60 days of June 1, 2007.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Each of Mr. Gneezy and Mr. VanderBrug and collectively LC Capital Master Fund, Ltd., Loeb Partners Corporation and Singer Children's Management Trust, together, the Stockholders, on the one hand and solely in their capacity as a stockholder of our company, and KPN, on the other hand, have entered into a Shareholder Voting Agreement, collectively, the Voting Agreements, with respect to certain shares of common stock beneficially owned by the Stockholders. The purpose of the Voting Agreements is to facilitate the transactions contemplated by the Share Purchase between us and KPN.

Pursuant to the Share Purchase Agreement, KPN has agreed to acquire a number of newly issued shares of common stock such that after such issuance KPN will own 51% of the shares of our common stock on a fully-diluted basis, in exchange for: (i) all of the issued and outstanding shares of a newly created subsidiary of KPN, which will be a private limited liability company organized under the laws of the Netherlands, or the New Subsidiary, (ii) all of the issued and outstanding shares of a U.S. subsidiary of an affiliate of the New Subsidiary and (iii) U.S. $55,000,000 in cash. Our stockholders of record immediately following to the closing of the transactions will receive a dividend of $113,000,000 following the closing of the transactions.

Pursuant to the Voting Agreements, each of the Stockholders agreed, among other things and subject to certain restrictions, to vote (or cause to be voted) all of the shares of common stock owned by each Stockholder (a) in favor of the approval of the issuance of the Transaction Shares and (b) against any proposal, action or transaction involving us or any of our subsidiaries or any of our stockholders, which proposal, action or transaction would in any manner impede, frustrate, prevent or delay the consummation of the transactions contemplated by the Share Purchase Agreement or change in any manner the voting rights of the holders of the shares of our capital stock.

Each of Mr. Gneezy and Mr. VanderBrug has also granted KPN an irrevocable proxy to vote their shares of common stock as provided for in the applicable Voting Agreement. Each proxy will automatically expire upon the termination of each Voting Agreement. Each Voting Agreement will terminate upon the earlier (subject to extension in certain circumstances) to occur of (i) the closing of the transactions contemplated by the Share Purchase Agreement and (ii) the termination of the Share Purchase Agreement in accordance with its terms.

Our board of directors has adopted a resolution to amend our by-laws effective at the closing of the transactions contemplated by the Share Purchase Agreement. Such by-laws, once effective, will include certain agreed upon governance mechanics.

Item 14. *Principal Accounting Fees and Services*

Audit and Non-Audit Fees

The following table presents fees for audit services rendered by Deloitte & Touche for the audit of our annual financial statements for the years ended December 31, 2006 and 2005 and fees billed for other services rendered by Deloitte & Touche during those periods.

In thousands	Fiscal 2006	Fiscal 2005
Deloitte & Touche, LLP		
Audit Fees(1)	$ 1,407	$ 835
Audit-Related Fees(2)	417	10
Tax Fees(3)	95	97
Other fees	—	—
Total	$ 1,919	$ 942

(1) Audit Fees—Audit fees billed to us by Deloitte & Touche for auditing our annual financial statements and internal controls, reviewing the financial statements included in iBasis' Quarterly Reports on Form 10-Q, and auditing the restatement of our prior period financial statements.

(2) Audit-Related Fees—Audit-related fees billed to us by Deloitte & Touche include fees related to financial due diligence performed on our behalf and review of the accounting related to the proposed transaction with KPN.

(3) Tax Fees—Tax fees billed to us by Deloitte & Touche include fees related to the preparation of our tax returns and tax advice.

PART IV

Item 15. ***Exhibits, Financial Statements and Schedules***

(A) List of Documents Filed as a Part of This Annual Report:

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Stockholders' Equity (Deficit)

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(2) Index to Financial Statements Schedules: All financial statement schedules have been omitted because the required information is included in our consolidated financial statements, or the related notes, or is not applicable.

(3) Index to Exhibits:

Exhibit Number	Description
2.1	Share Purchase and Sale Agreement between the Registrant and KPN Telecom B.V. dated as of June 21, 2006 (incorporated by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 9, 2006 (file no. 000-27127)).
2.2	Amendment No. 1 to Share Purchase and Sale Agreement between the Registrant and KPN Telecom B.V.dated as of December 18, 2006 (incorporated by reference from Exhibit 10.1 to the Registration's Current Report on Form 8-K filed December 18, 2006 (file no. 000-27127)).
2.3	Amendment No. 2 to Share Purchase and Sale Agreement between the Registrant and KPN Telecom B.V. dated as of April 27, 2007 (incorporated by reference from Exhibit 10.1 to the Registration's Current Report on Form 8-K filed April 27, 2007 (file no. 000-27127)).
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference from Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (file no. 333-96535)).
3.2	Amended and Restated By-Laws of the Registrant (incorporated by reference from Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (file no. 333-96535)).
10.1	Lease, dated January 8, 1999, as amended, between the Registrant and Rodger P. Nordblum and Peter C. Nordblum as Trustees of Northwest Associates under Declaration of Trust dated December 9, 1971 with respect to property located at 20 Second Avenue, Burlington, Massachusetts (incorporated by reference from Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (file no. 333-85545)).
10.2	Lease, dated as of August 7, 1998, between the Registrant and 111 Eighth Avenue LLC, relating to property located at 111 Eighth Avenue, New York, New York (incorporated by reference from Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (file no. 333-85545)).

