



320 Interstate North Parkway, Suite 300  
Atlanta, Georgia 30339  
(678) 424-2400

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 8, 2007**

The Annual Meeting of Stockholders of Cbeyond, Inc., a Delaware corporation (the "Company"), will be held on Friday, June 8, 2007, at 9:00 a.m., local time, at The Westin—Perimeter North, 7 Concourse Parkway, Atlanta, Georgia 30328, for the following purposes:

1. To elect the Class II directors to hold office until the 2010 annual meeting of stockholders (or until such time as his successor is elected and qualified or his earlier resignation, death, or removal from office).
2. To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007.
3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing matters are described in more detail in the enclosed Proxy Statement.

The Board of Directors has fixed April 20, 2007, as the record date for determining stockholders entitled to vote at the Annual Meeting of Stockholders or any adjournments thereof.

The Company's Proxy Statement is attached hereto. Financial and other information about the Company is contained in the enclosed 2006 Annual Report to Stockholders for the fiscal year ended December 31, 2006.

**You are cordially invited to attend the meeting in person. Your participation in these matters is important, regardless of the number of shares you own. Whether or not you expect to attend in person, we urge you to complete, sign, date and return the enclosed proxy card as promptly as possible in the enclosed envelope. If you choose to attend the meeting you may then vote in person if you so desire, even though you may have executed and returned the proxy. Any stockholder who executes such a proxy may revoke it at any time before it is exercised.**

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'J. Robert Fugate'.

J. Robert Fugate, Chief Financial Officer

April 23, 2007  
Atlanta, Georgia



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Atlanta, Georgia 30339  
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## **PROXY STATEMENT**

The Board of Directors of Cbeyond, Inc. (the “Company”), a Delaware corporation, is soliciting your proxy on the proxy card enclosed with this Proxy Statement. Your proxy will be voted at the 2007 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Friday, June 8, 2007, at 9:00 a.m., local time, at The Westin—Perimeter North, 7 Concourse Parkway, Atlanta, Georgia 30328, and any adjournment or postponement thereof. This Proxy Statement, the accompanying proxy card and the Company’s Annual Report to Stockholders are first being mailed to stockholders on or about April 27, 2007.

## **VOTING SECURITIES**

### **Voting Rights and Outstanding Shares**

Only stockholders of record on the books of the Company as of 5:00 p.m., April 20, 2007 (the “Record Date”), will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, the outstanding voting securities of the Company consisted of 27,910,523 shares of common stock, par value \$0.01 per share (the “Common Stock”).

Holders of our Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Inspector of Elections with the assistance of the Company’s transfer agent. The Inspector will also determine whether or not a quorum is present. Except in very limited circumstances, the affirmative vote of a majority of the shares having voting power present in person or represented by proxy at a duly held meeting at which a quorum is present is required under the Company’s Bylaws for approval of proposals presented to stockholders. In general, our Bylaws also provide that a quorum consists of a majority of the shares issued and outstanding and entitled to vote, the holders of which are present in person or represented by proxy. The Inspector will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum and therefore, abstentions will have the effect of a negative vote for purposes of determining the approval of any matter submitted to the stockholders for a vote.

### **Proxies**

The shares represented by the proxies received, properly dated and executed and not revoked will be voted at the Annual Meeting in accordance with the instructions of the stockholders. A proxy may be revoked at any time before it is exercised by:

- delivering written notice of revocation to the Company, Attention: Kurt Abkemeier;
- delivering a duly executed proxy bearing a later date to the Company; or
- attending the Annual Meeting and voting in person.

Any proxy which is returned using the form of proxy enclosed and which is not marked as to a particular item will be voted “FOR” the election of directors and as the proxy holders deem advisable on other matters that

may come before the meeting, as the case may be, with respect to the item not marked. If a broker indicates on the enclosed proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present with respect to that matter. The Company believes that the tabulation procedures to be followed by the Inspector are consistent with the general statutory requirements in Delaware concerning voting of shares and determination of a quorum.

The cost of soliciting proxies will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or telegram. The Company does not expect to pay special fees to a third party proxy solicitor.

**PROPOSAL NO. 1  
ELECTION OF DIRECTORS**

Our board of directors currently comprises seven members divided into three classes. Each year at the annual meeting, the stockholders will elect the members of the current expiring class to a three year term of office. The term of office of the Class I directors expires at the 2009 annual meeting, the term of office of the Class II directors expires at this year's Annual Meeting, and the term of office of the Class III directors expires at the 2008 annual meeting, or in any event at such time as their respective successors are duly elected and qualified or their earlier resignation, death, or removal from office.

Nominees for election to the Board shall be approved by a plurality of the votes cast by holders of the Common Stock present in person or by proxy at the Annual Meeting, each share being entitled to one vote.

In the event any nominee is unable or unwilling to serve as a nominee, the proxies may be voted for the balance of those nominees named and for any substitute nominee designated by the present Board or the proxy holders to fill such vacancy, or for the balance of those nominees named without nomination of a substitute, or the Board may be reduced in accordance with the Bylaws of the Company. The Board has no reason to believe that any of the persons named will be unable or unwilling to serve as a nominee or as a director if elected.

The following table lists our directors and the classes in which they serve:

Class I (Term Expiring 2009)	Class II (Term Expiring 2007)	Class III (Term Expiring 2008)
James N. Perry, Jr.	John H. Chapple D. Scott Luttrell Robert Rothman	James F. Geiger Douglas C. Grissom David A. Rogan

Our Board has approved the nominations of Messrs. Chapple, Luttrell and Rothman as Class II directors for election at the Annual Meeting to serve until the annual meeting of stockholders in the year 2010 (or until such time as his successor is elected and qualified or his earlier resignation, death, or removal from office). Set forth below are the names and other information pertaining to the Board's nominees and other directors whose terms of office will continue after the annual meeting:

**James F. Geiger**, age 48, has been our Chairman, President and Chief Executive Officer since he founded Cbeyond in 1999. Prior to founding Cbeyond, Mr. Geiger was Senior Vice President and Chief Marketing Officer of Intermedia Communications. Mr. Geiger was also in charge of Digex, Intermedia's complex web-hosting organization, since acquisition and until just prior to its carve-out IPO. Before he joined Intermedia, Mr. Geiger was a founding principal and CEO of FiberNet, a metropolitan area network provider, which was sold to Intermedia in 1996. In the 1980's Mr. Geiger held various sales and marketing management positions at Frontier Communications, Inc. He began his career at Price Waterhouse (now PricewaterhouseCoopers LLP) and received a bachelor's degree in accounting and pre-law from Clarkson University. In addition, Mr. Geiger serves on the board of directors of the Marist School, an independent Catholic School of the Marist Fathers and Brothers, and the Hands On Network, a national volunteer organization that promotes civic engagement in communities.

**John H. Chapple**, age 54, became a director in March 2004. Mr. Chapple has served as President, Chief Executive Officer and Chairman of the board of directors of Nextel Partners and its subsidiaries since August 1998. Mr. Chapple has over 24 years of experience in the wireless communications and cable television industries. From 1978 to 1983, he served on the senior management team of Rogers Cablesystems before moving to American Cablesystems as senior vice president of operations from 1983 to 1988. From 1988 to 1995, he served as executive vice president of operations for McCaw Cellular Communications and subsequently AT&T Wireless Services following the merger of those companies. From 1995 to 1997, Mr. Chapple was the president

and chief operating officer for Orca Bay Sports and Entertainment in Vancouver, B.C. Orca Bay owned and operated Vancouver's National Basketball Association and National Hockey League sports franchises in addition to the General Motors Place sports arena and retail interests. Mr. Chapple is the past chairman of Cellular One Group and the Personal Communications Industry Association, past vice-chairman of the Cellular Telecommunications & Internet Association and has been on the Board of Governors of the NHL and NBA. Mr. Chapple is currently on the Syracuse University Maxwell School Board of Advisors and the Fred Hutchinson Cancer Research Business Alliance board of governors. Mr. Chapple received a bachelor's degree from Syracuse University and a graduate degree from Harvard University's advanced Management Program.

**Douglas C. Grissom**, age 40, became a director in 2000 as a designee of Madison Dearborn Partners. Prior to joining Madison Dearborn Partners, Mr. Grissom was with Bain Capital, Inc., McKinsey & Company, Inc. and Goldman, Sachs & Co. Mr. Grissom concentrates on investments in the communications industry and currently serves on the boards of directors of Intelsat, Ltd. and Great Lakes Dredge & Dock Corporation. Mr. Grissom received a bachelor's degree from Amherst College and an MBA from Harvard Business School.

**D. Scott Luttrell**, age 52, became a director in 2000. Mr. Luttrell is the founder of LCM Group, Inc., an investment company based in Tampa, Florida and specializing in funds management and financial consulting services, alternative asset, private equity and real estate investing. Since 1988, Mr. Luttrell has served as CEO of LCM Group, Inc. Mr. Luttrell served from 1991 through 2000 as principal and senior officer of Caxton Associates, LLC, a New York based diversified investment firm. Mr. Luttrell's responsibilities with Caxton included Senior Trading Manager, Director of Global Fixed Income and a senior member of the firm's portfolio risk management committee. Mr. Luttrell has diverse investment experience in private equity, foreign exchange, fixed income and the alternative investment asset class. Prior to joining Caxton, Mr. Luttrell was a member at the Chicago Board of Trade, where he was involved in various trading and investment activities as an officer and partner of Chicago based TransMarket Group and related entities. Mr. Luttrell received a bachelor's degree in Business Administration/Finance from Southern Methodist University in Dallas, Texas.

