As filed with the Securities and Exchange Commission on July 6, 1998
Registration No. 333-[ ]

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	4813	54-1708481
(STATE OR INCORPORATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1700 OLD MEADOW ROAD,
MCLEAN, VIRGINIA 22102
(703)902-2800
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

K. PAUL SINGH
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
1700 OLD MEADOW ROAD
MCLEAN, VIRGINIA 22102
(703)902-2800
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

WITH A COPY TO:
JAMES D. EPSTEIN, ESQUIRE
BRIAN M. KATZ, ESQUIRE
PEPPER HAMILTON LLP
3000 TWO LOGAN SQUARE
18TH AND ARCH STREETS
PHILADELPHIA, PENNSYLVANIA 19103
(215) 981-4000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER NOTE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
9 7/8% Senior Notes due 2008.....	$150,000,000	100.00%(1)	$150,000,000(1)	$44,250

(1) Estimated pursuant to Rule 457(f) solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH

SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A   +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE   +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT   +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR   +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE   +
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE   +
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
+ANY SUCH STATE.   +
++

SUBJECT TO COMPLETION, DATED JULY 6, 1998

PROSPECTUS

OFFER TO EXCHANGE

9 7/8% SENIOR NOTES DUE 2008
($150,000,000 PRINCIPAL AMOUNT OUTSTANDING)
FOR ANY AND ALL OUTSTANDING
9 7/8% SENIOR NOTES DUE 2008 OF

[LOGO OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED APPEARS HERE]

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON [, 1998] (AS SUCH DATE MAY BE EXTENDED, THE "EXPIRATION DATE").

Primus Telecommunications Group, Incorporated, a Delaware corporation (the "Company"), hereby offers (the "Exchange Offer"), upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal (the "Letter of Transmittal") to exchange its outstanding 9 7/8% Senior Notes Due 2008 (the "Initial Notes"), of which $150,000,000 aggregate principal amount is outstanding as of the date hereof, for a like aggregate principal amount of its newly issued 9 7/8% Senior Notes Due 2008, which have been registered under the Securities Act of 1933, as amended (the "Exchange Notes"). The Exchange Notes are being offered hereby in order to satisfy certain obligations of the Company under the Registration Rights Agreement (the "Registration Rights Agreement"), dated as of May 19, 1998, among Lehman Brothers Inc., as representative of the Initial Purchasers (the "Initial Purchasers"), and the Company. The form and terms of the Exchange Notes will be the same as those of the Initial Notes except that the Exchange Notes will have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and, consequently, will not be subject to certain transfer restrictions, registration rights and related liquidated damages provisions applicable to the Initial Notes. The Exchange Notes will evidence the same debt as the Initial Notes and will be entitled to the benefits of an indenture (the "Indenture"), dated as of May 19, 1998, among the Company and First Union National Bank, as trustee (the "Trustee"). The Indenture provides for the issuance of both the Initial Notes and the Exchange Notes. The Initial Notes and the Exchange Notes are referred to herein collectively as the "Notes" and holders of the Notes are sometimes referred to herein as the "Holders."

The Company will accept for exchange any and all Initial Notes that are validly tendered prior to 5:00 p.m., New York City time, on the Expiration Date. Tenders of Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Offer is not conditioned upon any minimum principal amount of the Initial Notes being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by the Company, and to the terms and provisions of the Registration Rights Agreement. The Initial Notes may be tendered only in multiples of $1,000. See "The Exchange Offer."

SEE "RISK FACTORS" BEGINNING ON PAGE 14 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY HOLDERS PRIOR TO TENDERING THEIR INITIAL NOTES IN THE EXCHANGE OFFER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1998.

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THE INFORMATION CONTAINED HEREIN IS AS OF THE DATE HEREOF AND IS SUBJECT TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. NEITHER DELIVERY OF THIS PROSPECTUS AT ANY TIME NOR ANY DISTRIBUTION OF SECURITIES HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE NOTES TO ANY PERSON IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.

NOTES MAY NOT BE OFFERED OR SOLD IN OR INTO THE UNITED KINGDOM EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATION 1996. ALL APPLICABLE PROVISIONS OF THE FINANCIAL SERVICES ACT 1986 MUST BE COMPLIED WITH IN RESPECT OF ANYTHING DONE IN RELATION TO NOTES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Prospectus that are not historical facts are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy, that involve risks and uncertainties. In addition, from time to time, the Company or its representatives have made or may make forward-looking statements, orally or in writing. Furthermore, such forward-looking statements may be included in, but are not limited to, various filings made by the Company with the Commission, or press releases or oral statements made by or with the approval of an authorized executive officer of the Company.

Management wishes to caution the reader that the forward-looking statements referred to above and contained herein in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that the future results will be achieved. Actual events or results may differ materially as a result of risks facing the Company. Such risks include, but are not limited to, changes in business conditions, changes in the telecommunications industry and the general economy, competition, changes in service offerings, and risks associated with the Company's limited operating history, entry into developing markets (such as, with the recent completion of the TresCom Merger (as defined below), the Caribbean, Central America and South America), managing rapid growth, acquisitions and strategic investments, international operations, dependence on effective information and billing systems, and development of the Network, as well as regulatory developments that could cause actual results to vary materially from the future results indicated, expressed or implied, in such forward-looking statements. See "Risk Factors."

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement (which term shall include any amendments thereto) on Form S-4 under the Securities Act (the "Registration Statement") with respect to the securities offered by this Prospectus. This Prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, including the exhibits and schedules thereto, to which reference is hereby made. Each statement made in this Prospectus referring to a document filed as an exhibit or schedule to the Registration Statement is not necessarily complete and is qualified in its entirety by reference to the exhibit or schedule for a complete statement of its terms and conditions.

In addition, Primus is and, prior to June 9, 1998, TresCom International, Inc. ("TresCom") was subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file (or have filed) reports and other information with the Commission, which reports include the financial information of Primus and TresCom set forth in full. Such reports and other information filed by either Primus or TresCom can be inspected and copied at public reference facilities maintained by the Commission at 450 Fifth Street, NW, Washington, D.C. 20549; Seven World Trade Center, 13th Floor, New York, New York 10048; and 500 West Madison Street, Chicago, Illinois 60661. The Commission also maintains a Web site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the Commission. The site may be accessed at http://www.sec.gov. Anyone who receives this Prospectus may obtain a copy of the Indenture without charge by writing to Primus Telecommunications Group, Incorporated, 1700 Old Meadow Road, McLean, VA 22102, Attention: Robert F. Stankey, Secretary.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission by Primus pursuant to the Exchange Act are incorporated herein by reference: (a) the Company's Joint Proxy Statement/Prospectus dated May 4, 1998 (the "Joint Proxy Statement"); and (b) all documents filed pursuant to sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to termination of the Exchange Offer. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any document or part thereof that is incorporated herein by reference is available at no charge by making a request to Robert F. Stankey, Secretary, at the address listed above.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "dollars," "$" and "US $" are to United States dollars, references to "C$" are to Canadian dollars, references to "DM" are to deutsche marks, references to "(Yen)" are to Japanese yen and references to "A$" are to Australian dollars.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and the financial statements and notes thereto appearing elsewhere in, or incorporated by reference into, this Prospectus. As used in this Prospectus, except where the context otherwise requires, the terms "Primus" and the "Company" refer to Primus Telecommunications Group, Incorporated and all of its subsidiaries (including TresCom), and the term "TresCom" refers to TresCom International, Inc. and all of its subsidiaries, the operations of such entities which are now conducted through the Company as a result of the TresCom Merger. As used in this Prospectus, the term "TresCom Merger" refers to the merger between a wholly-owned subsidiary of Primus and TresCom consummated on June 9, 1998, the "TelePassport/USFI Acquisition" refers to the October 1997 acquisition by Primus of TelePassport L.L.C. and USFI, Inc., and the "Axicorp Acquisition" refers to the March 1996 acquisition by Primus of Axicorp Pty., Ltd. which changed its name to Primus Telecommunications (Australia) Pty. Ltd. in October 1997 ("Axicorp").

THE COMPANY

OVERVIEW

Primus is a facilities-based global telecommunications company that offers international and domestic long distance and other telecommunications services to business, residential and carrier customers in North America and selected markets within the Asia-Pacific region and Europe. Primus has expanded its geographic presence in the Caribbean, Central America and South America (collectively "Latin America") through its recent acquisition of TresCom, which provides international long distance service primarily for calls originating in the United States. The Company seeks to capitalize on the increasing demand for high-quality international telecommunications services resulting from the globalization of the world's economies and the worldwide trend toward telecommunications deregulation. Primus provides these services over its global intelligent telecommunications network (the "Network"), which includes (i) ten international gateway switches in the United States, Australia, Canada, Puerto Rico and the United Kingdom, (ii) four domestic switches in Australia, (iii) a switching platform in Japan and (iv) both owned and leased transmission capacity on undersea and land-based fiber optic cable systems. The Network, along with resale arrangements and foreign carrier agreements, allows the Company to offer quality service to its approximately 275,000 customers.

Primus is a full-service carrier and has licenses and operations in the United States, Australia, the United Kingdom, Japan and Canada, enabling it to complete calls to more than 230 countries. The United States, Australia and the United Kingdom are the most deregulated countries within the Company's service regions (the "Service Regions"), which include North America, the Asia-Pacific region, Europe and, with the consummation of the TresCom Merger, Latin America. The United States, Australia and the United Kingdom will serve as regional hubs for Primus's intended expansion into additional markets as worldwide deregulation of telecommunications markets continues. During the years ended December 31, 1996 and 1997, and the three months ended March 31, 1998, Primus had net revenue of $173.0 million, $280.2 million and $80.1 million, respectively. After giving pro forma effect to the TresCom Merger and the TelePassport/USFI Acquisition, for the year ended December 31, 1997, the Company would have had net revenue of $448.9 million and, after giving pro forma effect to the TresCom Merger, for the three months ended March 31, 1988 the Company would have had net revenue of $114.7 million.

The Company primarily targets, on a retail basis, small- and medium-sized businesses and ethnic residential customers with significant international long distance traffic and, on a wholesale basis, other telecommunications carriers and resellers with substantial international traffic. The Company provides a broad array of competitively priced telecommunications services, including international and domestic long distance services and private networks, reorigination services, prepaid and calling cards and toll-free services, as well as local, data, Internet and cellular services in Australia. The Company markets its services through a variety of channels, including through its direct sales force and independent agents, and through direct marketing.

NETWORK

The Company has constructed and is expanding the Network to reduce and control costs, improve service reliability and increase flexibility to introduce new products and services. Management believes that, as the volume of telecommunications traffic carried on the Network increases, the Company should continue to improve its profitability as it more fully utilizes its Network capacity and realizes economies of scale. As customer demand justifies the capital investment, Primus will seek to expand the Network through additional investment in undersea and domestic fiber optic cable systems, international gateway and domestic switching facilities, and international satellite earth stations. Major components of the Network include the following:

Switches. Since December 31, 1996, when the Company operated one international gateway switch in Washington, D.C., the Network has grown to consist of 14 switches, including ten international gateway switches (New York, Los Angeles, Washington, D.C., Toronto, Vancouver, London and Sydney, and as a result of the recently completed TresCom Merger, Fort Lauderdale, New York City and Guaynabo, Puerto Rico) and four domestic switches (Adelaide, Brisbane, Melbourne and Perth), and a switching platform in Japan. The Company also has 15 points of presence ("Pops") in additional markets within its Service Regions. The Company's international gateway switches will serve as the base for its global expansion of the Network into new countries when customer demand justifies such investment and as regulatory rules permit the Company to compete in new markets. The Company is currently installing an additional international gateway switch in Frankfurt, Germany and, by the end of 1999, intends to add up to three switches in North America, two switches in Europe, one switch in the Asia-Pacific region, and three switches in Latin America.

Transmission Capacity. The Company owns and leases transmission capacity which connects its switches to each other and to the networks of other international and domestic telecommunications carriers. The Company's ownership interests consist of Minimum Assignable Ownership Units ("MAOUs") and indefeasible rights of use ("IRUs") in 12 undersea fiber optic cable systems, including the CANTAT-3, TAT-12/TAT-13, TPC-5 and Gemini systems. As a result of the recently completed TresCom Merger, the Company has acquired additional MAOUs and IRUs in 11 cable systems, including the Americas 1, Columbus 2, PTAT-1 and Taino Carib systems. The Company expects to continue to acquire additional capacity on both existing and future international and domestic fiber optic cable systems as anticipated customer demand justifies such investments.