10.3 Lease, dated December 11, 1998 between the Registrant and Downtown Properties L.L.C., with respect to property located at 611 Wilshire Boulevard, Los Angeles, California (incorporated by reference from Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (file no. 333-85545)).

10.7 1997 Stock Incentive Plan of the Registrant (incorporated by reference from Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (file no. 333-85545).

10.8 Employment Agreement between the Registrant and Ofer Gneezy, dated as of August 11, 1997 (incorporated by reference from Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (file no. 333-85545)).

10.9 Employment Agreement between the Registrant and Gordon J. VanderBrug, dated as of August 11, 1997. (incorporated by reference from Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (file no. 333-85545)).

10.13 First Amended and Restated Registration Rights Agreement, dated as of July 12, 1999, among the Registrant and the holders of the capital stock of the Registrant who become parties thereto (incorporated by reference from Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (file no. 333- 85545)).

10.20 Lease, dated October 22, 1999, between the Registrant and Roger P. Nordblom and Peter C. Nordblom, as Trustees of N.W. Building 1 Associates under Declaration of Trust dated November 11, 1984 and filed with the Middlesex South Registry District of the Land Court as Document Number 674807 with respect to property located at 10 Second Avenue, Burlington, Massachusetts (incorporated by reference from Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (file no. 333-96535)).

10.22 Offer Letter between the Registrant and Richard Tennant, dated as of September 17, 2001 and Employment Agreement, dated as of September 20, 2001 (incorporated by reference from Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (file no. 000-27127)).

10.23 Offer Letter between the Registrant and Paul Floyd, dated as of April 2, 2001 and Proprietary Information and Inventions Agreement dated April 12, 2001 (incorporated by reference from Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (file no. 000-27127)).

10.27 Warrant and Registration Rights Agreement, dated January 29, 2003, by and among iBasis, Inc. and U.S. Bank National Association, as Collateral Agent (incorporated by reference from Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated January 30, 2003 (file no. 000-27127)).

10.55 Amended and Restated Loan and Security Agreement dated December 29, 2003, evidenced by, among other documents, a certain Amended and Restated Loan and Security Agreement dated as of December 29, 2003 between iBasis, Inc. and Silicon Valley Bank (incorporated by reference from Exhibit 10.61 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003 (file no. 000-27127)).

10.58 Global Warrant Certificate, issued June 18, 2004, representing 5,176,065 shares of common stock (incorporated by reference from Exhibit 99.5 to the Registrant's Current Report on Form 8-K dated June 29, 2004 (file no. 000-27127)).

10.70 Form of Common Stock Purchase Warrant issued by the Registrant pursuant to the terms of the Securities Purchase Agreement, dated as of September 24, 2004, by and among the Registrant and the Purchasers (as defined therein) to each of the Purchasers (incorporated by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated September 24, 2004 (file no. 000-27127)).

10.71 Common Stock Purchase Warrant issued by the Registrant to Tejas Securities Group, Inc. on September 24, 2004. (incorporated by reference from Exhibit 10.70 to the Registrant's Form S-1 (file no. 333-119796), filed October 18, 2004.

10.72 Third Loan Modification Agreement, dated January 5, 2005, to the Amended and Restated Loan and Security Agreement dated December 29, 2003, evidenced by, among other documents, a certain Third Loan Modification Agreement, dated January 5, 2005 between iBasis, Inc. and Silicon Valley Bank, (incorporated by reference from Exhibit 10.72 to the Registrant's Annual Report on Form 10-K for year ended December 31, 2004 (file no. 000-27127)).

10.73 Amended and Restated 1997 Stock Incentive Plan, amended March 2005 (incorporated by reference from Appendix A to the Registrant's Proxy Statement dated April 13, 2005).

10.74 Letter Agreement, dated June 21, 2005, by and among the Registrant, JMG Triton Offshore Fund, Ltd. and JMG Capital Partners (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated June 21, 2005 (file no. 000-27127)).

10.75 Letter between the Registrant and Dan Powdermaker, dated July 10, 2002.

23.1 Consent of Independent Registered Public Accounting Firm

31.1 Certificate of iBasis, Inc. Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of iBasis, Inc. Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certificate of iBasis, Inc Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certificate of iBasis, Inc Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Material Contracts filed as Exhibits

10.75 Letter between the Registrant and Dan Powdermaker, dated July 10, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

iBASIS, INC.

June 8, 2007

By: /s/ OFER GNEEZY
Ofer Gneezy
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Name	Title	Date
/s/ OFER GNEEZY Ofer Gneezy	President and Chief Executive Officer and Director (Principal Executive Officer)	June 8, 2007
/s/ GORDON J. VANDERBRUG Gordon J. VanderBrug	Executive Vice President and Director	June 8, 2007
/s/ RICHARD G. TENNANT Richard G. Tennant	Senior Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	June 8, 2007
/s/ ROBERT H. BRUMLEY Robert H. Brumley	Director	June 8, 2007
/s/ CHARLES N. CORFIELD Charles N. Corfield	Director	June 8, 2007
/s/ W. FRANK KING W. Frank King	Director	June 8, 2007
/s/ DAVID LEE David Lee	Director	June 8, 2007
/s/ CHARLES M. SKIBO Charles M. Skibo	Director	June 8, 2007