**James N. Perry, Jr.**, age 46, became a director in 2000 as a designee of Madison Dearborn Partners. Mr. Perry serves as a managing director at Madison Dearborn Partners, which he co-founded. Previously, Mr. Perry was with First Chicago Venture Capital. Mr. Perry concentrates on investments in the communications industry and currently serves on the boards of directors of Band-X, Cinemark, Inc., Intelsat, Ltd. and Madison River Telephone Company. Mr. Perry received his bachelor's degree from the University of Pennsylvania and his MBA from the University of Chicago.

**David A. Rogan**, age 49, is Vice President of Cisco Systems, Inc. He is responsible for managing Cisco's growing captive finance company and wholly-owned subsidiary, Cisco Systems Capital, where he also serves as its President and General Manager. Mr. Rogan previously served as Vice President, Treasurer for Cisco Systems and was responsible for worldwide treasury needs which include: funding and project financing; portfolio management; day-to-day cash management; risk management; global bank relations; foreign exchange and interest rate risk management; and stock administration. Prior to joining Cisco, Mr. Rogan was the Assistant Treasurer at Apple Computer, Inc. for more than four years, where his major responsibilities were worldwide funding, investments, and financial market risk management. He also spent more than five years with General Motors in New York in various treasury-related positions, most recently as Director of Foreign Exchange and International Cash Management. Mr. Rogan has a B.S. degree from the University of Connecticut and an MBA from the University of Chicago.

**Robert Rothman**, age 54, became a director in 2004 as a designee of certain of our investors. Mr. Rothman is Chairman and Chief Executive Officer of Black Diamond Group, Inc. and Chairman of Florida Bank Group in Tampa, Florida. He was Chairman of the Board and Chief Executive Officer of Consolidated International Group, Inc., which owned and operated insurance companies in Europe and North America, from 1987 to 1999. Prior to founding the Consolidated Group of companies in 1987, he was Executive Vice President and Chief

Financial Officer of Beneficial Insurance Group. Mr. Rothman is a member of the Advisory Council for the University of Chicago Graduate School of Business; Vice-Chairman of the Board of H. Lee Moffitt Cancer Center & Research Institute Hospital, Inc.; and Chairman of the Board of Trustees of the Academy of the Holy Names. Mr. Rothman obtained a B.A. Degree in Economics from Queens College of the City University of New York and an MBA in Finance from the University of Chicago, Graduate School of Business.

Unless marked otherwise, proxies received will be voted “FOR” the election of each of the nominees named above.

**Recommendation of the Board of Directors:**

The Board recommends a vote “FOR” the election of all nominees named above.

**THE BOARD OF DIRECTORS AND COMMITTEES**

The Board of Directors met twelve times during 2006. Each director, during his term as director, attended at least 75% of the aggregate number of meetings of the Board during 2006, except Messrs. Chapple and Perry. Each director, during his term as director, attended at least 75% of the aggregate number of meetings of the committees of the Board during 2006 of which he was a member. During 2006, the Board had a standing Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

*Nominating and Corporate Governance Committee*

Our Nominating and Corporate Governance Committee consists of Messrs. Luttrell and Perry, all of whom are independent members of our Board. Mr. Luttrell serves as the chairman of this committee. We have adopted a charter governing the activities of the Nominating and Corporate Governance Committee, which may be located on the Company’s website at [www.cbeyond.net](http://www.cbeyond.net). Pursuant to its charter, the Nominating and Corporate Governance Committee’s tasks include identifying individuals qualified to become Board members, recommending to the Board director nominees to fill vacancies in the membership of the Board as they occur and, prior to each annual meeting of stockholders, recommending director nominees for election at such meeting, making recommendations to the Board concerning the composition and organization of the Board, conducting succession planning regarding the Chief Executive Officer and other senior officer positions of the Company and overseeing the Board in its annual review of Board performance. The committee also develops and recommends to the Board corporate governance principles applicable to the Company. Board candidates are considered based upon various criteria, such as knowledge, perspective, professional and personal integrity, experience in corporate management, experience in the relevant industry, mature business judgment, relevant specific industry, social policy or regulatory affairs knowledge, and any other factors appropriate in the context of an assessment of the committee’s understood needs of the Board at that time.

The Nominating and Corporate Governance Committee has the sole authority to retain, compensate, and terminate any search firm or firms to be used in connection with the identification, assessment, and/or engagement of directors and director candidates. Currently, the Company has no search firm under retainer.

The Nominating and Corporate Governance Committee considers proposed nominees whose names are submitted to it by stockholders; however, it does not have a formal process for that consideration. The Company has not, to date, adopted a formal process because it believes that the informal consideration process has been adequate. The committee intends to review periodically whether a more formal policy should be adopted. If a stockholder wishes to suggest a proposed name for committee consideration, the name of that nominee and related personal information should be forwarded to the Nominating and Corporate Governance Committee, in care of the Secretary of the Company, not earlier than 90 calendar days but not later than 70 calendar days in advance of the first anniversary of the preceding year’s annual meeting, in order to assure time for meaningful consideration by the committee. See also “Notice of Stockholder Business and Nominations” of the Company’s Bylaws for requirements for proposals.

The Nominating and Corporate Governance Committee did not meet during 2006 and did not act by written consent.

#### *Stockholder Communication with Board Members*

Although the Company has not to date developed formal processes by which stockholders may communicate directly to directors, it believes that the informal process, in which stockholder communications that are received by the Secretary for the Board's attention, or summaries thereof, will be forwarded to the Board, has served the Board's and the stockholders' needs. In view of Securities and Exchange Commission's (the "SEC") disclosure requirements relating to this issue, the Nominating and Corporate Governance Committee may consider development of more specific procedures. Until any other procedures are developed and posted on the Company's corporate website, any communications to the Board should be sent to it in care of the Secretary.

#### *Code of Ethics*

The Company's code of ethics may be found on the Company's website at [www.cbeyond.net](http://www.cbeyond.net). The Company shall provide to any person without charge, upon request, a copy of such code of ethics, if a request is sent to the Company in care of the Secretary.

#### *Board Member Attendance at Annual Meetings*

The Company encourages all of its directors to attend the Annual Meeting of Stockholders.

#### *Director Independence*

The listing standards of the Nasdaq Global Market ("Nasdaq") require that a majority of the Board be independent. A director does not qualify as independent unless the Board determines that the director has no direct or indirect material relationship with the Company. In assessing the independence of its members, the Board examined the commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships of each member. The Board's inquiry extended to both direct and indirect relationships with the Company. Based upon both detailed written submissions by its members and discussions regarding the facts and circumstances pertaining to each member, considered in the context of applicable rules and regulations of the SEC and the Nasdaq listing standards, the Board has determined that all of the directors are independent, other than Mr. Geiger. In reviewing director independence, the Board determined that Mr. Rogan's position as an executive of Cisco Systems, Inc., a significant supplier of equipment, software and services to us, did not violate his independence as a director.

#### *Audit Committee*

The Audit Committee, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), consists of Messrs. Rothman, Luttrell and Rogan, each of whom is independent as the term "independence" is defined in the applicable listing standards of Nasdaq and Rule 10A-3 under the Exchange Act. Mr. Grissom, who is also considered independent, served as the chair of the Audit Committee through November 2006, at which point, Mr. Grissom relinquished his seat on the committee and Mr. Rogan joined the committee. At that time, Mr. Rothman became the committee chairman. The Board has determined that Mr. Rothman qualifies as an audit committee financial expert, as that term is defined in the Exchange Act and any similar requirements of Nasdaq. The responsibilities of this committee include:

- meeting with our management periodically to consider the adequacy of our internal controls and the objectivity of our financial reporting;
- appointing the independent registered public accounting firm, determining the compensation of the independent registered public accounting firm and pre-approving the engagement of the independent registered public accounting firm for audit or non-audit services;
- having oversight of our independent registered public accounting firm, including reviewing the independence and quality control procedures and the experience and qualifications of our independent registered public accounting firm's senior personnel that are providing us audit services;

- meeting with the independent registered public accounting firm and reviewing the scope and significant findings of the audits performed by them, and meeting with management and internal financial personnel regarding these matters;
- reviewing our financing plans, the adequacy and sufficiency of our financial and accounting controls, practices and procedures, the activities and recommendations of our independent registered public accounting firm and our reporting policies and practices, and reporting recommendations to our full Board of Directors for approval;
- establishing procedures for the receipt, retention and treatment of complaints regarding internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- preparing the reports required by the rules of the SEC to be included in our annual proxy statement.

The Audit Committee met fourteen times during 2006 and did not act by written consent. The charter of the Audit Committee may be located on our website at [www.cbeyond.net](http://www.cbeyond.net).