Foreign Carrier Agreements. In selected countries where competition with the traditional incumbent post, telephone and telegraph operators ("PTTs") is limited or is not currently permitted, the Company has entered into foreign carrier agreements with PTTs or other service providers which permit the Company to carry traffic into and receive return traffic from these countries. The Company has existing foreign carrier agreements with PTTs in Cyprus, Greece, Honduras, India, Iran, Italy and New Zealand, and additional carrier agreements with foreign service providers in five other countries. As a result of the recently completed TresCom Merger, the Company has acquired 27 additional foreign carrier agreements, providing access to various countries in Latin America.

STRATEGY

Primus's objective is to become a leading global provider of international and domestic long distance voice, data and other services in its Service Regions. Key elements of Primus's strategy to achieve this objective include:

- Focus on Customers with Significant International Long Distance Usage. The Company's primary focus is providing telecommunications services, on a retail basis, to small- and medium-sized businesses with significant international long distance traffic, to ethnic residential customers and, on a wholesale basis, to other telecommunications carriers and resellers with international traffic. The Company believes that the international long distance market offers an attractive business opportunity given its size and, as compared to the domestic long distance market, its higher revenue per minute, gross margin and expected growth rate.

- Pursue Early Entry into Selected Deregulating Markets. The Company seeks to be an early entrant into selected deregulating telecommunications markets where it believes there is significant demand for international long distance services as well as substantial growth and profit potential. The Company believes that early entrance into deregulating markets provides it with competitive advantages as it develops sales channels, establishes a customer base, hires personnel experienced in the telecommunications industry and achieves name recognition, prior to the entry into these markets of a large number of competitors. The Company focuses its expansion efforts on major metropolitan areas with high concentrations of potential customers with international traffic.

- Expand Global Intelligent Network. Primus expects that continued strategic development of the Network will lead to reduced transmission and other operating costs as a percentage of net revenue, reduced reliance on other carriers and more efficient network utilization. The Company owns and operates its own switching facilities, and purchases fiber optic cable capacity on an end-to-end basis when current and expected traffic levels justify such investment.

- Deliver Quality Services at Competitive Prices. Management believes that the Company delivers high quality services at competitive prices and provides a high level of customer service. The Company intends to maintain a low cost structure in order to offer its customers international and domestic long distance services priced below those of major carriers in the Service Regions. In addition, the Company intends to maintain strong customer relationships through the use of trained and experienced sales and service representatives, and through the provision of customized billing services.

- Expand Service Offerings as Markets Deregulate. The Company typically enters markets which are in the initial stages of deregulation by first providing international long-distance services and, as the market deregulates further, expanding its portfolio of service offerings within the particular market. Management believes that international long distance generally offers attractive margins in markets in the early stages of deregulation and provides a platform for capturing customers for additional services. Subsequent additions to service offerings include, among other services, domestic long distance, data and Internet access.

- Growth through Selected Acquisitions and Strategic Investments. As part of its business strategy, the Company frequently evaluates potential acquisitions, joint ventures and strategic investments. The Company views acquisitions, joint ventures and strategic investments as a means to enter additional markets and expand its operations within existing markets, thereby facilitating an acceleration of its business plan. Potential candidates include voice and data service providers with an established customer base, complementary operations, telecommunications licenses, experienced management or network facilities in countries into which the Company seeks to enter.

RECENT DEVELOPMENTS

TresCom Merger. On June 9, 1998, pursuant to an Agreement and Plan of Merger (as amended, the "Merger Agreement"), the Company acquired all of the outstanding shares of TresCom, a facilities-based long distance telecommunications carrier focused on international long distance traffic originating in the United States and terminating in Latin America. The TresCom Merger provides Primus with accelerated entry into the Latin American international long distance markets and expands the scope and coverage of the Network, thereby providing additional opportunities to migrate traffic onto the Network, resulting in better utilization of the Network. The Company believes that, in addition to providing transmission facilities, the TresCom Merger adds foreign carrier agreements, direct connections to foreign telecommunications carriers and experienced management, enabling the combined Company to realize synergies in sales, marketing and administration.

TresCom markets wholesale telecommunications services to other long distance carriers who utilize the TresCom network to transmit international calls to Latin America. TresCom's customers also include businesses with sales or operations in Latin America, as well as the growing Hispanic population in the United States. For the years ended December 31, 1995, 1996 and 1997, TresCom had revenue of $102.6 million, $139.6 million and $157.6 million, respectively. Pursuant to the Merger Agreement, each of the approximately 12.7 million outstanding shares of TresCom common stock were exchanged for shares of Primus's common stock ("Common Stock") at an exchange ratio equal to 0.6147. See "Recent Developments--TresCom Merger" and "Business--TresCom."

Other Acquisitions and Investments. In March 1998, the Company purchased a controlling interest in Hotkey Internet Services Pty., Ltd. ("Hotkey"), an Australia-based Internet service provider, for a cash purchase price of approximately $1.3 million (the "Hotkey Investment"). Thereafter, in April 1998, the Company acquired all of the outstanding stock of Eclipse Telecommunications Pty. Ltd. ("Eclipse"), an Australia-based data communications service provider, for a purchase price of approximately $2.5 million comprised of cash and shares of Common Stock (the "Eclipse Acquisition"). The combination of these two transactions, together with the Company's existing Australian operations, positions the Company to offer a complete range of telecommunications services to corporate customers in Australia, including fully integrated voice and data networks, as well as Internet access. See "Recent Developments--Hotkey Investment" and "--Eclipse Acquisition."

As of June 29, 1998, Primus had an equity market capitalization of $559,052,316 million, based upon a closing price of $20 1/16 per share and approximately 27,865,536 shares of Common Stock outstanding (including shares of Common Stock issued pursuant to the recently completed TresCom Merger).

ISSUANCE OF THE INITIAL NOTES

The Initial Notes were issued in an offering to the Initial Purchasers (the "Offering") of an aggregate of $150.0 million in principal amount of the Initial Notes pursuant to a Purchase Agreement, dated May 14, 1998 (the "Purchase Agreement") among the Company and the Initial Purchasers. The net proceeds of the Offering, after deducting discounts and commissions and offering expenses, were approximately $145.0 million and were received by the Company on May 19, 1998 (the "Closing Date"). The Company intends to use the net proceeds of the Offering to fund capital expenditures to expand and develop the Company's Network. The Initial Purchasers subsequently resold the Initial Notes in reliance on Rule 144A under the Securities Act and certain other exemptions under the Securities Act. The Company and the Initial Purchasers also entered into the Registration Rights Agreement, pursuant to which the Company granted certain registration rights for the benefit of the holders of the Initial Notes. The Exchange Offer is intended to satisfy certain of the Company's obligations under the Registration Rights Agreement with respect to the Initial Notes. See "The Exchange Offer--Purpose and Effect."

The executive offices of the Company are located at 1700 Old Meadow Road, McLean, Virginia 22102, and its telephone number is (703) 902-2800.

THE EXCHANGE OFFER

The Exchange Offer.....	The Company is offering, upon the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal, to exchange $1,000 in principal amount of its 9 7/8% Senior Notes due 2008 (the "Exchange Notes," and together with the Initial Notes, sometimes collectively referred to herein as the "Notes") for each $1,000 in principal amount of the outstanding Initial Notes. As of the date of this Prospectus, $150.0 million in aggregate principal amount of the Initial Notes is outstanding, the maximum amount authorized by the Indenture for all Notes. As of , 1998, CEDE & Co. ("CEDE") was the sole registered holder of the Initial Notes and held $150.0 million of aggregate principal amount of the Initial Notes for [ ] of its participants. See "The Exchange Offer--Terms of the Exchange Offer."
Expiration Date.....	5:00 p.m., New York City time, on , 1998, as the same may be extended. See "The Exchange Offer--Expiration Date; Extensions; Amendments."
Conditions of the Exchange Offer.....	The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange. However, the Exchange Offer is subject to the condition that it does not violate any applicable law or interpretation of the staff of the Commission. In addition, as a condition to its participation in the Exchange Offer, each Holder of Initial Notes will be required to furnish certain written representations to the Company. See "The Exchange Offer--Conditions of the Exchange Offer."
Termination of Certain Rights.....	Pursuant to the Registration Rights Agreement and the Initial Notes, Holders of Initial Notes (i) have rights to receive Liquidated Damages (as defined herein) and (ii) have certain rights intended for the holders of unregistered securities. "Liquidated Damages" means an amount equal to .50% per annum of the principal amount of Notes held by such Holder commencing upon a Registration Default (as defined herein) and continuing for the first 90-day period immediately following the occurrence of such Registration Default. The amount of the Liquidated Damages shall increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of 1.50% per annum of the principal amount of Notes. Following the cure of all Registration Defaults, the accrual of Liquidated Damages will cease. See "The Exchange Offer--Termination of Certain Rights," "--Procedures for Tendering Initial Notes" and "Description of Exchange Notes--Registration Rights."

Accrued Interest on the Initial Notes.....	The Exchange Notes will bear interest at a rate equal to 9 7/8% per annum from and including their date of issuance. Holders whose Initial Notes are accepted for exchange will have the right to receive interest accrued thereon from the date of original issuance of the Initial Notes or the last Interest Payment Date, as applicable, to, but not including, the date of issuance of the Exchange Notes, such interest to be payable with the first interest payment on the Exchange Notes. Interest on the Initial Notes accepted for exchange, which accrues at the rate of 9 7/8% per annum, will cease to accrue on the day prior to the issuance of the Exchange Notes.
Procedures for Tendering Initial Notes.....	Unless a tender of Initial Notes is effected pursuant to the procedures for book-entry transfer as provided herein, each Holder desiring to accept the Exchange Offer must complete and sign the Letter of Transmittal, have the signature thereon guaranteed if required by the Letter of Transmittal, and mail or deliver the Letter of Transmittal, together with the Initial Notes and any other required documents (such as evidence of authority to act, if the Letter of Transmittal is signed by someone acting in a fiduciary or representative capacity), to the Exchange Agent (as defined) at the address set forth on the back cover page of this Prospectus prior to 5:00 p.m., New York City time, on the Expiration Date. Any Beneficial Owner (as defined herein) of the Initial Notes whose Initial Notes are registered in the name of a nominee, such as a broker, dealer, commercial bank or trust company and who wishes to tender Initial Notes in the Exchange Offer, should instruct such entity or person to promptly tender on such Beneficial Owner's behalf. See "The Exchange Offer-- Procedures for Tendering Initial Notes." By tendering Initial Notes for exchange, each registered holder will represent to the Company that, among other things, (i) neither the Holder nor any Beneficial Owner is an affiliate of the Company within the meaning of Rule 405 under the Securities Act, (ii) any Exchange Notes to be received by the Holder or any Beneficial Owner are being acquired in the ordinary course of business, and (iii) neither the Holder nor any Beneficial Owner has an arrangement or understanding with any person to participate in the distribution of the Exchange Notes.
Guaranteed Delivery Procedures.....	Holders of Initial Notes who wish to tender their Initial Notes and (i) whose Initial Notes are not immediately available or (ii) who cannot deliver their Initial Notes or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date (or complete the procedure for book-entry transfer on a timely basis) may tender their Initial Notes according to the guaranteed delivery procedures set forth in the Letter of Transmittal. See "The Exchange Offer-- Procedures for Tendering Initial Notes-- Guaranteed Delivery Procedures."

Acceptance of Initial Notes and Delivery of Exchange Notes.....	Upon satisfaction or waiver of all conditions of the Exchange Offer, the Company will accept any and all Initial Notes that are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Notes issued pursuant to the Exchange Offer will be delivered as soon as practicable after acceptance of the Initial Notes. See "The Exchange Offer--Acceptance of Initial Notes for Exchange; Delivery of Exchange Notes."
Withdrawal Rights.....	Tenders of Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. See "The Exchange Offer--Withdrawal Rights."
Certain Federal Income Tax Considerations.....	Generally, the exchange pursuant to the Exchange Offer will not be a taxable event for federal income tax purposes. See "Certain Federal Income Tax Considerations--The Exchange Offer."
The Exchange Agent.....	First Union National Bank is the exchange agent (in such capacity, the "Exchange Agent"). The address and telephone number of the Exchange Agent are set forth in "The Exchange Offer--The Exchange Agent; Assistance."
Fees and Expenses.....	All expenses incident to the Company's consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by the Company. See "The Exchange Offer--Solicitation of Tenders; Fees and Expenses."
Resales of the Exchange Notes.....	Based on interpretations by the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that Exchange Notes issued pursuant to the Exchange Offer to a Holder in exchange for Initial Notes may be offered for resale, resold and otherwise transferred by such Holder (other than (i) a broker-dealer who purchased the Initial Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or (ii) a person that is an affiliate of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the Holder is acquiring the Exchange Notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the Exchange Notes. Each broker-dealer that receives Exchange Notes for its own account in exchange for Initial Notes, where such Initial Notes were acquired by such broker as a result of market making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See "Plan of Distribution."

DESCRIPTION OF EXCHANGE NOTES

The Initial Notes were issued under an indenture, dated as of May 19, 1998 (the "Indenture"), between the Company and the Trustee. The Exchange Notes will be issued under the Indenture as it relates to the Exchange Notes. The form and terms of the Exchange Notes will be identical in all material respects to the form and terms of the Initial Notes, except that (i) the Exchange Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof, (ii) subject to certain limited exceptions, holders of Exchange Notes will not be entitled to Liquidated Damages otherwise payable under the terms of the Registration Rights Agreement in respect of Initial Notes held by such holders during any period in which a Registration Default is continuing, and (iii) holders of Exchange Notes will not be, and upon the consummation of the Exchange Offer Holders of Initial Notes will no longer be, entitled to certain rights under the Registration Rights Agreement intended for the holders of unregistered securities. The Exchange Offer shall be deemed consummated upon the delivery of Exchange Notes by the Company to the Registrar under the Indenture in the same aggregate principal amount as the aggregate principal amount of Initial Notes that are validly tendered by holders thereof pursuant to the Exchange Offer. See "The Exchange Offer--Termination of Certain Rights" and "--Procedures for Tendering Initial Notes" and "Description of Exchange Notes."

Issuer.....	Primus Telecommunications Group, Incorporated
Exchange Notes Offered.....	$150,000,000 in aggregate principal amount of 9 7/8% Senior Notes due 2008.
Maturity.....	May 15, 2008.
Interest Payment Dates.....	May 15 and November 15, commencing on November 15, 1998.
Ranking.....	The indebtedness evidenced by the Exchange Notes will rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Exchange Notes and will be pari passu in right of payment with all other existing and future senior unsecured obligations of the Company including trade payables. As of March 31, 1998, after giving pro forma effect to the Offering and the application of the net proceeds thereof, the Company (on a consolidated basis) would have had outstanding approximately $382.2 million of indebtedness ($387.6 million after giving effect to the TresCom Merger). Because the Company is a holding company that conducts its business through its subsidiaries, all existing and future indebtedness and other liabilities and commitments of the Company's subsidiaries, including trade payables, will be effectively senior to the Exchange Notes. As of March 31, 1998, the Company's consolidated subsidiaries had outstanding aggregate liabilities of approximately $101.0 million ($132.4 million after giving effect to the TresCom Merger), which includes $9.5 million of indebtedness ($14.9 million after giving effect to the TresCom Merger).
Optional Redemption.....	The Exchange Notes will be redeemable at the option of the Company at any time after May 15, 2003, in whole or in part at the redemption prices set forth herein plus accrued and unpaid interest and Liquidated Damages, if any, to the date of

	redemption. In addition, prior to May 15, 2001, the Company may redeem from time to time up to 25% of the originally issued aggregate principal amount of Exchange Notes at the redemption price set forth herein plus accrued and unpaid interest and Liquidated Damages, if any, to the date of redemption with the Net Cash Proceeds of one or more Public Equity Offerings; provided, that at least 75% of the originally issued aggregate principal amount of the Exchange Notes remains outstanding after such redemption. See "Description of Exchange Notes--Optional Redemption."
Change of Control.....	Upon the occurrence of a Change of Control, each holder of Exchange Notes will have the right to require the Company to purchase all or any part of such holder's Exchange Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase. See "Description of Exchange Notes--Repurchase of Notes Upon a Change of Control."
Covenants.....	The Indenture pursuant to which the Exchange Notes will be issued will contain certain covenants that, among other things, limit the ability of the Company and its Restricted Subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends or make other distributions, repurchase Capital Stock or subordinated indebtedness or make certain other Restricted Payments, create certain liens, enter into certain transactions with affiliates, sell assets, issue or sell Capital Stock of the Company's Restricted Subsidiaries or enter into certain mergers and consolidations. See "Description of Exchange Notes--Covenants."
Exchange Offer; Registration Rights.....	Pursuant to the Registration Rights Agreement, the Company agreed to file within the prescribed time periods a registration statement (the "Exchange Offer Registration Statement") with the Commission with respect to an offer to exchange the Initial Notes (the "Exchange Offer") for a new issue of debt securities of the Company with terms substantially identical to the Notes (the "Exchange Notes") (except that the Exchange Notes will not contain terms with respect to transfer restrictions). In the event that applicable law or Commission policy does not permit the Company to effect the Exchange Offer, the Exchange Offer is not consummated within the prescribed periods, or certain holders of the Initial Notes notify the Company they are not permitted to participate in, or would not receive freely tradable Exchange Notes pursuant to, the Exchange Offer, the Company will use its reasonable best efforts to cause to be declared effective within the prescribed periods a registration statement (the "Shelf Registration Statement") with respect to resale of the Notes and to keep the Shelf Registration Statement continuously

	effective until up to two years after the date on which the Initial Notes were sold. If the Company fails to satisfy these registration obligations, it will be required to pay Liquidated Damages to the holders of the Notes under certain circumstances. See "Description of Exchange Notes--Registration Rights."
Absence of a Public Market for the Exchange Notes.....	The Exchange Notes are new securities for which there is currently no established trading market. The Company does not intend to apply for listing of the Exchange Notes on any securities exchange or for quotation through The Nasdaq Stock Market. Accordingly, there can be no assurance as to the development or liquidity of any market for the Exchange Notes.

For additional information concerning the Notes and the definitions of certain capitalized terms used above, see "Description of Exchange Notes."

FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE EXCHANGE NOTES, SEE "RISK FACTORS" BEGINNING ON PAGE 14.

SUMMARY HISTORICAL AND PRO FORMA DATA

Primus. Set forth below is summary selected historical financial, geographic and other data and summary unaudited pro forma financial and other data for Primus. The summary selected financial data should be read in conjunction with the consolidated financial statements of Primus, and the notes thereto, contained elsewhere herein, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary historical statement of operations data for Primus for the years ended December 31, 1995, 1996 and 1997 have been derived from the audited financial statements of Primus. The summary historical statement of operations data for Primus for the three months ended March 31, 1997 and 1998, and the balance sheet data as of March 31, 1998, have been derived from the unaudited financial statements of Primus, which, in management's opinion include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein. The summary unaudited pro forma financial data of Primus have been derived from the audited and unaudited financial statements of Primus, the audited and unaudited financial statements of TresCom, and the audited financial statements of USFI, Inc., and should be read in conjunction with the Unaudited Pro Forma Financial Data included elsewhere herein.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,		PRO FORMA YEAR ENDED DECEMBER 31,	PRO FORMA THREE MONTHS ENDED MARCH 31,
	1995	1996	1997	1997	1998	1997(1)	1998(2)
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
STATEMENT OF OPERATIONS DATA:							
Net revenue (3)	$ 1,167	$172,972	$280,197	$59,036	$ 80,051	$448,929	$114,664
Cost of revenue	1,384	158,845	252,731	55,034	68,722	387,453	97,986
Gross margin (deficit)	(217)	14,127	27,466	4,002	11,329	61,476	16,678
Operating expenses:							
Selling, general and administrative	2,024	20,114	50,622	8,829	15,377	95,420	22,822
Depreciation and amortization	160	2,164	6,733	797	3,478	20,308	6,894
Total operating expenses	2,184	22,278	57,355	9,626	18,855	115,728	29,716
Loss from operations	(2,401)	(8,151)	(29,889)	(5,624)	(7,526)	(54,252)	(13,038)
Interest expense (4)	(59)	(857)	(12,914)	(151)	(7,175)	(28,958)	(11,008)
Interest income	35	785	6,238	785	2,384	6,238	2,384
Other income (expense)	--	(345)	407	119	--	594	(20)
Loss before income taxes	(2,425)	(8,568)	(36,158)	(4,871)	(12,317)	(76,378)	(21,682)
Income taxes	--	(196)	(81)	(36)	--	(81)	--
Net loss	$(2,425)	$ (8,764)	$(36,239)	$(4,907)	$(12,317)	$(76,459)	$(21,682)
Basic and diluted net loss per common share	$(0.48)	$(0.75)	$(1.99)	$(0.28)	$(0.62)	$(2.93)	$(0.79)
Weighted average number of common shares outstanding	5,019	11,660	18,250	17,779	19,717	26,086	27,553
Ratio of earnings to fixed charges (5)	--	--	--	--	--	--	--
GEOGRAPHIC DATA:							
Net revenue:							
North America (6)	$ 1,167	$ 16,573	$ 74,359	$ 8,271	$ 26,310		
Asia-Pacific (7)	--	151,253	183,126	46,886	44,659		
Europe (8)	--	5,146	22,712	3,879	9,082		
Total	$ 1,167	$172,972	$280,197	$59,036	$ 80,051		
OTHER DATA:							
EBITDA (9)	$(2,241)	$ (5,987)	$(23,156)	$(4,827)	$ (4,048)	$(33,944)	$(6,144)
Capital expenditures (10)	$ 974	$ 15,951	$ 43,457	$ 8,771	$ 12,044	$ 52,506	$ 13,493
Number of switches	1	1	11	8	11	14	14

	MARCH 31, 1998	
		PRO FORMA
	ACTUAL	AS ADJUSTED (11)
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Cash and cash equivalents	$97,381	$226,675
Restricted investments (including current and long term)	61,478	61,478
Working capital (12)	104,726	236,100
Total assets	355,563	692,554
Long-term obligations (including current portion)	232,238	387,571
Stockholders' equity	31,828	187,417

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(1) Gives pro forma effect to the TelePassport/USFI Acquisition, the TresCom Merger and the sale of the Initial Notes in the Offering, less discounts, commissions and estimated expenses of the Offering payable by the Company, and the application of the estimated net proceeds therefrom, as if they had occurred on January 1, 1997.

(2) Gives pro forma effect to the TresCom Merger and the sale of the Initial Notes, less discounts, commissions and expenses of the Offering payable by the Company, and the application of the net proceeds therefrom, as if they occurred on January 1, 1998.

(3) Net revenue is after provision for bad debt.

(4) Pro forma interest expense includes interest expense on the Notes and amortization of deferred financing costs.

(5) The ratio of earnings to fixed charges is computed by dividing pre-tax income from operations before fixed charges (other than capitalized interest) by fixed charges. Fixed charges consist of interest charges, whether expensed or capitalized, and that portion of rental expense the Company believes to be representative of interest. For the years ended December 31, 1995, 1996 and 1997, and for the three months ended March 31, 1997 and 1998, earnings were insufficient to cover fixed charges by $2.4 million, $8.6 million, $36.4 million, $5.1 million and $12.3 million, respectively. On a pro forma basis for the year ended December 31, 1997 and for three months ended March 31, 1998, earnings were insufficient to cover fixed charges by $76.5 million and $21.7 million, respectively.

(6) Consists primarily of net revenue from operations in the United States for all periods prior to 1997. Net revenue for 1997 and for the three months ended March 31, 1998 reflects commencement of operations in Canada in April 1997.

(7) Consists solely of net revenue from operations in Australia for 1996. Net revenue for 1997 and for the three months ended March 31, 1998 reflects commencement of operations in Japan in October 1997.

(8) Consists solely of net revenue from operations in the United Kingdom.

(9) As used herein, "EBITDA" is defined as net income or loss plus depreciation expense, amortization expense, interest expense and income taxes, minus extraordinary income and gains, if any, and plus extraordinary losses, if any. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information regarding the ability of Primus to meet its future debt service, capital expenditures and working capital requirements. EBITDA is not necessarily a measure of Primus's ability to fund its cash needs and is not necessarily comparable to similarly titled measures of other companies.

(10) Capital expenditures include assets acquired, committed to be acquired and leased under capital lease agreements.

(11) Gives pro forma effect to the TresCom Merger and the sale of the Initial Notes in the Offering, less discounts, commissions and expenses of the Offering payable by the Company, and the application of the net proceeds therefrom, as if they had occurred on March 31, 1998.

(12) Consists of total current assets minus total current liabilities.