### **Audit Committee Report**

To the Board of Directors:

We have reviewed and discussed with management the Company's audited consolidated financial statements as of and for the year ended December 31, 2006.

We have discussed with the independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed with us by the American Institute of Certified Public Accountants, the Securities and Exchange Commission and the Public Company Accounting Oversight Board, including those required by the Statement on Auditing Standards No. 61.

We have received and reviewed the letter from Ernst & Young LLP required by the Independence Standards Board, and have discussed with Ernst & Young LLP their independence, including the written disclosures and letter required by Independence Standard No. 1 of the Independence Standards Board.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the Securities and Exchange Commission.

*Audit Committee:*

Douglas C. Grissom (through November 2006)  
D. Scott Luttrell  
Robert Rothman  
David A. Rogan (beginning November 2006)

#### *Compensation Committee*

The Compensation Committee consists of Messrs. Chapple and Grissom, each of whom is independent in accordance with the applicable rules and regulations of the SEC and Nasdaq. In addition, prior to his resignation from the Board of Directors on June 23, 2006, Mr. Abate served on the Compensation Committee. Mr. Grissom serves as the chair of this committee. We have adopted a charter governing the activities of the Compensation Committee, which may be located on the Company's website at [www.cbeyond.net](http://www.cbeyond.net). The Compensation Committee is responsible for determining compensation for our executive officers and other employees and administering the compensation programs as described further under the caption "Compensation Discussion and Analysis". The Compensation Committee met twelve times during 2006 and did not act by written consent.

## EXECUTIVE OFFICERS

Set forth below is certain information concerning the executive officers of the Company. Biographical information on Mr. Geiger is included under “Proposal No. 1—Election of Directors.” All executive officers hold office until a successor is chosen and qualified.

**J. Robert Fugate**, age 46, has been our Executive Vice President and Chief Financial Officer since 2000. Mr. Fugate leads our financial and accounting operations, business development and investor relations, and is a founder of Cbeyond. From 1988 until the founding of Cbeyond, Mr. Fugate served as chief financial officer for several telecommunications and technology companies, including Splitrock Services, Inc., a nationwide Internet and data network services provider, and Mobile Telecommunication Technologies Corp. (later SkyTel Communications Corp.), or Mtel, an international provider of wireless data services. Prior to joining Cbeyond, Mr. Fugate oversaw numerous public securities offerings, as well as other financial transactions, and was previously an investment banker at Prudential-Bache Securities. He began his career at Mobile Communications Corporation of America. Mr. Fugate received an MBA from Harvard Business School and a bachelor’s degree from the University of Mississippi.

**Robert R. Morrice**, age 58, has been our Executive Vice President, Sales and Service since 1999. Mr. Morrice oversees the launch, sales and delivery of our products and services. Prior to co-founding Cbeyond, Mr. Morrice was vice president of retail sales and an officer of Intermedia Communications. Prior to Intermedia, Mr. Morrice served at Sprint Communications in a variety of positions, including Southeast regional director for National Accounts, and led sales efforts for Precision Systems, Inc., a Florida-based telecommunications software company. Mr. Morrice has a bachelor’s degree in social sciences from Campbell University and a master’s degree in education psychology from Wayne State University.

**Richard J. Batelaan**, age 41, has been our Chief Operations Officer since 2001. Mr. Batelaan manages our operations units including customer care, field operations, systems operations, network operations, network planning, provisioning, service activation and ILEC relations. Before joining us in 2001, Mr. Batelaan was co-founder and chief operations officer of BroadRiver Communications, a provider of VoIP, Internet access and virtual private network services, from 1999 to 2001. In 2001, BroadRiver Communications filed for bankruptcy and ceased operations. Previously, Mr. Batelaan spent 12 years with BellSouth, a regional ILEC based in Atlanta. Mr. Batelaan moved to the Internet services arm of the company, BellSouth.net, where he served in numerous roles including director of network operations, director of engineering, vice president of operations and chief operations officer. Mr. Batelaan has a bachelor’s degree in electrical engineering from the Georgia Institute of Technology and a master’s degree in information networking from Carnegie-Mellon University.

**Christopher C. Gatch**, age 34, joined us in 1999 and is our Chief Technology Officer. Prior to co-founding Cbeyond, Mr. Gatch was vice president of business development, later becoming vice president of product development and then vice president of engineering. Before joining us, Mr. Gatch worked at Intermedia Communications, where his last role was senior director of strategic marketing, focusing on research and development of VoIP alternatives for the company. He also serves on the board of the Cisco BTS 10200 Users Group and the Service Provider Board of the International Packet Communications Consortium, which provides leadership on projects that are of importance to carriers and service providers. Mr. Gatch has a bachelor’s degree in computer engineering from Clemson University and a master’s degree in the management of technology from the Georgia Institute of Technology.

**Henry C. Lyon**, age 42, joined us in 2004 and serves as our Chief Accounting Officer. Prior to joining us, Mr. Lyon was vice president and corporate controller and chief accounting officer for World Access, Inc., a provider of international long distance service focused on markets in Europe, from 2000 to 2004. In April 2001, World Access, Inc. filed for bankruptcy and commenced liquidation proceedings. Mr. Lyon also held positions as vice president and corporate controller for Nova Corporation, as principal for Broadstreet Development Company, LLC and as audit manager for Ernst & Young LLP. Mr. Lyon graduated from the University of Georgia in 1986 with a bachelor degree in Business Administration in Accounting.

**Joseph A. Oesterling**, age 39, joined us in 2000 and is responsible for the development and support of all of our operational support systems (OSS). He also oversees billing operations and business intelligence solutions. Before joining us, Mr. Oesterling held leadership roles in information technology with Capital One, Security Capital Group, Booz-Allen & Hamilton, Sony and IBM. Mr. Oesterling is a member of the User Steering Committee for Daleen and a member of the Customer Advisory Board for NeuStar. Mr. Oesterling holds an MBA from the University of Texas at Austin and a bachelor of science degree in computer science from Purdue University.

**Brooks A. Robinson**, age 35, joined us in 2000 and serves as our Chief Marketing Officer. He leads our marketing organization, including business strategy, product marketing, sales operations and communications. Prior to co-founding Cbeyond, Mr. Robinson worked for Cambridge Strategic Management Group (CSMG), a strategy consulting firm in Boston, where he managed consulting engagements that focused on strategy development and business case due diligence for the telecom and high tech sectors. Previously, Mr. Robinson managed consulting engagements for Deloitte Consulting in Toronto and held various engineering positions at Nortel Networks in Ottawa. Mr. Robinson holds a bachelor of applied science degree in electrical engineering and management science from the University of Waterloo (Canada) and the University of Queensland (Australia).

**Kurt J. Abkemeier**, age 37, joined us in June 2005 and serves as our Vice President of Finance and our Treasurer. Prior to joining us, Mr. Abkemeier was director of finance and strategic planning at AirGate PCS, Inc., a regional wireless telecommunications service provider. Mr. Abkemeier also held various senior management positions within telecommunications-related companies and was a senior sell-side research analyst at JP Morgan & Co. analyzing telecommunications companies. Mr. Abkemeier graduated with a bachelor of science degree in applied economics from Cornell University.

**N. Brent Cobb**, age 37, joined us in 2005 and serves as our Vice President, Product Management and General Manager of Mobile Services. He is responsible for our service offerings, product management and new product development. Prior to joining us, Mr. Cobb was the executive vice president of Strategy and Business Development at SK-EarthLink, a joint venture between SK Telecom and EarthLink. He also held a variety of senior management positions at Earthlink including Vice President, General Manager, Wireless and General Manager, Non-PC devices. Mr. Cobb has a bachelor's degree in mechanical engineering from Clemson University and an MBA from Emory University.

**Terry S. Trout**, age 47, joined us in 2000 and serves as our Vice President of Customer Experience. She is responsible for customer care, service delivery, technical support, collections and operations training. Prior to joining us, Ms. Trout was the vice president of marketing communications for Intermedia Communications, an integrated communications provider. She was also the vice president of East Coast operations and corporate marketing for Marcone Appliance Parts Center. Ms. Trout has a bachelor's degree from Quincy University and an MBA from Southern Illinois University.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### **Overview of Compensation Program**

Our Compensation Committee, or the Committee, of the Board has responsibility for establishing, administering and maintaining adherence with our compensation philosophy. The Committee ensures that the total compensation paid to the executive officers, with the rank of Vice President and above, is fair, reasonable and competitive. Generally, the types of compensation and benefits provided to our Chief Executive Officer and Chief Financial Officer and the other individuals included in the Summary Compensation Table, or the "named executive officers", are similar to those provided to our other executive officers.

## Compensation Philosophy and Objectives

The Committee, as well as management, believes that the most effective executive compensation program is one that is designed to reward our employees for the Company's achievement of specific annual, long-term and strategic goals ultimately intended to create value for stockholders, and that such compensation should assist us in attracting and retaining key executives critical to its growth and long-term success. The Committee evaluates compensation to ensure that we maintain our ability to attract and retain superior employees in key positions and that compensation provided to such employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Committee believes executive compensation packages provided by the Company to our executives, including the named executive officers, should include both cash and stock-based compensation that reward performance as measured against established goals.