TresCom. Set forth below is summary selected historical financial and other data of TresCom which should be read in conjunction with the consolidated financial statements of TresCom, and the notes thereto, included elsewhere herein, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations--TresCom". The summary statement of operations data for the years ended December 31, 1995, 1996 and 1997 have been derived from the audited financial statements of TresCom. The summary statement of operations data for the three months ended March 31, 1997 and 1998 have been derived from the unaudited financial statements of TresCom.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
	(IN THOUSANDS)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$102,641	$139,621	$157,641(1)	$ 36,143	$ 38,137
Gross profit	27,962	32,693	33,276	8,331	7,166
Operating loss (2)	(8,436)	(3,043)	(9,709)	(1,278)	(4,040)
Interest and other (income) expenses, net	3,191	578	1,146	(2)	435
Net loss	(11,627)	(5,577)(3)	(10,855)	(1,276)	(4,475)
OTHER DATA:					
EBITDA (4)	$ (4,336)	$ (3,149)	$ (2,853)	$ 385	$ (1,936)
Capital expenditures (5)	5,528	12,796	9,049	1,080	1,449

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(1) In 1997, TresCom recognized $543,000 of revenue from the sale of excess IRU capacity on undersea digital fiber optic transmission cables.

(2) Operating loss is revenue less selling, general and administrative expenses, cost of services and depreciation and amortization.

(3) Includes an extraordinary loss on the early extinguishment of debt of $2.0 million.

(4) As used herein, "EBITDA" is defined as net income or loss plus depreciation expense, amortization expense, interest expense and income taxes, minus extraordinary income and gains, if any, and plus extraordinary losses, if any. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information regarding the ability of TresCom to contribute to the payment of the Company's future debt service, capital expenditures and working capital requirements. EBITDA is not necessarily a measure of the ability to fund cash needs and is not necessarily comparable to similarly titled measures of other companies.

(5) Capital expenditures includes assets acquired through capital lease financing and other debt.

RISK FACTORS

Prospective investors should carefully consider the following risk factors, in addition to the other information contained elsewhere in this Offering Memorandum, in evaluating whether to purchase the Notes offered hereby.

SUBSTANTIAL INDEBTEDNESS; LIQUIDITY

The Company has substantial indebtedness. As of March 31, 1998, on a pro forma basis after giving effect to the Offering, the Company's total indebtedness would have been approximately $382.2 million ($387.6 million after giving pro forma effect to the TresCom Merger). For the three months ended March 31, 1998, after giving pro forma effect to the Offering, the Company's consolidated EBITDA would have been approximately negative $4.0 million (negative $6.1 million after giving pro forma effect to the TresCom Merger), and its earnings would have been insufficient to cover fixed charges by approximately $16.1 million ($21.7 million after giving pro forma effect to the TresCom Merger). The Indenture limits, but does not prohibit, the incurrence of additional indebtedness by the Company and certain of its subsidiaries and does not limit the amount of indebtedness that can be incurred to finance the cost of telecommunications equipment. The Company anticipates that it and its subsidiaries will incur additional indebtedness in the future. See "Description of Notes."

The level of the Company's indebtedness could have important consequences to holders of the Notes, including the following: (i) the debt service requirements of any additional indebtedness could make it more difficult for the Company to make payments of interest on its outstanding debt, including the Notes; (ii) the ability of the Company to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be limited; (iii) a substantial portion of the Company's cash flow from operations, if any, must be dedicated to the payment of principal and interest on its indebtedness and other obligations and will not be available for use in its business; (iv) the Company's level of indebtedness could limit its flexibility in planning for, or reacting to, changes in its business; (v) the Company is more highly leveraged than some of its competitors, which may place it at a competitive disadvantage; and (vi) the Company's high degree of indebtedness will make it more vulnerable in the event of a downturn in its business.

The Company must substantially increase its net cash flow in order to meet its debt service obligations, and there can be no assurance that the Company will be able to meet such obligations, including its obligations under the Notes. If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if it otherwise fails to comply with the various covenants under its indebtedness, it would be in default under the terms thereof, which would permit the holders of such indebtedness to accelerate the maturity of such indebtedness and could cause defaults under other indebtedness of the Company. Such defaults could result in a default on the Notes and could delay or preclude payments of interest or principal thereon.

HISTORICAL AND FUTURE OPERATING LOSSES; NEGATIVE EBITDA; NET LOSSES

Since inception through March 31, 1998, the Company had negative cash flow from operating activities of $41.3 million and negative EBITDA of $35.9 million. In addition, the Company incurred net losses in 1995, 1996, 1997 and the three months ended March 31, 1998, of $2.4 million, $8.8 million, $36.2 million and $12.3 million, respectively, and had an accumulated deficit of approximately $60.3 million as of March 31, 1998. On a pro forma basis, after giving effect to the Offering, the TelePassport/USFI Acquisition and the TresCom Merger, for the year ended December 31, 1997, the Company would have had a net loss of $76.5 million. On a pro forma basis, after giving effect to the Offering and the TresCom Merger, for the three months ended March 31, 1998, the Company would have had a net loss of $21.7 million. Although the Company has experienced net revenue growth in each of its last 13 quarters, such growth should not be considered to be indicative of future net revenue growth, if any. The Company expects to continue to incur additional operating losses, negative EBITDA and negative cash flow from operations as it expands its operations and continues to build-out and upgrade the Network. There can be no assurance that the Company's net revenue will grow or be sustained in future periods or that it will be able to achieve or sustain profitability or generate positive cash flow from operations in any

future period. If the Company cannot achieve and sustain operating profitability or positive cash flow from operations, it may not be able to meet its debt service or working capital requirements (including its obligations with respect to the Notes). See "Selected Financial Data," "Unaudited Pro Forma Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NEED FOR ADDITIONAL FINANCING

The Company will not receive any proceeds from the Exchange Offer. The Company believes that the net proceeds from the Offering, together with its existing cash and available capital lease financing (subject to limitations in the Indenture) will be sufficient to fund the Company's operating losses, debt service requirements, capital expenditures and other cash needs for its operations for at least the next 18 to 24 months. The Company is continually evaluating the expansion of the Network and plans to accelerate its investment in international and domestic fiber optic cable capacity and other transmission facilities. In addition, the Company expects to make additional investments in the TresCom network in order to expand its services in Latin America. In order to fund these additional cash requirements, including the expansion of the combined Network, Primus anticipates that it will be required to raise a significant amount of cash in excess of its existing cash and cash equivalents and the proceeds from the Offering. Consequently, the Company expects to raise additional capital from public or private equity or debt sources to meet its new financing needs, including for the continued buildout of the Network. Additionally, if the Company's plans or assumptions change (including those with respect to the development of the Network, the scope of its operations and its operating cash flow), if its assumptions prove inaccurate, if it consummates additional investments or acquisitions, if it experiences unexpected costs or competitive pressures, or if existing cash and any other borrowings prove to be insufficient, the Company may be required to seek additional capital sooner than expected. Both the Indenture and the indenture (the "1997 Indenture") relating to the 1997 Senior Notes (as defined) contain certain restrictive covenants that will affect, and in many respects will significantly limit or prohibit, among other things, its ability to incur additional indebtedness and to create liens. See "Description of Notes." If the Company is able to raise additional funds through the incurrence of debt, and it does so, it would likely become subject to additional restrictive financial covenants. In the event that the Company is unable to obtain such additional capital or is unable to obtain such additional capital on acceptable terms, it may be required to reduce the scope of its expansion, which could adversely affect its business, results of operations and financial condition, its ability to compete and its ability to meet its obligations on the Notes. There can be no assurance that the Company will be able to raise equity capital, obtain capital lease or bank financing or incur other borrowings on commercially reasonable terms, if at all, to fund any such Network expansion or otherwise. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

HOLDING COMPANY STRUCTURE; RELIANCE ON SUBSIDIARIES FOR DISTRIBUTIONS TO REPAY NOTES

Primus is a holding company, the principal assets of which are its operating subsidiaries. As a holding company, the Company's sources of funds to meet its cash needs, including payment of expenses and principal and interest on the Notes, are dividends, intercompany loans and other permitted payments from its direct and indirect subsidiaries, as well as its own credit arrangements. The subsidiaries of the Company are legally distinct from the Company and have no obligation, contingent or otherwise, to pay amounts due with respect to the Notes or to make funds available for such payments and will not guarantee the Notes. Additionally, many of the Company's subsidiaries are organized in jurisdictions outside the United States, including Australia, Canada, the United Kingdom and Japan. The ability of the Company's operating subsidiaries to pay dividends, repay intercompany loans or make other distributions to the Company may be restricted by, among other things, the availability of funds, the terms of various credit arrangements entered into by such operating subsidiaries, as well as statutory and other legal restrictions, and such payments may have adverse tax consequences. The failure to pay any such dividends, repay intercompany loans or make any such other distributions would restrict the Company's ability to repay the Notes and its ability to utilize cash flow from one subsidiary to cover shortfalls in working capital at another subsidiary, and could otherwise have a material adverse effect upon the Company's business, financial condition and results of operations.

Because the Company is a holding company that conducts its business through its subsidiaries, claims of creditors of such subsidiaries will generally have priority over the assets of such subsidiaries over the claims of the Company and the holders of the Company's indebtedness. Accordingly, the Notes will be effectively subordinated to all existing and future indebtedness and other liabilities and commitments of the Company's subsidiaries, including trade payables. As of March 31, 1998, the Company's consolidated subsidiaries had outstanding aggregate liabilities of approximately $101.0 million ($132.4 million after giving pro forma effect to the TresCom Merger). Any right of the Company to receive assets of any subsidiary upon the liquidation or reorganization of such subsidiary (and the consequent rights of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of such subsidiary's creditors, except to the extent that the Company is itself recognized as a creditor, in which case the claims of the Company would still be subordinate to any security in the assets of such subsidiary and any indebtedness of such subsidiary that is senior to that held by the Company. In addition, holders of such indebtedness of the Company would have a claim on the assets securing such indebtedness that is prior to the holders of the Notes and would have a claim that is pari passu with the holders of the Notes to the extent such security did not satisfy such indebtedness. The Company has no significant assets other than the stock of its subsidiaries and it is expected that, if the Company were to enter into a bank credit facility or similar arrangement, the stock of the subsidiaries would be pledged to secure any such credit facility or arrangement.

LIMITED OPERATING HISTORY

The Company and TresCom have limited operating histories and limited experience in operating their respective businesses. Primus was founded in February 1994 and began generating operating revenues in March 1995. Axicorp, the Company's principal operating subsidiary, was acquired in March 1996. TresCom was founded in December 1993. In addition, the Company intends to enter markets where it has limited or no operating experience such as, due to the recently completed TresCom Merger, Latin America. Accordingly, there can be no assurance that the Company's future operations will generate operating or net income, and the Company's prospects must therefore be considered in light of the risks, expenses, problems and delays inherent in establishing a new business in a rapidly changing industry. See "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Unaudited Pro Forma Financial Data."

DEVELOPMENT OF THE NETWORK; MIGRATION OF TRAFFIC ONTO THE NETWORK

The long-term success of the Company is dependent upon its ability to design, implement, operate, manage and maintain the Network, activities in which its management has limited experience, and its ability to generate and maintain traffic on the Network. By expanding the Network, the Company will incur additional fixed operating costs that typically are, particularly with respect to international transmission lines, in excess of the revenue attributable to the transmission capacity funded by such costs until the Company generates additional traffic volume for such capacity. There can be no assurance that the Company will generate sufficient traffic to economically utilize its capacity or that the Network can be completed in a timely manner or operated efficiently. Any failure in design, or any failure to implement, operate, manage or maintain the Network, or generate or maintain traffic, could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, the Company intends to expand the Network as more countries deregulate their telecommunications industries, which will require the Company to acquire additional licenses and equipment. There can be no assurance that the Company will be able to obtain the licenses or purchase the necessary equipment on favorable terms or, if it does, that the development of the Network in these countries will be successful. See "Business--Strategy" and "--Network."

MANAGING RAPID GROWTH

The Company's strategy of continuing its growth and expansion has placed, and is expected to continue to place, a significant strain on its management, operational and financial resources, and increased demands on its systems and controls. The Company is continuing to develop the Network by adding switches and fiber optic

cable, expanding its operations within North America, the Asia-Pacific region and Europe, and when business and/or regulatory conditions warrant, expanding into selected additional markets such as, due to the recently completed TresCom Merger, Latin America. In order to manage its growth effectively, the Company must continue to implement and improve its operational and financial systems and controls, purchase and utilize other transmission facilities, and expand, train and manage its employee base. Inaccuracies in forecasts of traffic could result in insufficient or excessive transmission facilities and disproportionate fixed expenses. There can be no assurance that the Company will be able to further develop its facilities-based Network or expand at the rate presently planned, or that the existing regulatory barriers to such expansion will be reduced or eliminated. As the Company proceeds with its development, there will be additional demands on its customer support, billing and management information systems and support, sales and marketing and administrative resources and network infrastructure. There can be no assurance that the Company's operating and financial control systems and infrastructure will be adequate to maintain and effectively manage future growth. The failure to continue to upgrade the administrative, operating and financial control systems or the emergence of unexpected expansion difficulties could materially adversely affect the Company's business, results of operations and financial condition. See "--Dependence on Effective Information Systems; Year 2000 Problem" and "--Acquisition and Strategic Investment Risks."

ACQUISITION AND STRATEGIC INVESTMENT RISKS

A key element of the Company's business strategy is to acquire or make strategic investments in assets and businesses that are complementary to the Company's operations, and a major portion of the Company's growth in recent years has resulted from such acquisitions. These acquisitions involve certain financial and operational risks. Financial risks include the possible incurrence of indebtedness by the Company in order to effect an acquisition (subject to the limitations contained in the Indenture) and the consequent need to service that indebtedness. Operational risks include the possibility that an acquisition does not ultimately provide the benefits originally anticipated by management while the Company continues to incur operating expenses to provide the services formerly provided by the acquired company, and the difficulty of integrating the service offerings, distribution channels and networks gained through acquisitions and strategic investments with those of the Company. In addition, if the Company makes a strategic investment by acquiring a minority interest in a company, the Company may lack control over the operations and strategy of the business in which the Company invested. There can be no assurance that such lack of control will not interfere with the integration of services and distribution channels of the business in which the Company invested. In addition, there can be no assurance that the Company will be successful in identifying attractive acquisition and strategic investment candidates, completing and financing additional acquisitions on favorable terms, or integrating the acquired businesses or assets into its own. In carrying out its acquisition and strategic investment strategy, the Company attempts to minimize the risk of unexpected liabilities and contingencies associated with acquired businesses through planning, investigation and negotiation, but such unexpected liabilities may nevertheless accompany such strategic investments and acquisitions.

For example, achieving the anticipated benefits of the TresCom Merger will depend in part upon whether the integration of the two companies' businesses is accomplished in an efficient and effective manner, and there can be no assurance as to the extent that this will occur, if at all. The combination of the two companies will require, among other things, integration of the companies' respective services, technologies, billing and management information systems, distribution channels and key personnel, and the coordination of their sales, marketing and development efforts. There can be no assurance that such integration will be accomplished smoothly or successfully, if at all. If significant difficulties are encountered in the integration of the existing services or technologies or the development of new technologies, resources could be diverted from new service development, and delays in new service introductions could occur. There can be no assurance that the Company will be able to take full advantage of the combined sales forces' efforts. The integration of operations and technologies following the TresCom Merger will require the dedication of management and other personnel which may distract their attention from the day-to-day business of the Company, the development or acquisition of new technologies, and the pursuit of other business acquisition opportunities. Failure to accomplish

successfully the integration and development of the two companies' operations and technologies could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, as commonly occurs with mergers of telecommunications companies, during the pre-merger and integration phases, aggressive competitors may undertake initiatives to attract the Company's customers through various incentives which could have a material adverse effect on the business, results of operations and financial condition of the Company.

INTENSE DOMESTIC AND INTERNATIONAL COMPETITION

The long distance telecommunications industry is intensely competitive and is significantly influenced by the marketing and pricing decisions of the larger industry participants. In more deregulated countries, the industry has relatively limited barriers to entry with numerous entities competing for the same customers. Customers frequently change long distance providers in response to the offering of lower rates or promotional incentives by competitors. Generally, customers can switch carriers at any time. The Company believes that competition in all of its markets is likely to increase and that competition in non-United States markets is likely to become more similar to competition in the United States market over time as such markets continue to experience deregulatory influences. This increase in competition could adversely affect net revenue per minute and gross margin as a percentage of net revenue. The Company competes primarily on the basis of price (particularly with respect to its sales to other carriers), and also on the basis of customer service and its ability to provide a variety of telecommunications products and services. Prices for long distance calls in several of the markets in which the Company competes have declined in recent years and are likely to continue to decrease. There can be no assurance that the Company will be able to compete successfully in the future.

Many of the Company's competitors are significantly larger than the Company, have (i) substantially greater financial, technical and marketing resources, (ii) larger networks, (iii) a broader portfolio of services, (iv) controlled transmission lines, (v) stronger name recognition and customer loyalty, and (vi) long-standing relationships with the Company's target customers. In addition, many of the Company's competitors enjoy economies of scale that can result in a lower cost structure for transmission and related costs, which could cause significant pricing pressures within the industry. Several long distance carriers in the United States have introduced pricing strategies that provide for fixed, low rates for calls within the United States. Such a strategy, if widely adopted, could have an adverse effect on the Company's results of operations and financial condition if increases in telecommunications usage do not result or are insufficient to offset the effects of such price decreases. The Company's competitors include, among others: AT&T, MCI, Sprint, WorldCom Network Services, Inc., Frontier Communications Services, Inc., Pacific Gateway Exchange, Inc., Qwest Communications Intl., Inc. and LCI International, Inc. in the United States; Telstra, Optus Communications Pty. Limited, AAPT, World Exchange and GlobalOne in Australia; British Telecommunications plc, Mercury Communications, AT&T, WorldCom, GlobalOne, ACC Corporation, Colt, Energis, Esprit Telecom Group, and RSL Communications in the United Kingdom; Deutsche Telekom, O.tel.o Communications, Mannesmann ARCOR, Colt, WorldCom, PlusNet, and RSL Communications in Germany; Stentor, AT&T Canada Long Distance Services Co., fONOROLA Inc., Sprint Canada and ACC in Canada; Telmex, the other PTTs in Latin America, AT&T, MCI and Sprint in Latin America; Kokusai Denshin Denwa Co., Ltd. ("KDD"), Nippon Telegraph and Telephone Corporation, Japan Telecom, IDC and a number of second tier carriers such as Cable & Wireless, WorldCom and ATNet in Japan.

In addition to these competitors, recent and pending deregulation in various countries may encourage new entrants. For example, the number of competitors is likely to increase as a result of the new competitive opportunities created by the World Trade Organization ("WTO"). Under the terms of an agreement under the WTO (the "WTO Agreement"), the United States and 68 other participating countries have committed to open their telecommunications markets to competition starting on January 1, 1998. Further, as a result of the Telecommunications Act of 1996 (the "1996 Telecommunications Act") in the United States, once certain conditions are met, the Regional Bell Operating Companies ("RBOCs") will be allowed to enter the domestic long distance market, AT&T, MCI and other long distance carriers are allowed to enter the local telephone

services market, and any entity (including cable television companies and utilities) is allowed to enter both the local service and long distance telecommunications markets. Increased competition in the United States as a result of the foregoing, and other competitive developments, including entry by Internet service providers into the long distance market, could have an adverse effect on the Company's business, results of operations and financial condition. In addition, with the ongoing deregulation of the Australian telecommunications market and the granting of additional carrier licenses, the Company could experience additional competition in the Australian market from newly licensed telecommunications carriers. Further deregulation in other countries such as Canada, the United Kingdom, Germany and Japan, could result in greater competition in telecommunications services offered in these countries. This increased competition could adversely impact the Company's ability to expand its customer base and achieve increased revenue growth, and consequently, could have an adverse effect on its business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Competition."

DEPENDENCE ON TRANSMISSION FACILITIES-BASED CARRIERS

Telephone calls made by the Company's customers primarily are connected through transmission lines that the Company leases under a variety of arrangements with other facilities-based long distance carriers, many of which are, or may become, competitors of the Company. The Company's ability to maintain and expand its business is dependent upon whether it continues to maintain favorable relationships with the facilities-based carriers from which it leases transmission lines. Although the Company believes that its relationships with carriers generally are satisfactory, the deterioration or termination of its relationships with one or more of these carriers could have a material adverse effect upon its cost structure, service quality, Network diversity, results of operations and financial condition.

Presently, most transmission lines used by the Company are obtained on a per-call (or usage) basis, subjecting the Company to the possibility of unanticipated price increases and service cancellations. Currently, usage rates generally are less than the rates the Company charges its customers for connecting calls through these lines. To the extent these variable costs increase, the Company may experience reduced or, in certain circumstances, negative margins for some services. As its traffic volume increases between particular international markets, the Company expects to cease using variable usage arrangements between these markets and enter into fixed monthly or longer-term leasing arrangements, subject to obtaining any requisite authority. To the extent the Company does so, and incorrectly projects traffic volume in a particular geographic area, the Company would experience higher fixed costs without the increased revenue. Moreover, certain of the vendors from whom the Company leases transmission lines, including RBOCs and other Local Exchange Carriers ("LECs") in the United States, currently are subject to tariff controls and other price constraints which in the future may be changed. Regulatory proposals are pending that may affect the prices charged by the RBOCs and other LECs to the Company, which could have a material adverse effect on the Company's margins, business, financial condition and results of operations. See "--Potential Adverse Effects of Regulation" and "Business--Government Regulation."

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS

A key component of the Company's strategy is planned expansion in international markets. In many international markets, the existing carrier controls access to the local networks, enjoys better brand recognition and brand and customer loyalty, and has significant operational economies, including a larger backbone network and foreign carrier agreements with other PTTs and other service providers. Moreover, the incumbent may take many months to allow competitors to interconnect to its switches within the target market. Pursuit of international growth opportunities may require significant investments for an extended period before returns, if any, on such investments are realized. In addition, there can be no assurance that the Company will be able to obtain the permits and operating licenses required for it to operate its own transmission facilities or switches, obtain access to local transmission facilities or to market, sell and deliver competitive services in these markets or that such permits and operating licenses, if obtained, will be obtained in the time currently contemplated by the Company.

In addition to the uncertainty as to the Company's ability to expand its international presence, there are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, problems in collecting accounts receivable, political risks, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, delays from customs brokers or government agencies, seasonal reductions in business activity during the summer months and holiday periods, and potentially adverse tax consequences resulting from operating in multiple jurisdictions with different tax laws, which could materially adversely impact the Company's international operations. A significant portion of the Company's net revenue and expenses is denominated, and is expected to continue to be denominated, in currencies other than United States dollars, and changes in exchange rates may have a significant effect on its results of operations. The Company historically has not engaged in hedging transactions, and does not currently contemplate engaging in hedging transactions to mitigate foreign exchange risk. In addition, the Company's business could be adversely affected by a reversal in the current trend toward deregulation of telecommunications markets. In certain countries into which the Company may choose to expand in the future, the Company may need to enter into joint venture or other strategic relationships with one or more third parties in order to conduct its operations (often with the PTT or other dominant carrier in a developing country). There can be no assurance that such factors will not have a material adverse effect on the Company's future operations and, consequently, on its business, results of operations and financial condition, or that the Company will not have to modify its business practices.

DEPENDENCE ON EFFECTIVE INFORMATION SYSTEMS; YEAR 2000 PROBLEM

To complete its billing, the Company must record and process massive amounts of data quickly and accurately. While the Company believes its management information system is currently adequate, it will have to grow as the Company's business expands and to change as new technological developments occur. The Company believes that the successful implementation and integration of new information systems and backroom support will be important to its continued growth, its ability to monitor and control costs, to bill customers accurately and in a timely fashion and to achieve operating efficiencies. There can be no assurance that the Company will not encounter delays or cost-overruns or suffer adverse consequences in implementing these systems. Any such delay or other malfunction of the Company's management information systems could have a material adverse effect on its business, financial condition and results of operations.

The Company is reviewing its computer systems and operations to identify and determine the extent to which any systems will be vulnerable to potential errors and failures as a result of the "Year 2000" problem. The Year 2000 problem is the result of computer programs being written using two digits, rather than four digits, to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a major system failure or miscalculations. The management of each operating unit within the Company is responsible for identifying systems requiring modification or conversion (both internal systems and those provided by or otherwise available from outside vendors), and for periodically reporting its progress in meeting milestones toward compliance. TresCom management has determined that TresCom will need to modify or replace significant portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and beyond. The majority of the software which needs to be replaced by Primus and TresCom is under license from third party software manufacturers who have indicated that they will provide the necessary upgrades. There can be no assurance that any such upgrades will be successfully implemented or that additional steps will not be necessary. A failure of the Company's computer systems or the failure of the Company's vendors or customers to upgrade effectively their software and systems for transition to the year 2000 could have a material adverse effect on the Company's business and financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RISKS OF INDUSTRY CHANGES AFFECTING COMPETITIVENESS AND FINANCIAL RESULTS

The international telecommunications industry is changing rapidly due to deregulation, privatization of PTTs, technological improvements, expansion of telecommunications infrastructure and the globalization of the world's economies. There can be no assurance that one or more of these factors will not vary in a manner that could have a material adverse effect on the Company. In addition, deregulation in any particular market may cause such market to shift unpredictably. There can be no assurance that the Company will be able to compete effectively or adjust its contemplated plan of development to meet changing market conditions.