## Role of Executive Officers in Executive Compensation Decisions

The Committee makes all final compensation decisions related to the executive officers. Our executives provide a listing of recommended compensation consultants from which the Committee makes their selection. The selected third party compensation consultants then benchmark the compensation of each executive level through review of a peer group of companies. Such benchmark findings are reviewed by us and used by our chief executive officer in developing compensation recommendations with respect to all other executive officers. The Compensation Committee sets the compensation of the chief executive officer with input from our external compensation consultant. The conclusions reached by the compensation benchmark analysis as well as our compensation recommendations, with respect to salary adjustments and annual award amounts, are then presented to the Committee. The Committee exercises its discretion in approving and potentially modifying any recommended adjustments or awards to executives.

## Setting Executive Compensation

Based on the above mentioned objectives, the Committee has structured our annual and long-term incentive-based cash and non-cash executive compensation to motivate executives to achieve the business goals set by the Company. In order to maintain competitive pay, the Committee has engaged Mercer Human Resource Consulting to conduct an annual review of our total compensation program for the executive officers. Mercer has provided our senior management with relevant market data and alternatives to consider when making their recommendations for executive compensation levels to the Committee. Prior to finalizing executive compensation levels and performance incentives for 2006, the Committee received Mercer's confirmation that, in its view, our executive pay levels and incentives were appropriate and in line with market comparables.

In making its compensation decisions, the Committee reviews a comparison of each element of total compensation against a peer group of publicly-traded companies within the Telecommunication Services and Internet Software & Services industries. We refer to this group as the "peer group." The peer group was determined with assistance from Mercer and consists of companies against which the Committee believes the Company competes for talent and stockholder investment. The companies comprising the peer group are:

- Covad Communications Group
- Mpower Holding Corp (acquired by Telepacific Communications in August, 2006)
- Inphonic, Inc.
- Paetec Communications, Inc.
- J2 Global Communications, Inc.
- Neustar, Inc.
- Eschelon Telecom, Inc.
- Cogent Communications Group, Inc.
- Equinix Inc.

For comparison purposes, our annual revenues are slightly below the median revenues of the peer group. As such, for 2006, the Committee set compensation for the executive officers generally at the 50<sup>th</sup> percentile or less of compensation paid to similarly situated executives of the companies comprising the peer group. Variations to this objective may occur as dictated by the experience level of the individual and market factors.

There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Committee reviews information provided by Mercer to determine the appropriate level and mix of incentive compensation. Historically, and in fiscal 2006, the Committee compensated our named executive officers primarily in the form of equity incentive compensation in order to ensure alignment of management's interests with stockholders' interests.

## **2006 Executive Compensation Components**

For the fiscal year ended December 31, 2006, the principal components of compensation for our named executive officers were:

- base salary;
- short-term performance-based incentive cash compensation;
- stock-based compensation; and
- medical and retirement plan benefits.

### *Base Salary Compensation*

The Company provides its named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for named executive officers are determined for each executive based on his or her position and responsibility by using market data obtained from the peer review performed by Mercer. Base salary ranges are designed so that salary opportunities for a given position will be at or below the midpoint of the base salaries of executives of the peer group. Providing competitive base salaries enables the Company to attract and retain key executives critical to the Company's growth and long-term success.

During its review of base salaries for executives, the Committee primarily considers the following:

- market data provided by our outside compensation consultants and
- internal review of the executive's total compensation, both individually and relative to other officers.

Salary levels are typically considered annually as part of our performance review process as well as upon a promotion or other change in job responsibility.

### *Performance-Based Incentive Compensation*

Our bonus plan serves to align all corporate employees, including the named executive officers, on the achievement of the following key corporate financial metrics: Revenue, Adjusted EBITDA, and capital expenditures. For each component, target payout levels are established based on our annual objectives for consolidated performance.

The payout factor for each performance criteria is determined based upon our actual performance measured against the maximum payout target, which is set at our internal budget for 2006. Incentive amounts to be paid under the performance-based programs may be adjusted by the Committee to account for unusual events such as material changes to the business subsequently approved by the Board that were not provided for in the budget targets, extraordinary transactions, asset dispositions and purchases, and mergers and acquisitions if, and to the extent, the Committee does not consider the effect of such events to be indicative of our performance. Each performance criteria carries equal weight to determine the overall payout factor. In the event established minimum performance levels are exceeded but applicable target payout levels are not achieved, the executive officers will earn proportional awards. If the established minimum performance level is not met for a particular performance

criteria component, the payout factor will be zero for that particular component. The minimum performance levels were set at 95% of budget for Revenue, 90% of budget for Adjusted EBITDA and 10% above budgeted spend for capital expenditures. The maximum payout factor is capped at 100%. The Committee generally sets performance targets at levels that require superior performance by the executives to achieve maximum payouts.

The Committee sets each executive's bonus potential percentage based on the competitive benchmark analysis performed. The bonus potential percentage for each named executive officer during 2006 were as follows: James F. Geiger (50%), J. Robert Fugate (35%), Robert R. Morrice (35%), Joseph A. Oesterling (35%), Richard J. Batelaan (35%), Brooks A. Robinson (35%) and Brian E. Craver (30%).

The bonus potential percentages for the named executive officers other than Mr. Craver (whose employment ceased as of the end of 2006) were increased for 2007. The bonus potential percentage for Mr. Geiger was increased from 50% to 100%, and the bonus potential for Messrs. Fugate, Morrice, Oesterling, Batelaan and Robinson were increased from 35% to 75%.

The individual's bonus payout is calculated as follows: salary earned during year \* overall payout factor \* individual bonus potential.

Payment of the incentive bonus is contingent upon continued employment through the date of payout (except in the case of Brian Craver, pursuant to the terms of his separation agreement).

Awards reflected in column (g) of the Summary Compensation Table were earned for performance by the named executive officers in 2006; however, they were paid on February 15, 2007.

#### *Equity Incentive Compensation*

##### *Stock Option Awards*

Our stock option awards program assists us to:

- align the creation of stockholder value with executive compensation;
- provide an opportunity for increased equity ownership by executives; and
- maintain competitive levels of total compensation.

Stock option awards to executives are granted annually and are determined based on the competitive benchmarking data for each executive's particular position within the Company. The annual awards are granted at the Committee's regularly scheduled quarterly meeting following year-end. Newly hired executive officers who are eligible to receive options are awarded such options at the next regularly scheduled quarterly Committee meeting following their hire date.

Options are awarded at the Nasdaq Global Market closing price of our common stock on the date of the grant. Since we became a publicly traded company, the Committee has not granted options with an exercise price that is less than the closing price of our common stock on the grant date, nor has it granted options which are priced on a date other than the grant date.

The majority of the options granted by the Committee vest at a rate of 25% per year over the first four years of the ten-year option term with initial vesting starting at the anniversary of the grant date, which we believe is competitive to the vesting schedules used by our peer group. Vesting and exercise rights cease upon termination of employment except in the case of resignation with good reason, termination without cause, death or disability. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to options, including voting rights and the right to receive dividends or dividend equivalents.

##### *Retirement and Other Benefits*

We have always encouraged our employees to save for retirement and, as such, have always offered a 401K savings plan. The 401K savings plan is a tax-qualified retirement savings plan pursuant to which all employees,

including the named executive officers, are able to contribute up to the limit prescribed by the Internal Revenue Code on a before-tax basis. As of the end of 2006, we did not provide a 401K employer matching program or profit sharing program.

#### *Perquisites and Other Personal Benefits*

The perquisites and other personal benefits offered only to the executives are negligible.

#### *Termination Benefits*

We have entered into Employment Agreements with each of the named executives that provide for specified benefits upon termination (other than termination by us for cause or for voluntary termination without “good reason”). These termination benefits are offered in order to ensure that we attract and retain key executives as we compete for talent in a marketplace where similar protections are commonly offered as well as to ensure that the executives remain focused on the Company’s business during any period of change. Information regarding termination benefits and applicable payments under such agreements for the named executive officers is provided under the heading “Potential Payments Upon Termination or Change of Control.”

### **Tax and Accounting Implications**

#### *Deductibility of Executive Compensation*

As part of its role, the Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, as amended, which provides that we may not deduct compensation of more than \$1,000,000 that is paid to certain individuals considered “covered employees” within the meaning of Section 162(m). A “covered employee” refers to the CEO and any individual among the next four highest compensated officers. Compensation earned under the stock option incentive plan is excluded for purposes of this calculation under Section 162(m), with the exception of below-market-value stock option awards. Section 162(m) explicitly states that an option that is granted with an exercise price that is less than the fair market value of the stock as of the date of grant does not qualify for exclusion. As of 2006 year-end, no below-market-value stock options, which were granted prior to our initial public offering, have been exercised by any covered employees, and thus there has been no deduction limitation under Section 162(m). Consequently, the 2006 compensation paid to all executives, including the named executive officers, is fully tax-deductible under Section 162(m) of the Internal Revenue Code, as amended.

#### *Accounting for Stock-Based Compensation*

Effective January 1, 2006, we began accounting for stock-based compensation arrangements, which includes stock option awards, in accordance with the requirements of FASB Statement 123(R). The change in accounting under FASB Statement 123(R) did not result in any change in our compensation practices.