The telecommunications industry generally is in a period of rapid technological evolution, marked by the introduction of new product and service offerings and increasing satellite and undersea cable transmission capacity for services similar to those provided by the Company. Potential developments that could adversely affect the Company if not anticipated or appropriately responded to include improvements in transmission equipment, development of switching technology allowing voice/data/video multimedia transmission simultaneously and commercial availability of Internet-based domestic and international switched voice/data/video services at prices lower than comparable services offered by the Company. The Company's profitability will depend on its ability to anticipate, assess and adapt to rapid technological changes and its ability to offer, on a timely and cost-effective basis, services that meet evolving industry standards. There can be no assurance that the Company will be able to assess or adapt to such technological changes at a competitive price, maintain competitive services or obtain new technologies on a timely basis or on satisfactory terms.

EFFECTS OF NATURAL DISASTERS

Areas in which the Company conducts its business may be affected by natural disasters (including hurricanes and tropical storms) as evidenced by Hurricane Marilyn, which struck certain Caribbean islands, including St. Thomas and Puerto Rico, in September 1995 and disrupted telecommunications services in the Caribbean. Hurricanes, tropical storms and other natural disasters could have a material adverse effect on the Company's business as a result of damage to the Company's Network facilities or from curtailed telephone traffic resulting from effects of such events, such as destruction of homes and businesses.

DEPENDENCE ON KEY PERSONNEL

The Company is dependent on the efforts of its management team and its key technical, marketing and sales personnel, particularly those of K. Paul Singh, its Chairman and Chief Executive Officer. The loss of services of one or more of these key individuals, particularly Mr. Singh, could materially and adversely affect the business of the Company and its future prospects. Primus has entered into an employment agreement with Mr. Singh, which expires on May 30, 1999. The Company does not maintain any key person life insurance on the lives of any officer, director or key employee. The Company's future success will also depend on its ability to attract and retain additional key management and technical and sales personnel required in connection with the growth and development of its business. Competition for qualified employees and personnel in the telecommunications industry is intense, particularly in non-U.S. markets and there are a limited number of persons with knowledge of and experience in particular sectors of the telecommunications industry. There can be no assurance that the Company will be successful in attracting and retaining such executives and personnel. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could have a material adverse effect on its results of operations, development efforts and ability to expand.

POTENTIAL ADVERSE EFFECTS OF REGULATION

As a multinational telecommunications company, the Company is subject to varying degrees of regulation in each of the jurisdictions in which it currently provides, or expects to provide, its services. Local laws and regulations, and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which the Company operates. There can be no assurance that future regulatory, judicial and legislative changes will not have a material adverse effect on the Company, that domestic or international regulators or third parties will not raise material issues with regard to the Company's compliance or noncompliance with applicable

regulations or that regulatory activities will not have a material adverse effect on the Company. Certain risks regarding the regulatory framework in the principal jurisdictions in which the Company provides its services are briefly described below.

United States. In the United States, the Company's services are subject to the provisions of the Communications Act of 1934, as amended by the 1996 Telecommunications Act (the "Communications Act"), and the Federal Communications Commission (the "FCC") regulations thereunder, as well as the applicable laws and regulations of the various states administered by the relevant state public service commission ("PSC"). The recent trend in the United States, for both federal and state regulation of telecommunications service providers, has been in the direction of reduced regulation. Although this trend facilitates market entry and competition by multiple providers, it has also given AT&T, the largest international and domestic long distance carrier in the United States, increased pricing and market entry flexibility that has permitted it to compete more effectively with smaller carriers, such as the Company. In addition, the 1996 Telecommunications Act has opened the United States market to increased competition. There can be no assurance that future regulatory, judicial and legislative changes in the United States will not result in a material adverse effect on the Company.

Despite recent trends toward deregulation, the FCC and relevant state PSCs continue to exercise authority to regulate ownership of transmission facilities, provision of services and the terms and conditions under which the Company's services are provided. In addition, the Company is required by federal and state law and regulations to file tariffs listing the rates, terms and conditions of the services it provides. Any failure to maintain proper federal and state tariffs or certification or any finding by the federal or state agencies that the Company is not operating under permissible terms and conditions may result in an enforcement action or investigation, either of which could have a material adverse effect on the Company.

To originate and terminate calls, long distance carriers such as the Company must purchase "access" from the LECs, including Competitive Local Exchange Carriers. Access charges represent a significant portion of the Company's cost of revenue and, generally, such access charges are regulated by the FCC. The FCC has recently reformed its regulation of LEC access charges to better account for increasing levels of local competition. Under the new rules, LECs will be permitted to allow certain volume discounts in the pricing of access charges. While the import of these new rules is not yet certain, it is possible that many long distance carriers, including the Company, could be placed at a significant cost disadvantage to larger competitors.

The FCC and certain state agencies also impose prior approval requirements on transfers of control, including pro forma transfers of control resulting from corporate reorganizations, and assignments of regulatory authorizations. Such requirements may delay, prevent or deter a change in control of the Company. The FCC has established and administered a variety of international service regulations, including the International Settlements Policy ("ISP") which governs the settlement between U.S. carriers and their foreign correspondents of the cost of terminating traffic over each other's networks, the "benchmark" accounting rates for such settlement and permissible exceptions to these policies. The FCC could find that, absent a waiver, certain terms of the Company's foreign carrier agreements do not meet the requirements of the ISP or that certain actions do not constitute permissible deviations from these policies. Although the FCC generally has not issued penalties in this area, it could, among other things, issue a cease and desist order or impose fines if it finds that these agreements conflict with the ISP. The Company does not believe that any such fine or order would have a material adverse effect on it. The FCC also regulates the nature and extent of foreign ownership in radio licenses and foreign carrier affiliations of the Company.

Regulatory requirements pertinent to the Company's operations have recently changed and will continue to change as a result of the WTO Agreement, federal legislation, court decisions, and new and revised policies of the FCC and state public service commissions. In particular, the FCC continues to refine its international service rules to promote competition, reflect and encourage liberalization in foreign countries, and reduce international accounting rates toward cost. Among other things, such changes may increase competition and alter the ability of the Company to compete with other service providers, to continue providing the same services, or to introduce services currently planned for the future. The impact on the Company's operations of any changes in applicable regulatory requirements cannot be predicted.

Canada. In Canada, telecommunications carriers are regulated generally by the Canadian regulatory agency known as the Canadian Radio-television and Telecommunications Commission ("CRTC"). The CRTC has enacted policies and regulations that affect the Company's ability to successfully compete in the Canadian marketplace. These policies and regulations include the establishment of contribution charges (roughly the equivalent of access charges in the U.S.), deregulation of the international segment of the long-distance market, limitations on switched hubbing through the United States, international simple resale ("ISR") and foreign ownership rules for facilities-based carriers. In addition, Canada has committed in the WTO Agreement to eliminate a number of barriers to competition, some of which are expected to be eliminated in October 1998. The regulatory framework for the introduction of competition in the provision of international services in Canada is currently under active CRTC review. There can be no assurance that the regulatory environment ultimately adopted for Canada will allow Primus to compete effectively in offering telecommunications services. In addition, there can be no assurance that any future changes in or additions to law, regulations, government policy or administrative rulings will not have a material adverse impact on the Company's competitive position, growth and financial performance.

Australia. In Australia, the provision of the Company's services is subject to federal regulation. Two primary instruments of regulation have been the Telecommunications Act 1991 and federal regulation of anti- competitive practices pursuant to the Trade Practices Act 1974 (the "Trade Practices Act"). The regulatory climate changed in July 1997 with the implementation of the Telecommunications Act 1997 (the "Telecom Act").

The Company is licensed under the Telecom Act to own and operate transmission facilities in Australia. Under the new regulatory framework, the Company does not require a carriage license in order to supply carriage services to the public using network facilities owned by another carrier. Instead, it must comply with legislated "service provider" rules contained in the Telecom Act covering matters such as compliance with the Telecom Act, operator services, regulation of access, directory assistance, provision of information to allow maintenance of an integrated public number database, and itemized billing.

Also, in connection with the Telecom Act, two federal regulatory authorities now exercise control over a broad range of issues affecting the operation of the Australian telecommunications industry. The Australian Communications Authority ("the ACA") regulates matters including the licensing of carriers and technical matters, and the Australian Competition and Consumer Commission ("the ACCC") has the role of promotion of competition and consumer protection. As a licensed carrier, the Company is required to comply with its own license and is under the regulatory control of the ACA and the ACCC. Anti-competitive practices will also continue to be regulated by the Trade Practices Act. In addition, other federal legislation, various regulations pursuant to delegated authority and legislation, ministerial declarations, codes, directions, licenses, statements of Commonwealth Government policy and court decisions affecting telecommunications carriers also apply to the Company. There can be no assurance that future declarations, codes, directions, licenses, regulations, and judicial and legislative changes will not have a material adverse effect on the Company.

United Kingdom. In the United Kingdom, the provision of the Company's services is subject to and affected by regulations introduced by the United Kingdom telecommunications regulatory authority, the Office of Telecommunications ("Oftel") under the Telecommunications Act of 1984 (the "United Kingdom Telecommunications Act"). Since the break up of the United Kingdom telecommunications duopoly consisting of British Telecom and Mercury in 1991, it has been the stated goal of Oftel to create a competitive marketplace from which detailed regulation could eventually be withdrawn. The regulatory regime currently being introduced by Oftel has a direct and material effect on the ability of the Company to conduct its business. Oftel has imposed mandatory rate reductions on British Telecom in the past, which reductions are expected to continue for the foreseeable future, and this has had, and may continue to have, the effect of reducing the prices the Company can charge its customers. The Company's subsidiary, Primus Telecommunications Limited, holds an ISVR license that authorizes it to provide switched voice services over leased private lines to all international points. In addition, Primus Telecommunications Limited has received a license from the United Kingdom's Secretary for Trade and Industry to provide international facilities-based voice services to all international points from the

United Kingdom. There can be no assurance that future changes in regulation and government will not have a material adverse effect on the Company's business, results of operations and financial condition.

Japan. The Company's services in Japan are subject to regulation by the Ministry of Post and Telecommunications (the "Japanese Telecom Ministry") under the Telecommunications Business Law (the "Japanese Telecom Law"). The Company has obtained a license as a Special Type II business, which allows it to provide telecommunications services over international circuits leased from another carrier, or domestic service in Japan over leased circuits if the volume of traffic exceeds a certain amount. The Company may also provide over leased lines basic telecommunications services, value-added services and services to closed user groups. The Company is preparing to apply for a license to operate as a Type I business, which would allow the Company to provide telecommunications services using their own facilities. There can be no guarantee that the Company will be able to obtain any required licenses or that once it obtains a license, the Japanese regulatory environment will allow it to provide services in Japan at competitive rates.

Germany. The Company's services in Germany are governed by the German Telecommunications Act of 1996 (the "German Telecom Act"), which, with respect to most of its provisions, became effective at the end of July 1996, while all of its market liberalizing provisions took effect on January 1, 1998. Under the German Telecom Act, the Company must obtain a license if it (i) operates transmission infrastructure for the provision of telecommunications services to the public ("Class 3 License"); or (ii) offers voice telephony services to the public through telecommunications networks operated by the Company ("Class 4 License"). The Company has obtained a Class 4 license and has entered into an interconnection agreement with Deutsche Telekom, currently the dominant operator in Germany, to be able to offer long-distance services on a retail and wholesale basis. No license is required for the provision of value-added services such as the reorigination services that the Company currently provides in Germany, or services to closed user groups using leased lines. A change in regulatory policy or court decisions could result in the Company either being required to invest further in the German market in order to continue to receive the lowest available interconnection rates or having to pay less favorable interconnection prices. Moreover, the Company is subject to certain regulatory requirements when it operates under its license, including the requirement that it present its standard terms and conditions to German regulators and possibly that it contribute to universal service mechanisms. There can be no assurance that the regulatory environment in Germany generally or the applicable interconnection rates with Deutsche Telekom will allow the Company to provide telecommunications services competitively with other providers.

Latin America. The recently completed TresCom Merger has provided the Company with operations on several Caribbean islands and with customers in several countries in Central America and South America. The Company may decide to install switches and other network equipment in several of these countries. Some countries allow only limited competition to the incumbent telephone carrier, and others require prior authorization before providing competitive services. Others, such as El Salvador and Guatemala, do not require prior authorization but would require the Company to obtain numbers or interconnection with the incumbent carrier. The Company initially will provide to customers in several Latin American countries international call reorigination or similar types of services that do not require the Company to have a presence in the foreign country. Some of these countries may prohibit some or all forms of call reorigination. There can be no guarantee that the Company will be able to obtain any authorizations or otherwise take the actions necessary to provide services in these countries. See "Business--Government Regulation."