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006.

THE COMPENSATION COMMITTEE

Douglas C. Grissom, Chairman  
John H. Chapple

## SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation earned by each of the named executive officers for the fiscal year ended December 31, 2006.

All named executive officers, except for Mr. Craver, were still employed by the Company at 2006 year end. Awards reflected in column (g) were earned for performance by the named executive officers in 2006; however, they were paid on February 15, 2007, with the exception of a performance-based incentive in the amount of \$13,215 that was earned and paid to Mr. Craver in 2006, as it was not associated with the corporate bonus plan. No discretionary bonuses were paid to any named executive officers.

**2006 Summary Compensation Table**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
James F. Geiger . . . . . Chairman, President and Chief Executive Officer	2006	400,000	—	—	892,080	198,660	—	—	1,490,740
J. Robert Fugate . . . . . Executive Vice President and Chief Financial Officer	2006	275,000	—	—	212,105	95,605	—	—	582,710
Robert R. Morrice . . . . . Executive Vice President and President, Sales and Service	2006	250,000	—	—	169,922	86,914	—	—	506,836
Joseph A. Oesterling . . . . . Vice President and Chief Information Officer	2006	220,000	—	—	122,331	76,484	—	—	418,815
Richard J. Batelaan . . . . . Chief Operations Officer	2006	220,000	—	—	122,087	76,484	—	—	418,571
Brooks A. Robinson . . . . . Vice President and Chief Marketing Officer	2006	220,000	—	—	121,290	76,484	—	—	417,774
Brian E. Craver(3) . . . . . former Vice President, Strategic Partnership & Business Development	2006	175,000	—	—	92,279(4)	65,363	—	175,000	507,642

- (1) The amounts in column (f) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123(R), assuming no forfeitures, for awards granted pursuant to the Equity Incentive Plan and thus include amounts from awards granted in and prior to 2006. Assumptions used in the calculation of this amount are included in footnote 8 to the Company's audited financial statements for the fiscal year ended December 31, 2006 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2007, except that estimates for forfeitures are added back to the calculation for purposes of column (f).
- (2) The amounts in column (g) reflect the cash awards to the named individuals under the corporate bonus plan, which is discussed in further detail under the heading "Performance-Based Incentive Compensation." Pursuant to the Craver Agreement, Mr. Craver was entitled to \$13,215 under a separate performance-based incentive plan.
- (3) Mr. Craver's employment ceased on December 31, 2006.
- (4) Mr. Craver's employment agreement with us, which we refer to as the "Craver Agreement," provided for the acceleration of vesting of 20% of each of his outstanding option awards not fully vested at his separation date, which amounted to the acceleration of 11,360 shares at various exercise prices and resulted in the recognition of an additional \$67,742 in stock-compensation expense under FAS 123(R) in column (f); however, this was partially offset by the reversal of previously recognized expense related to the cancellation of his remaining unvested, non-accelerated awards totaling \$53,982.

## GRANTS OF PLAN BASED AWARDS

The table below provides information about equity and non-equity plan based awards granted to the named executives in 2006.

### 2006 Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
James F. Geiger . . . . .	2/1/2006	60,000	200,000	200,000	—	—	—	—	125,000	11.00	820,000
J. Robert Fugate . . . . .	2/1/2006	28,875	96,250	96,250	—	—	—	—	45,000	11.00	295,200
Robert R. Morrice . . . . .	2/1/2006	26,250	87,500	87,500	—	—	—	—	45,000	11.00	295,200
Joseph A. Oesterling . . . . .	2/1/2006	23,100	77,000	77,000	—	—	—	—	45,000	11.00	295,200
Richard J. Batelaan . . . . .	2/1/2006	23,100	77,000	77,000	—	—	—	—	45,000	11.00	295,200
Brooks A. Robinson . . . . .	2/1/2006	23,100	77,000	77,000	—	—	—	—	45,000	11.00	295,200
Brian E. Craver(1) . . . . .	2/1/2006	15,750	52,500	52,500	—	—	—	—	22,500	11.00	147,600

(1) The amounts in the table reflect the original options award granted to Mr. Craver. However, as a result of his separation, Mr. Craver's employment agreement allowed for the acceleration of vesting of 20% of each of his outstanding option awards not fully vested at his separation date. As this current year option award of 22,500 shares was not fully vested at the time that he ceased employment, the resulting outstanding shares related to this grant, post-termination, was 4,500 shares.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The table below provides information on the current holdings of stock options by the named executives as of December 31, 2006.

### 2006 Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Awards(2)					Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	
										Exercisable
James F. Geiger . . . . .	1	119,499	39,832	—	3.88	12/23/2013	—	—	—	—
	2	4,471	1,490	—	3.88	02/25/2013	—	—	—	—
	3	583,351	—	—	3.88	11/01/2012	—	—	—	—
	4	57,187	—	—	3.88	11/01/2012	—	—	—	—
	5	—	125,000	—	11.00	02/01/2016	—	—	—	—
	6	70,606	211,816	—	11.83	02/15/2015	—	—	—	—
	7	50	—	—	13.43	03/13/2012	—	—	—	—
J. Robert Fugate . . . . .	8	26,820	8,940	—	3.88	12/23/2013	—	—	—	—
	9	3,070	1,023	—	3.88	02/25/2013	—	—	—	—
	10	105,364	—	—	3.88	11/01/2012	—	—	—	—
	11	43,499	—	—	3.88	11/01/2012	—	—	—	—
	12	—	45,000	—	11.00	02/01/2016	—	—	—	—
	13	13,531	40,592	—	11.83	02/15/2015	—	—	—	—
	14	44	—	—	13.43	03/13/2012	—	—	—	—
Robert R. Morrice . . . . .	15	19,748	6,582	—	3.88	12/23/2013	—	—	—	—
	16	132,443	—	—	3.88	11/01/2012	—	—	—	—
	17	—	45,000	—	11.00	02/01/2016	—	—	—	—
	18	9,665	28,994	—	11.83	02/15/2015	—	—	—	—
	19	44	—	—	13.43	03/13/2012	—	—	—	—
Joseph A. Oesterling . . . . .	20	6,107	2,035	—	3.88	12/23/2013	—	—	—	—
	21	2,810	936	—	3.88	02/25/2013	—	—	—	—
	22	36,226	—	—	3.88	11/01/2012	—	—	—	—
	23	—	45,000	—	11.00	02/01/2016	—	—	—	—
	24	6,121	18,363	—	11.83	02/15/2015	—	—	—	—
	25	35	—	—	13.43	03/13/2012	—	—	—	—
	26	12	—	—	13.43	02/06/2012	—	—	—	—
	27	128	—	—	13.43	09/12/2010	—	—	—	—
	28	128	—	—	13.43	09/26/2011	—	—	—	—
	29	18	—	—	13.43	03/09/2011	—	—	—	—
	30	18	—	—	13.43	01/11/2011	—	—	—	—
Richard J. Batelaan . . . . .	31	13,798	—	—	3.88	11/01/2012	—	—	—	—
	32	7,143	2,380	—	3.88	12/23/2013	—	—	—	—
	33	2,659	886	—	3.88	02/25/2013	—	—	—	—
	34	—	45,000	—	11.00	02/01/2016	—	—	—	—
	35	5,799	17,396	—	11.83	02/15/2015	—	—	—	—
	36	5	—	—	13.43	03/13/2012	—	—	—	—
	37	12	—	—	13.43	02/06/2012	—	—	—	—
	38	180	—	—	13.43	11/14/2011	—	—	—	—

Name	Option Awards(2)					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Brooks A. Robinson . . . . .	39	6,068	—	3.88	12/23/2013	—	—	—	—
	40	1,740	579	3.88	02/25/2013	—	—	—	—
	41	36,946	—	3.88	11/01/2012	—	—	—	—
	42	—	45,000	—	11.00	02/01/2016	—	—	—
	43	6,121	18,363	—	11.83	02/15/2015	—	—	—
	44	31	—	—	13.43	03/13/2012	—	—	—
	45	12	—	—	13.43	02/06/2012	—	—	—
	46	128	—	—	13.43	09/12/2010	—	—	—
	47	51	—	—	13.43	09/26/2011	—	—	—
	48	25	—	—	13.43	03/09/2011	—	—	—
49	13	—	—	13.43	01/11/2011	—	—	—	
Brian E. Craver . . . . .	50	7,353	—	3.88	12/23/2013	—	—	—	—
	51	2,448	—	3.88	08/27/2013	—	—	—	—
	52	3,203	—	3.88	02/25/2013	—	—	—	—
	53	20,109	—	3.88	11/01/2012	—	—	—	—
	54	4,500	—	11.00	02/01/2016	—	—	—	—
	55	5,799	—	11.83	02/15/2015	—	—	—	—
	56	5,412	—	12.03	11/23/2014	—	—	—	—
	57	30	—	—	13.43	03/13/2012	—	—	—
	58	12	—	—	13.43	02/06/2012	—	—	—
	59	51	—	—	13.43	09/26/2011	—	—	—

- (1) All options are issued with a ten-year contractual term.
- (2) Immediately prior to Mr. Craver's cease of employment, 77,008 options were outstanding. Under the terms of his employment agreement (as discussed further under the section "Payments Made Upon Termination"), 11,360 of his options were accelerated to immediately vest. The remainder of his unvested options were cancelled.
- \* The above options vest at 25% per year over four years with the exception of the following grants:
- Rows 3, 4, 10, 11, 16, 41 and 53 were 60% vested upon grant, 85% vested after one year and 100% vested after two years.
  - Rows 7, 14, 19, 25, 29, 36, 44 and 57 were 50% vested after one year and 100% vested after two years.
  - Row 22 was 50% vested upon grant, 75% vested after one year and 100% vested after two years.
  - Row 31 was 25% vested upon grant, with an additional 25% vested after each of the next three years.