Other Jurisdictions. The Company intends to expand its operations into other jurisdictions as such markets deregulate and it is able to offer a full range of switched public telephone services to its customers. In addition, in countries that enact legislation intended to deregulate the telecommunications sector or that have made commitments to open their markets to competition in the WTO Agreement, there may be significant delays in the adoption of implementing regulations and uncertainties as to the implementation of the deregulatory programs which could delay or make more expensive the Company's entry into such additional markets. The ability of the Company to enter a particular market and provide telecommunications services is dependent upon

the extent to which the regulations in a particular market permit new entrants. In some countries, regulators may make subjective judgments in awarding licenses and permits, without any legal recourse for unsuccessful applicants. In the event the Company is able to gain entry to such a market, no assurances can be given that it will be able to provide a full range of services in such market, that it will not have to modify significantly its operations to comply with changes in the regulatory environment in such market, or that any such changes will not have a material adverse effect on its business, results of operations or financial condition.

CONTROL OF PRIMUS

The executive officers and directors of Primus beneficially own 9,542,041 shares of Primus Common Stock, representing 33.5% of the Common Stock. The executive officers and directors have also been granted options to purchase an additional 758,720 shares of Common Stock which vest after August 15, 1998. Of these amounts, Mr. K. Paul Singh, Primus's Chairman and Chief Executive Officer, beneficially owns 4,616,579 shares of Common Stock, including options to purchase 225,400 shares of Common Stock. The Soros/Chatterjee Group (as defined) beneficially owns 2,808,940 shares of Common Stock. Warburg, Pincus (as defined) beneficially owns 3,875,689 shares of Common Stock. As a result, the executive officers, directors, the Soros/Chatterjee Group and Warburg, Pincus exercise significant influence over such matters as the election of the Company's directors, amendments to the Company's charter, other fundamental corporate transactions such as mergers, asset sales, and the sale of the Company, and otherwise the direction of the Company's business and affairs. Additionally, under the terms of a shareholders' agreement entered into in connection with the TresCom Merger among Primus, Warburg, Pincus and Mr. Singh, Primus has agreed to nominate one individual selected by Warburg, Pincus and reasonably acceptable to the non-employee directors of Primus, to serve as a member of the Primus board of directors. The foregoing nomination right remains effective so long as Warburg, Pincus is the beneficial owner of 10% or more of the outstanding Common Stock. In June 1998, Douglas Karp joined the Primus board of directors pursuant to the foregoing arrangement. See "Management--Executive Officers and Directors," "Security Ownership of Certain Beneficial Owners and Management," and "Certain Transactions--Private Equity Sale," "Recent Developments--TresCom Merger."

ABSENCE OF PUBLIC MARKET FOR THE NOTES

The Exchange Notes are a new issue of securities, have no established trading market, and may not be widely distributed. The Company does not intend to list the Exchange Notes on any national securities exchange or to seek the admission thereof to trading in The Nasdaq Stock Market. No assurance can be given that an active public or other market will develop for the Exchange Notes or as to the liquidity of or the trading market for the Exchange Notes. If a trading market does not develop or is not maintained, holders of the Exchange Notes may experience difficulty in reselling the Exchange Notes or may be unable to sell them at all. If a market for the Exchange Notes develops, any such market may be discontinued at any time. If a public trading market develops for the Exchange Notes, future trading prices of the Exchange Notes will depend on many factors, including, among other things, prevailing interest rates, the Company's results of operations and the market for similar securities, and the price at which the holders of Exchange Notes will be able to sell such Exchange Notes is not assured and the Exchange Notes could trade at a premium or discount to their purchase price or face value. Depending on prevailing interest rates, the market for similar securities and other facts, including the financial condition of the Company, the Exchange Notes may trade at a discount from their principal amount.

ABSENCE OF REGISTRATION UNDER STATE SECURITIES LAWS

The Exchange Notes have not been registered or qualified under any state securities laws. The Exchange Offer is being made both to U.S. institutional investors, pursuant to exemptions from such laws for sales to such investors, and to non-U.S. persons (within the meaning of Regulation S under the Securities Act), as state securities laws do not apply to sales to persons who are not residents of any state. In order to acquire the Initial Notes, each Holder of Initial Notes was required to represent to the Company that it was either (i) a "qualified institutional buyer" within the meaning of the Rule 144A under the Securities Act, (ii) an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities

Act or (iii) a non-U.S. person within the meaning of Regulation S under the Securities Act. Holders who wish to exchange their Initial Notes for Exchange Notes pursuant to the Exchange Offer will be required to represent to the Company that they remain institutional investors or non-U.S. persons, as they represented at the time they acquired their Initial Notes. Any Holder who no longer qualifies as such an institutional investor (e.g., a bank whose charter has been revoked) or who is no longer a non-U.S. person, as the case may be, will not be entitled to exchange such Initial Notes for Exchange Notes in the Exchange Offer, unless another state securities law exemption is available. If no such exemption is available, the Holder will continue to hold the Initial Notes, which will continue to be subject to the restrictions on transfer as set forth in the legend thereon.

CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of Initial Notes who do not exchange their Initial Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Initial Notes as set forth in the legend thereon as a consequence of the issuance of the Initial Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Initial Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register the Initial Notes for resale under the Securities Act. Exchange Notes issued pursuant to the Exchange Offer in exchange for Initial Notes may be offered for resale, resold or otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act and other than any broker-dealer who purchased Initial Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such Notes. Each broker-dealer that acquired Initial Notes for its own account as a result of market making or other trading activities and that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Initial Notes where such Initial Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the effective date of this Prospectus, it will make this Prospectus, as it may be amended or supplemented from time to time, available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." However, to comply with the securities laws of certain jurisdictions, if applicable, the Exchange Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and is complied with. To the extent that Initial Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Initial Notes will be adversely affected.

THE EXCHANGE OFFER

PURPOSE AND EFFECT

The Initial Notes were sold by the Company to the Initial Purchasers on May 19, 1998, pursuant to the Purchase Agreement. The Initial Purchasers subsequently resold the Initial Notes in reliance on Rule 144A under the Securities Act and certain other exemptions under the Securities Act. The Company and the Initial Purchasers also entered into the Registration Rights Agreement, pursuant to which the Company agreed, with respect to the Initial Notes, to (i) cause to be filed, on or prior to July 18, 1998, a registration statement with the Commission under the Securities Act concerning the Exchange Offer, (ii) use its reasonable best efforts to cause such registration statement to be declared effective by the Commission on or prior to September 16, 1998 and (iii) to use its reasonable best efforts to cause the Exchange Offer to remain open for a period of not less than 30 days. This Exchange Offer is intended to satisfy the Company's exchange offer obligations under the Registration Rights Agreement.

TERMS OF THE EXCHANGE OFFER

The Company hereby offers, upon the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal, to exchange $1,000 in principal amount of the Exchange Notes for each $1,000 in principal amount of the outstanding Initial Notes. The Company will accept for exchange any and all Initial Notes that are validly tendered on or prior to 5:00 p.m., New York City time, on the Expiration Date. Tenders of the Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange. However, the Exchange Offer is subject to the conditions, terms and provisions of the Registration Rights Agreement. The form and terms of the Exchange Notes will be identical in all material respects to the form and terms of the Initial Notes, except that (i) the Exchange Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof, (ii) subject to certain limited exceptions, holders of Exchange Notes will not be entitled to Liquidated Damages, and (iii) holders of Exchange Notes will not be, and upon consummation of the Exchange Offer, Holders of Initial Notes will no longer be, entitled to certain rights under the Registration Rights Agreement intended for holders of unregistered securities. See "--Conditions of the Exchange Offer."

Initial Notes may be tendered only in multiples of $1,000. Subject to the foregoing, Holders may tender less than the aggregate principal amount represented by the Initial Notes held by them, provided that they appropriately indicate this fact on the Letter of Transmittal accompanying the tendered Initial Notes (or so indicate pursuant to the procedures for book-entry transfer).

As of the date of this Prospectus, $150.0 million in aggregate principal amount of the Initial Notes is outstanding, the maximum amount authorized by the Indenture for all Notes. As of , 1998, CEDE was the sole registered holder of the Initial Notes and held $150.0 million of aggregate principal amount of the Initial Notes for of its participants. Solely for reasons of administration (and for no other purpose), the Company has fixed the close of business on , 1998, as the record date (the "Record Date") for purposes of determining the persons to whom this Prospectus and the Letter of Transmittal will be mailed initially. Only a Holder of the Initial Notes (or such Holder's legal representative or attorney-in-fact) may participate in the Exchange Offer. There will be no fixed record date for determining Holders of the Initial Notes entitled to participate in the Exchange Offer. The Company believes that, as of the date of this Prospectus, no such the Holder is an affiliate (as defined in Rule 405 under the Securities Act) of the Company.

The Company shall be deemed to have accepted validly tendered Initial Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering Holders of Initial Notes and for the purposes of receiving the Exchange Notes from the Company.

If any tendered Initial Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Initial Notes will be returned, without expense, to the tendering Holder thereof as promptly as practicable after the Expiration Date.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The Expiration Date shall be , 1998 at 5:00 p.m., New York City time, unless the Company, in its sole discretion, extends the Exchange Offer, in which case the Expiration Date shall be the latest date and time to which the Exchange Offer is extended.

In order to extend the Exchange Offer, the Company will notify the Exchange Agent of any extension by oral or written notice and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Such notice and public announcement shall set forth the new Expiration Date of the Exchange Offer.

The Company reserves the right, in its sole discretion, (i) to delay accepting any Initial Notes, (ii) to extend the Exchange Offer, (iii) if any of the conditions set forth below under "Conditions of the Exchange Offer" shall not have been satisfied, to terminate the Exchange Offer by giving oral or written notice of such delay, extension or termination to the Exchange Agent, and (iv) to amend the terms of the Exchange Offer in any manner. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will, in accordance with applicable law, file a post-effective amendment to the registration statement (a "Post-effective Amendment") and resolicit the registered holders of the Initial Notes. If the Company files a Post-effective Amendment, it will notify the Exchange Agent of an extension of the Exchange Offer by oral or written notice, and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the effectiveness of such Post-effective Amendment. Such notice and public announcement shall set forth the new Expiration Date, which new Expiration Date shall be no less than five days after the then applicable Expiration Date.

CONDITIONS OF THE EXCHANGE OFFER

The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange. However, the Exchange Offer is subject to the condition that it does not violate any applicable law or interpretation of the staff of the Commission.

Further, as a condition to its participation in the Exchange Offer, each Holder of Initial Notes (including, without limitation, any Holder who is a Broker-Dealer) will be required to furnish a written representation to the Company (which may be contained in the Letter of Transmittal to the effect that such Holder (i) is not an affiliate of the Company, (ii) is not engaged in, or does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (iii) is acquiring the Exchange Notes in its ordinary course of business. Each Holder using the Exchange Offer to participate in a distribution of the Exchange Notes will be required to acknowledge and agree that, if the resales are of Exchange Notes obtained by such Holder in exchange for Initial Notes acquired directly from the Company or an affiliate thereof, it (1) could not, under Commission policy as in effect on the date of the Registration Rights Agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling (available July 2, 1993) and K-III Communications Corporation (available May 14, 1993), or similar no-action or interpretive letters, and (2) must comply with the registration and prospectus delivery requirements of the Exchange Act in connection with a secondary resale transaction and that such a secondary sale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K, unless an exemption from registration is otherwise available.

In addition, each Holder of Initial Notes will be required to furnish a written representation to the Company (which may be contained in the Letter of Transmittal to the effect that such Holder is either (A) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, (B) an institutional "accredited

investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act or (C) a non-U.S. person within the meaning of Regulation S under the Securities Act.

TERMINATION OF CERTAIN RIGHTS

The Registration Rights Agreement provides that, subject to certain exceptions, in the event of a Registration Default, Holders of Initial Notes are entitled to receive Liquidated Damages. If (i) the Company fails to file with the Commission any of the Registration Statements required by the Registration Rights Agreement on or before the date specified therein for such filing, (ii) any of such Registration Statement is not declared effective by the Commission on or prior to the date specified for such effectiveness in the Registration Rights Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been consummated within 30 days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by the Registration Rights Agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose without being succeeded within five business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (each such event referred to in clauses (i) through (iv) above, a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages will be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Liquidated Damages with respect to such Transfer Restricted Securities will cease.