## OPTION EXERCISES AND STOCK VESTED

The table below provides information on the option exercise activity for the named executive officers in 2006.

**2006 Option Exercises and Stock Vested Table**

<u>Name</u>	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
James F. Geiger . . . . .	141,244	3,041,336	—	—
J. Robert Fugate . . . . .	24,236	521,862	—	—
Robert R. Morrice . . . . .	20,392	439,091	—	—
Joseph A. Oesterling . . . . .	7,500	161,494	—	—
Richard J. Batelaan . . . . .	30,000	458,599	—	—
Brooks A. Robinson . . . . .	7,892	169,934	—	—
Brian E. Craver . . . . .	50,000	920,980	—	—

(1) Value realized on exercise is the difference between the sale price, after transaction costs, and the exercise price of the options.

### Equity Plan Information

#### *2005 Equity Incentive Award Plan*

As of December 31, 2006, we were authorized to grant equity awards under our 2005 Equity Incentive Award Plan (the “2005 Plan”) with respect to 1,258,744 shares of our Common Stock. The 2005 Plan provides for the grant or issuance of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, dividend equivalents, performance awards, stock payments and other stock related benefits, or any combination thereof. The principal purposes of the 2005 Plan are to provide incentives for our officers, employees and consultants, as well as the officers, employees and consultants of any of our subsidiaries. We believe that grants of options, restricted stock and other awards will stimulate their personal and active interest in our development and financial success, and induce them to remain in our employ or continue to provide services to us. In addition to awards made to officers, employees or consultants, the 2005 Plan permits us to grant options to our directors.

As of December 31, 2006, a total of 647 of our employees, former employees, officers, directors and consultants held options to purchase 3,634,571 shares of our Common Stock, and 1,258,744 shares of our Common Stock remain available for future issuance under our 2005 Equity Incentive Award Plan. In addition, the 2005 Plan contains an evergreen provision that allows for an annual increase in the number of shares available for issuance on January 1 of each year during the ten-year term of the 2005 Plan, beginning on January 1, 2006. Under this evergreen provision, the annual increase in the number of shares equals the lesser of: (i) such number of shares as is necessary to bring the sum of the total share reserve under the 2005 Plan on the first day of the relevant fiscal year, plus the number of outstanding awards and unvested shares of restricted stock under the 2005 Plan, the 2002 Equity Incentive Plan and the 2000 Stock Incentive Plan on the first day of the relevant fiscal year, to 18.5% of our outstanding capital stock on the first day of the relevant fiscal year (calculated on a fully-diluted basis); and (ii) an amount determined by our board of directors.

We issue our employees options to purchase our Common Stock under our 2005 Plan, which has been approved by our stockholders. The following table provides information as of December 31, 2006 regarding outstanding options under our 2005 Plan, our 2002 Equity Incentive Award Plan and our 2000 Equity Incentive Award Plan, as well as shares reserved for future issuance under the 2005 Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights(1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders . . . . .			
2005 Equity Incentive Award Plan . . . . .	1,241,228	\$14.55	1,258,744
2002 Equity Incentive Award Plan(1) . . . . .	2,390,234	\$ 6.42	—
2000 Equity Incentive Award Plan(1) . . . . .	3,109	\$13.43	—
Equity compensation plans not approved by security holders . . . . .	—	—	—
Total . . . . .	3,634,571	\$ 9.20	1,258,744

(1) Shares remaining for issuance under the 2002 Equity Incentive Award Plan and the 2000 Equity Incentive Award Plan were rolled into the 2005 Plan, pursuant to our registration statement on Form S-8 (File No. 333-129556) filed with the SEC on November 8, 2005.

### POTENTIAL PAYMENTS UPON TERMINATION

The table below reflects the amounts to be paid to each of our named executive officers in the event of termination for certain reasons. The amount of compensation payable to each named executive officer upon the triggering event (i.e. termination prior to a change of control, termination following a change of control, termination in the event of death and termination in the event of disability of the executive) is shown below. The amounts shown assume that such termination was effective as of December 31, 2006 and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of such executive's separation.

#### Payments Made Upon Termination

We have entered into employment agreements with each named executive officer. The employment agreements for each of the named executive officers are substantially similar. Pursuant to these agreements, we will pay specified benefits to a particular executive upon termination (other than termination by us for cause or for voluntary termination without "good reason"). The termination benefits are as follows:

#### Termination Before a Change of Control:

- base salary in the form of severance for one additional year from date of termination (paid in 24 installments);
- 20% accelerated vesting of each outstanding award not yet fully vested; and
- for stock awards granted to the executive on or after the effective date of the employment agreement, a one-year period for the executive to exercise such stock awards following the date of termination (two years in the case of Mr. Geiger).

**Termination After a Change of Control (within one year from change of control):**

- base salary in the form of severance for one additional year from date of termination (paid in 24 installments); and
- 100% accelerated vesting of stock option awards for each non-fully vested award.

Generally, pursuant to the agreements, a change of control is deemed to occur:

- (i) if any person or group acquires 50% or more of the Company's voting securities (other than securities acquired directly or indirectly from the Company or its affiliates and not a result of us acquiring shares), directly or indirectly;
- (ii) if a majority of the Directors, as of any one year period, are replaced other than in specific circumstances;
- (iii) upon the consummation of a merger, consolidation, reorganization, business consolidation, sale of the Company or any subsidiary of ours, or disposition of substantially all of the Company's assets, other than an event noted above which would result in the voting securities of the Company outstanding immediately prior to the merger continuing to represent at least 50% of the voting power of the securities of the Company outstanding immediately after such event; or
- (iv) upon the liquidation or dissolution of the Company.

**Termination by Reason of Death:**

- 100% accelerated vesting of stock option awards for each non-fully vested award.

**Termination by Reason of Disability:**

- accelerated vesting so that 60% of each stock option grant is immediately vested and exercisable (if not already vested to that percentage).

**Conditions of Termination Benefits**

All employment agreements provide for nondisclosure of our confidential information and, after the termination of the executive's employment with us, a one-year period of non-solicitation of our employees and a one-year non-compete obligation.

The following table shows the potential payments upon termination for all named executive officers.

Option values/payments in the table below were calculated based on the difference between our closing market price of our Common Stock on December 31, 2006 (\$30.59 per share based on the last trading date prior to year-end of December 29, 2006) less the applicable exercise price of each grant award subject to accelerated vesting as a result of a termination under the terms noted above.

Mr. Craver is excluded from the table as he ceased employment as of December 31, 2006, and his termination benefits are already earned and included in the Summary Compensation Table as of 2006. Refer to the discussion under the heading "Summary Compensation Table" for further detail.

## 2006 Potential Payments Upon Termination Table

<u>Name</u>	<u>Benefit</u>	<u>Before Change in Control Termination w/o Cause or for Good Reason (\$)</u>	<u>After Change in Control Termination w/o Cause or for Good Reason (\$)</u>	<u>Death (\$)</u>	<u>Disability (\$)</u>
James F. Geiger . . . . .	Cash Severance	400,000	400,000	—	—
	Stock Options—Accelerated Vesting	2,432,161	7,525,282	7,525,282	3,328,228
J. Robert Fugate . . . . .	Cash Severance	275,000	275,000	—	—
	Stock Options—Accelerated Vesting	592,231	1,909,005	1,909,005	884,221
Robert R. Morrice . . . . .	Cash Severance	250,000	250,000	—	—
	Stock Options—Accelerated Vesting	461,983	1,601,167	1,601,167	782,706
Joseph A. Oesterling . . . . .	Cash Severance	220,000	220,000	—	—
	Stock Options—Accelerated Vesting	331,660	1,305,322	1,305,322	689,658
Richard J. Batelaan . . . . .	Cash Severance	220,000	220,000	—	—
	Stock Options—Accelerated Vesting	333,128	1,295,064	1,295,064	681,191
Brooks A. Robinson . . . . .	Cash Severance	220,000	220,000	—	—
	Stock Options—Accelerated Vesting	323,759	1,295,439	1,295,439	689,658

### DIRECTOR COMPENSATION

The Committee establishes and periodically reviews our policies for director compensation. Generally, we use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board.

#### Cash Compensation Paid to Board Members

We have paid our board members annual retainers of \$10,000 for board membership and \$5,000 for membership on each committee to each of our non-employee directors who are not affiliated with Madison Dearborn Partners. The membership fees were prorated and earned on a monthly basis for those board members that were not in place for a full year (i.e. Messrs. Abate and Rogan in 2006). In addition to membership fees, each non-employee director that is not affiliated with Madison Dearborn Partners has received \$1,000 for each board meeting attended in person and \$500 for each board meeting attended telephonically. We have not historically provided additional compensation for committee meeting attendance. We also reimburse non-employee directors for reasonable expenses they incur to attend board and committee meetings.

#### Stock Option Program

We made one-time stock option grants to each new non-employee director not affiliated with Madison Dearborn Partners. Generally, we have granted 25,773 options to non-employee directors upon joining the board. Robert Rothman did not receive a grant upon joining the Board in 2005 but did receive an award of options and stock in May 2006 in an amount needed to equal the value of options he would have accrued if he had received the standard award when he joined the Board. Each stock option grant made to our directors has an exercise price equal to the fair market value of our common stock on the date of the grant, and, generally, one-third of the options vest at each one year anniversary of the grant. Any future equity awards to directors will be within the discretion of our Board of Directors.

## Director Summary Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2006.

### 2006 Director Compensation Table

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards \$(1)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
John H. Chapple . . . . .	19,000	—	51,109	—	—	—	70,109
Douglas C. Grissom(2) . . .	—	—	—	—	—	—	—
D. Scott Luttrell . . . . .	23,000	—	49,280	—	—	—	72,280
James N. Perry, Jr.(2) . . . . .	—	—	—	—	—	—	—
David A. Rogan . . . . .	11,083	—	76,286	—	—	—	87,369
Robert Rothman . . . . .	22,000	106,210	122,830	—	—	—	251,040
Anthony M. Abate(3) . . . . .	12,500	—	137,454	—	—	—	149,954

\* James F. Geiger, the Company's Chairman, President and Chief Executive Officer, is not included in this table as he is an employee of the Company and thus receives no compensation for his services as a director. The compensation received by Mr. Geiger as an employee of the Company is shown in the Summary Compensation Table.

- (1) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with FAS 123(R), assuming no forfeitures, and thus includes amounts from awards granted in and prior to 2006. As of December 31, 2006, each director has the following number of options outstanding: John H. Chapple, 25,773 options; D. Scott Luttrell, 25,773 options; David A. Rogan, 25,773 options and Robert Rothman 19,696 options. John H. Chapple's option award was granted on June 23, 2004 with an exercise price of \$12.03 and vests at 33% per year. D. Scott Luttrell's option award was granted on August 18, 2004 with an exercise price of \$12.03 and vests at 33% per year. David A. Rogan's option award was granted on May 2, 2006 with an exercise price of \$20.30 and vests at 33% per year. Robert Rothman's option award was granted on May 2, 2006 with an exercise price of \$20.30 and vests at 50% per year. In addition, Mr. Rothman received a stock grant which was immediately vested (see explanation above under the "Stock Option Program" section). As explained below, Mr. Abate's all remaining unvested options were accelerated upon his separation per his separation agreement and all options were exercised by Mr. Abate prior to 2006 year-end.
- (2) Messrs. Grissom and Perry, Jr. are affiliated with Madison Dearborn Partners; therefore, they currently receive no compensation for their service on the board.
- (3) As previously mentioned, Mr. Abate's term expired during 2006. Upon his separation, the vesting of all unvested options was accelerated; as well, we extended the exercise term as part of his separation agreement. Per FAS 123(R), these changes were treated as modifications of his award terms, resulting in our recognizing \$91,933 in additional expense related to these accelerated shares and modified exercise timing.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2006:

- The Compensation Committee was comprised of Messrs. Chapple, Grissom and, through June 30, Abate;
- None of the members of the Compensation Committee was an officer (or former officer) or employee of the Company or any of its subsidiaries;
- None of the members of the Compensation Committee entered into (or agreed to enter into) any transaction or series of transactions with the Company or any of its subsidiaries in which the amount involved exceeded \$120,000;
- None of the Company's executive officers served on the Compensation Committee (or another board committee with similar functions) of any entity where one of that entity's executive officers served on the Company's Compensation Committee;
- None of the Company's executive officers was a director of another entity where one of that entity's executive officers served on the Company's Compensation Committee; and
- None of the Company's executive officers served on the Compensation Committee (or another board committee with similar functions) of another entity where one of that entity's executive officers served as a director on the Company's Board of Directors.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table provides summary information regarding beneficial ownership of our outstanding capital stock as of March 31, 2007, for:

- each person or group who beneficially owns more than 5% of our capital stock on a fully diluted basis;
- each of the executive officers named in the Summary Compensation Table;
- each of our directors and nominees to become a director; and
- all of our directors and executive officers as a group.

Beneficial ownership of shares is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, each person identified in the table possesses sole voting and investment power with respect to all shares of Common Stock held by them. For purposes of this table, the number of shares of Common Stock outstanding as of March 31, 2007 is deemed to be 27,776,589. Shares of Common Stock subject to options currently exercisable or exercisable within the period 60 days after March 31, 2007, are deemed outstanding for calculating the percentage of outstanding shares of the person holding these options, but are not deemed outstanding for calculating the percentage of any other person. Unless otherwise noted, the address for each director and executive officer is c/o Cbeyond, Inc., 320 Interstate North Parkway, Suite 300, Atlanta, Georgia 30339.

<u>Name of Beneficial Owner</u>	<u>Beneficial Ownership</u>	
	<u>Number</u>	<u>Percent</u>
<b>Executive Officers and Directors</b>		
James F. Geiger (1) . . . . .	969,760	3.38%
John R. Fugate (2) . . . . .	221,632	*
Robert R. Morrice (3) . . . . .	168,219	*
Kurt J. Abkemeier (4) . . . . .	21,442	*
Richard J. Batelaan (5) . . . . .	67,474	*
N. Brent Cobb (6) . . . . .	30,407	*
Christopher C. Gatch (7) . . . . .	71,116	*
Henry C. Lyon (8) . . . . .	33,394	*
Brooks A. Robinson (9) . . . . .	86,451	*
Joseph A. Oesterling (10) . . . . .	79,766	*
Terry S. Trout (11) . . . . .	28,136	*
John H. Chapple (12) . . . . .	17,182	*
Douglas C. Grissom (13) . . . . .	4,339,114	15.62%
D. Scott Luttrell (14) . . . . .	535,319	1.93%
James N. Perry, Jr. (15) . . . . .	4,339,114	15.62%
David A. Rogan (16) . . . . .	12,591	*
Robert Rothman (17) . . . . .	558,809	2.01%
All directors and executive officers as a group (17 persons) . . . . .	7,240,812	24.63%
<b>Beneficial owners of 5% or more</b>		
Madison Dearborn Partners III, L.P. (18) . . . . .	4,339,114	15.62%
VantagePoint Venture Partners (19) . . . . .	2,651,392	9.55%

\* Denotes less than 1% beneficial ownership

- (1) Includes options of 938,510 shares and restricted stock of 31,250 shares of our Common Stock
- (2) Includes options of 198,132 shares and restricted stock of 23,500 shares of our Common Stock.
- (3) Includes options of 142,815 shares and restricted stock of 18,000 shares of our Common Stock.

- (4) Includes options of 17,223 shares and restricted stock of 4,219 shares of our Common Stock.
- (5) Includes options of 43,531 shares and restricted stock of 20,000 shares of our Common Stock.
- (6) Includes options of 17,719 shares and restricted stock of 4,688 shares of our Common Stock.
- (7) Includes options of 45,978 shares and restricted stock of 10,000 shares of our Common Stock.
- (8) Includes options of 28,706 shares and restricted stock of 4,688 shares of our Common Stock.
- (9) Includes options of 59,085 shares and restricted stock of 20,000 shares of our Common Stock.
- (10) Includes options of 54,910 shares and restricted stock of 20,000 shares of our Common Stock.
- (11) Includes options of 20,891 shares and restricted stock of 4,219 shares of our Common Stock.
- (12) Includes options of 17,182 shares of our Common Stock.
- (13) Consists of shares owned by Madison Dearborn Capital Partners III, L.P. Mr. Grissom is a Director of Madison Dearborn Partners and as such shares voting and investment power with other directors. Mr. Grissom disclaims beneficial ownership of the shares owned by Madison Dearborn Capital Partners III, L.P.
- (14) Includes options of 17,182 shares of our Common Stock. Mr. Luttrell is the Chief Executive Officer and founder of LCM Group, Inc. 118 Capital Fund, Inc. owns 479,455 shares; LCM Profit Sharing Plan owns 4,742 shares; 2514 Multi-Strategy Fund LP owns 30,215 shares; and 316 Capital LLC owns 3,725 shares. 118 Capital Fund, Inc., LCM Profit Sharing Plan, 2514 Multi-Strategy Fund LP and 316 Capital LLC are part of an affiliated group of investment partnerships commonly controlled by LCM Group, Inc.
- (15) Consists of shares owned by Madison Dearborn Capital Partners III, L.P. Mr. Perry is a Managing Director of Madison Dearborn Partners and as such shares voting and investment power with other directors. Mr. Perry disclaims beneficial ownership of the shares owned by Madison Dearborn Capital Partners III, L.P.
- (16) Includes options of 8,591 shares of our Common Stock. Mr. Rogan serves as President of Cisco Systems Capital Corporation and Vice President of Cisco Systems, Inc. Mr. Rogan disclaims beneficial ownership of the shares owned by Cisco Systems Capital Corporation.
- (17) Includes options of 9,848 of our Common Stock and includes 398,729 shares owned by Black Diamond Capital II, LLC and 125,000 shares owned by Black Diamond Capital LLC. Mr. Rothman is Chairman and Chief Executive Officer of Black Diamond Capital II, LLC, and as such shares voting and investment power with respect to such shares.
- (18) Includes 4,238,636 shares owned by Madison Dearborn Capital Partners III, L.P.; 94,116 shares owned by Madison Dearborn Special Equity III, LP; and 6,362 shares owned by Special Advisors Fund I, LLC. Madison Dearborn Capital Partners III, L.P., Madison Dearborn Special Equity III, LP and Special Advisors Fund I LLC are part of an affiliated group of investment partnerships and limited liability companies commonly controlled by Madison Dearborn Partners III, L.P. Messrs. John A. Canning, Jr., Paul J. Finnegan and Samuel M. Menco have joint control over the shares held by Madison Dearborn Partners, and as such, they share voting and investment power with respect to such shares. Messrs. Canning, Jr., Finnegan and Menco disclaim beneficial ownership with respect to such shares. The address of this stockholder is c/o Madison Dearborn Partners, Three First National Plaza, Suite 3800, Chicago, IL 60602.
- (19) Includes 773,971 shares owned by VantagePoint Venture Partners III(Q), LP; 94,592 shares owned by VantagePoint Venture Partners III, LP; 1,599,993 shares owned by VantagePoint Venture Partners IV(Q), LP; 161,032 shares owned by VantagePoint Ventures Partners IV, LP; and 21,804 shares owned by VantagePoint Venture Partners IV Principals Fund, LP. VantagePoint Venture Partners III(Q), LP, VantagePoint Venture Partners III, LP, VantagePoint Venture Partners IV(Q), LP, VantagePoint Ventures Partners IV, LP and Venture Partners IV Principals Fund, LP are part of an affiliated group of investment partnerships commonly controlled by VantagePoint Venture Partners. Messrs. Alan Salzman and James Marver are managing members of the general partners of the limited partnerships that hold such shares, and as such, they share voting and investment power with respect to such shares. Messrs. Salzman and Marver disclaim beneficial ownership with respect to such shares. The address of this stockholder is c/o VantagePoint Venture Partners, 444 Madison Avenue, 39<sup>th</sup> Floor, New York, NY 10022.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Relationship with Cisco Capital and Cisco Systems**

Cisco has been and continues to be one of our major equipment suppliers. In addition, Mr. Rogan is on our Board of Directors and Audit Committee. All transactions with Cisco are carried out on an arm's-length basis. Cisco was also our principal lender until shortly after our initial public offering when we repaid all outstanding borrowings and cancelled the credit facility.

During the year ended December 31, 2006, we purchased approximately \$18.7 million of equipment and services from Cisco. As of December 31, 2006, our outstanding accounts payable to Cisco totaled approximately \$1.3 million.

Our corporate governance guidelines state that directors are expected to avoid any action, position, or interest that conflicts with the interests of the Company or gives the appearance of a conflict, including any related party transactions. We believe that we have had no conflicts of interest and that our policies were followed with respect to our transactions with Cisco Capital and Cisco Systems.

### **Relationship with David A. Rogan**

David A. Rogan currently serves as president of Cisco Systems Capital and vice president of Cisco Systems, Inc. Our relationship with each of Cisco Systems Capital and Cisco Systems, Inc. is described immediately above.

### **Registration Rights Agreement**

We are party to a registration rights agreement ("Registration Rights Agreement") with certain of our stockholders, certain of each of their affiliates and certain other individuals. Under the Registration Rights Agreement, for three years after our Initial Public Offering, which was consummated in November 2005, holders of registrable securities, as defined in the Registration Rights Agreement, will have the right to require us to effect registration under the Securities Act of their registrable securities, subject to specific value minimums and our Board of Directors' right to defer the registration for a period of up to 180 days in certain circumstances. These stockholders also have the right to cause us to register their securities on Form S-3 when it becomes available to us if they propose to register securities having a value of at least \$10 million, subject to the Board of Directors' right to defer the registration for a period of up to 90 days. In addition, if we propose to register securities under the Securities Act, then the stockholders who are party to the Registration Rights Agreement will have a right, subject to quantity limitations we determine, or determined by underwriters if the offering involves an underwriting, to request that we register their registrable securities. We will bear all registration expenses (but only up to \$50,000 for registrations on Form S-3) incurred in connection with registrations. We have agreed to indemnify the investors against liabilities related to the accuracy of the registration statement used in connection with any registration effected under the Registration Rights Agreement.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's stock to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file. During the year 2006, each of our officers named in the beneficial ownership table under the section "Security Ownership of Certain Beneficial Owners and Management" filed one late Form 4 for failing to timely report options granted on February 1, 2006. Based on its records and other information, the Company believes that all other Section 16(a) filing requirements applicable to its directors and executive officers for 2006 were timely met.

**PROPOSAL NO. 2**  
**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee is responsible for appointing our independent registered public accounting firm and overseeing the services it provides to us. The Audit Committee has reappointed Ernst & Young LLP as the independent registered public accounting firm to audit our financial statements for the fiscal year beginning January 1, 2007. In making this appointment, the Audit Committee considered whether the audit and non-audit services Ernst & Young LLP provides are compatible with maintaining the independence of our independent registered public accounting firm. The Audit Committee has established a policy regarding pre-approval of all audit and permissible non-audit services provided by our independent registered public accounting firm. Under this policy, the Audit Committee has specified categories of audit services, audit-related services and tax services that are pre-approved, subject to appropriate documentation and other requirements. In addition, the Audit Committee has specified categories of other services that our independent registered public accounting firm is precluded from providing to us.

In the event that ratification of this selection of the independent registered public accounting firm is not approved by a majority of the shares of Common Stock voting thereon, the Audit Committee will review its future selection of our independent registered public accounting firm.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions.

**Fees and Services of Ernst & Young LLP**

The following table summarizes fees billed to the Company by Ernst & Young LLP during fiscal years 2006 and 2005:

<u>Service</u>	<u>Fees (\$)</u>	
	<u>2006</u>	<u>2005</u>
Audit Fees (1) . . . . .	1,478,995	608,198
Audit-Related Fees (2) . . . . .	255,000	1,103,543
Tax Fees (3) . . . . .	136,000	80,140
Other Fees (4) . . . . .	—	300
<b>Total . . . . .</b>	<b>1,869,995</b>	<b>1,792,181</b>

- (1) “Audit Fees” relate to professional services rendered for the audit of the Company’s annual financial statements and internal control over financial reporting as well as the review of the Company’s quarterly financial statements.
- (2) “Audit-Related Fees” relate to services in connection with our Form S-1 filing for our Initial Public Offering in November 2005 and our Secondary Offering in October 2006.
- (3) “Tax Fees” relate to services in connection with income and property tax filings.
- (4) “Other Fees” relate to services in connection with continuing education seminars.

Unless marked otherwise, proxies received will be voted “FOR” the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007.

**Recommendation of the Board of Directors:**

The Board recommends a vote “**FOR**” the ratification of the selection of Ernst & Young LLP.

## STOCKHOLDER PROPOSALS

Stockholder proposals intended for inclusion in the Company's Proxy Statement for the 2008 Annual Meeting of Stockholders must be received by the Secretary of the Company, Mr. Fugate, at Cbeyond, Inc., 320 Interstate North Parkway, Suite 300, Atlanta, Georgia 30339, no later than March 30, 2008.

The Company's Bylaws provide that stockholders desiring to nominate a director or bring any other business before the stockholders at an annual meeting must notify the Secretary of the Company thereof in writing not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting, provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 70 days, from such anniversary date, notice by the stockholder to be timely must be delivered not earlier than the 90<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 70<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of such meeting is first made. These stockholder notices must set forth certain information specified in the Company's Bylaws.

## OTHER MATTERS

The Board knows of no other business that will be presented to the Annual Meeting. If any other business is properly brought before the Annual Meeting, proxies in the enclosed form will be voted in respect thereof in accordance with the judgments of the persons voting the proxies.

It is important that the proxies be returned promptly and that your shares be represented. Stockholders are urged to sign, date and promptly return the enclosed proxy card in the enclosed envelope.

A copy of the Company's 2006 Annual Report to Stockholders accompanies this Proxy Statement. The Company has filed an Annual Report for its fiscal year ended December 31, 2006 on Form 10-K with the SEC. Stockholders may obtain, free of charge, a copy of the Form 10-K by writing to Cbeyond, Inc., Attn: Investor Relations, 320 Interstate North Parkway, Suite 300, Atlanta, Georgia 30339. Stockholders may also obtain a copy of the Form 10-K by accessing the Company's website at [www.cbeyond.net](http://www.cbeyond.net).

By Order of the Board of Directors



J. Robert Fugate, Chief Financial Officer

April 23, 2007  
Atlanta, Georgia