ACCRUED INTEREST ON THE INITIAL NOTES

The Exchange Notes will bear interest at a rate equal to 9 7/8% per annum from and including their date of issuance. Holders whose Initial Notes are accepted for exchange will have the right to receive interest accrued thereon from the date of their original issuance or the last Interest Payment Date, as applicable, to, but not including, the date of issuance of the Exchange Notes, such interest to be payable with the first interest payment on the Exchange Notes. Interest on the Initial Notes accepted for exchange, which interest accrued at the rate of 9 7/8% per annum, will cease to accrue on the day prior to the issuance of the Exchange Notes. See "Description of Exchange Notes--General."

PROCEDURES FOR TENDERING INITIAL NOTES

The tender of a Holder's Initial Notes as set forth below and the acceptance thereof by the Company will constitute a binding agreement between the tendering Holder and the Company upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal. Except as set forth below, a Holder who wishes to tender Initial Notes for exchange pursuant to the Exchange Offer must transmit such Initial Notes, together with a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to the Exchange Agent at the address set forth on the back cover page of this Prospectus prior to 5:00 p.m., New York City time, on the Expiration Date.

THE METHOD OF DELIVERY OF INITIAL NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDER. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT THE HOLDER USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

Each signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Initial Notes surrendered for exchange pursuant hereto are tendered (i) by a registered holder of the Initial Notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" in the Letter of Transmittal or (ii) by an Eligible Institution (as defined). In the event that a signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, is required to be guaranteed, such guarantee must be by a firm which is a member of a registered national securities exchange or The Nasdaq Stock Market, a commercial bank or trust company having an office or correspondent in the United States or otherwise be an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (collectively, "Eligible Institutions"). If the Letter of Transmittal is signed by a person other than the registered holder of the Initial Notes, the Initial Notes surrendered for exchange must either (i) be endorsed by the registered holder, with the signature thereon guaranteed by an Eligible Institution or (ii) be accompanied by a bond power, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an Eligible Institution. The term "registered holder" as used herein with respect to the Initial Notes means any person in whose name the Initial Notes are registered on the books of the Registrar.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of Initial Notes tendered for exchange will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all Initial Notes not properly tendered and to reject any Initial Notes the Company's acceptance of which might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right to waive any defects or irregularities or conditions of the Exchange Offer as to particular Initial Notes either before or after the Expiration Date (including the right to waive the ineligibility of any holder who seeks to tender Initial Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Initial Notes for exchange must be cured within such period of time as the Company shall determine. The Company will use reasonable efforts to give notification of defects or irregularities with respect to tenders of Initial Notes for exchange but shall not incur any liability for failure to give such notification. Tenders of the Initial Notes will not be deemed to have been made until such irregularities have been cured or waived.

If any Letter of Transmittal, endorsement, bond power, power of attorney or any other document required by the Letter of Transmittal is signed by a trustee, executor, corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company, in its sole discretion, of such person's authority to so act must be submitted.

Any beneficial owner of the Initial Notes (a "Beneficial Owner") whose Initial Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Initial Notes in the Exchange Offer should contact such registered holder promptly and instruct such registered holder to tender on such Beneficial Owner's behalf. If such Beneficial Owner wishes to tender directly, such Beneficial Owner must, prior to completing and executing the Letter of Transmittal and tendering Initial Notes, make appropriate arrangements to register ownership of the Initial Notes in such Beneficial Owner's name. Beneficial Owners should be aware that the transfer of registered ownership may take considerable time.

By tendering, each registered holder will represent to the Company that, among other things (i) the Exchange Notes to be acquired in connection with the Exchange Offer by the Holder and each Beneficial Owner of the Initial Notes are being acquired by the Holder and each Beneficial Owner in the ordinary course of business of the Holder and each Beneficial Owner, (ii) the Holder and each Beneficial Owner are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes, (iii) the Holder and each Beneficial Owner acknowledge and agree that any person participating in the Exchange Offer for the purpose of distributing the Exchange Notes

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the Exchange Notes acquired by such person and cannot rely on the position of the staff of the Commission set forth in no-action letters that are discussed herein under "Resales of Exchange Notes," (iv) that if the Holder is a broker-dealer that acquired Initial Notes as a result of market making or other trading activities, it will deliver a prospectus in connection with any resale of Exchange Notes acquired in the Exchange Offer, (v) the Holder and each Beneficial Owner understand that a secondary resale transaction described in clause (iii) above should be covered by an effective registration statement containing the selling security holder information required by Item 507 of Regulation S-K of the Commission, and (vi) neither the Holder nor any Beneficial Owner is an "affiliate," as defined under Rule 405 of the Securities Act, of the Company except as otherwise disclosed to the Company in writing. In connection with a book-entry transfer, each participant will confirm that it makes the representations and warranties contained in the Letter of Transmittal.

Guaranteed Delivery Procedures. Holders who wish to tender their Initial Notes and (i) whose Initial Notes are not immediately available or (ii) who cannot deliver their Initial Notes or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date (or complete the procedure for book-entry transfer on a timely basis), may tender their Initial Notes according to the guaranteed delivery procedures set forth in the Letter of Transmittal. Pursuant to such procedures: (i) such tender must be made by or through an Eligible Institution and a Notice of Guaranteed Delivery (as defined in the Letter of Transmittal) must be signed by such Holder, (ii) on or prior to the Expiration Date, the Exchange Agent must have received from the Holder and the Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the Holder, the certificate number or numbers of the tendered Initial Notes, and the principal amount of tendered Initial Notes, stating that the tender is being made thereby and guaranteeing that, within three business days after the date of delivery of the Notice of Guaranteed Delivery, the tendered Initial Notes, a duly executed Letter of Transmittal and any other required documents will be deposited by the Eligible Institution with the Exchange Agent, and (iii) such properly completed and executed documents required by the Letter of Transmittal and the tendered Initial Notes in proper form for transfer (or confirmation of a book-entry transfer of such Initial Notes into the Exchange Agent's account at the Depositary) must be received by the Exchange Agent within three business days after the Expiration Date. Any Holder who wishes to tender Initial Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery and Letter of Transmittal relating to such Initial Notes prior to 5:00 p.m., New York City time, on the Expiration Date.

Book-Entry Delivery. The Exchange Agent will establish an account with respect to the Initial Notes at the Depositary ("Book-Entry Transfer Facility") for purposes of the Exchange Offer promptly after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of the Initial Notes by causing such facility to transfer Initial Notes into the Exchange Agent's account in accordance with such facility's procedure for such transfer. Even though delivery of Initial Notes may be effected through book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees, or an Agent's Message (as defined below) in connection with a book-entry transfer, and other documents required by the Letter of Transmittal, must, in any case, be transmitted to and received by the Exchange Agent at one of its addresses set forth on the back cover of this Prospectus before the Expiration Date, or the guaranteed delivery procedure set forth above must be followed. Delivery of the Letter of Transmittal and any other required documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent. The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to, and received by, the Exchange Agent and forming a part of a book-entry confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Initial Notes that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against such participant.

ACCEPTANCE OF INITIAL NOTES FOR EXCHANGE; DELIVERY OF EXCHANGE NOTES

Upon satisfaction or waiver of all the conditions to the Exchange Offer, the Company will accept any and all Initial Notes that are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Notes issued pursuant to the Exchange Offer will be delivered as soon as practicable after acceptance of the Initial Notes. For purposes of the Exchange Offer, the Company shall be deemed to have accepted validly tendered Initial Notes, when, as, and if the Company has given oral or written notice thereof to the Exchange Agent.

In all cases, issuances of Exchange Notes for Initial Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of such Initial Notes, a properly completed and duly executed Letter of Transmittal and all other required documents (or of confirmation of a book-entry transfer of such Initial Notes into the Exchange Agent's account at the Depositary); provided, however, that the Company reserves the absolute right to waive any defects or irregularities in the tender or conditions of the Exchange Offer. If any tendered Initial Notes are not accepted for any reason, such unaccepted Initial Notes will be returned without expense to the tendering Holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer.

WITHDRAWAL RIGHTS

Tenders of the Initial Notes may be withdrawn by delivery of a written notice to the Exchange Agent, at its address set forth on the back cover page of this Prospectus, at any time prior to 5:00 p.m., New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Initial Notes to be withdrawn (the "Depositor"), (ii) identify the Initial Notes to be withdrawn (including the certificate number or numbers and principal amount of such Initial Notes, as applicable), (iii) be signed by the Holder in the same manner as the original signature on the Letter of Transmittal by which such Initial Notes were tendered (including any required signature guarantees) or be accompanied by a bond power in the name of the person withdrawing the tender, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an Eligible Institution together with the other documents required upon transfer by the Indenture, and (iv) specify the name in which such Initial Notes are to be re-registered, if different from the Depositor, pursuant to such documents of transfer. Any questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, in its sole discretion and such determination shall be final and binding. The Initial Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Initial Notes which have been tendered for exchange but which are withdrawn will be returned to the Holder thereof without cost to such Holder as soon as practicable after withdrawal. Properly withdrawn Initial Notes may be retendered by following one of the procedures described under "The Exchange Offer--Procedures for Tendering Initial Notes" at any time on or prior to the Expiration Date.

THE EXCHANGE AGENT; ASSISTANCE

First Union National Bank is the Exchange Agent. All tendered Initial Notes, executed Letters of Transmittal and other related documents should be directed to the Exchange Agent. Questions and requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal and other related documents should be addressed to the Exchange Agent as follows:

BY MAIL, HAND OR OVERNIGHT DELIVERY:	FACSIMILE TRANSMISSION:
First Union Customer Information Center Reorganization Department, 3C3-NC 1153 1525 West W.T. Harris Boulevard Charlotte, N.C. 28262	(704) 590-7628 To confirm receipt: (704) 590-7408

SOLICITATION OF TENDERS; FEES AND EXPENSES

No person has been authorized to give any information or to make any representation in connection with the Exchange Offer other than those contained in this Prospectus. If given or made, such information or representations should not be relied upon as having been authorized by the Company. Neither the delivery of this Prospectus nor any exchange made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as of which information is given herein. The Exchange Offer is not being made to (nor will offers be accepted from or on behalf of) holders of Notes in any jurisdiction in which the making of the Exchange Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Company may, at its discretion, take such action as it may deem necessary to make the Exchange Offer in any such jurisdiction and extend the Exchange Offer to holders of Notes in such jurisdiction.

All expenses incident to the Company's consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by the Company, including, without limitation: (i) all registration and filing fees (including, without limitation, fees and expenses of compliance with state securities laws), (ii) printing expenses (including, without limitation, expenses of printing certificates for the Exchange Notes in a form eligible for deposit with The Depositary and of printing Prospectuses), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) fees and disbursements of independent certified public accountants, (vi) rating agency fees, (vii) internal expenses of the Company (including, without limitation, all salaries and expenses of officers and employees of the Company performing legal or accounting duties), and (ix) fees and expenses incurred in connection with the listing, if any, of the Exchange Notes on a securities exchange.

The Company has not retained any dealer-manager in connection with the Exchange Offer and will not make any payments to brokers, dealers or others soliciting acceptance of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

ACCOUNTING TREATMENT

The Exchange Notes will be recorded at the same carrying value as the Initial Notes, as reflected in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss will be recognized by the Company for accounting purposes. The expenses of the Exchange Offer will be amortized over the term of the Exchange Notes.

RESALES OF THE EXCHANGE NOTES

Based on interpretations by the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that the Exchange Notes issued pursuant to the Exchange Offer to a Holder in exchange for Initial Notes may be offered for resale, resold and otherwise transferred by such Holder (other than (i) a broker-dealer who purchased Initial Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act, or (ii) a person that is an affiliate of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the Holder is acquiring the Exchange Notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes. The Company has not requested or obtained an interpretive letter from the Commission staff with respect to this Exchange Offer, and the Company and the Holders are not entitled to rely on interpretive advice provided by the staff to other persons, which advice was based on the facts and conditions represented in such letters. However, the Exchange Offer is being conducted in a manner intended to be consistent with the facts and conditions represented in such letters. If any Holder acquires Exchange Notes in the Exchange Offer for the purpose of distributing or participating in a distribution of the Exchange Notes, such Holder cannot rely on the position of the staff of the Commission enunciated in

Morgan Stanley & Co., Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letters to Shearman and Sterling (available July 2, 1993) and K-III Communications Corporation (available May 14, 1993), or similar no-action or interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction, unless an exemption from registration is otherwise available. Each broker-dealer that receives Exchange Notes for its own account in exchange for Initial Notes, where such Initial Notes were acquired by such broker-dealer as a result of market making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Company has agreed that for a period of 180 days after the effective date of this Prospectus, it will make this Prospectus, as amended and supplemented, available to any broker-dealer who receives Exchange Notes in the Exchange Offer for use in connection with any such resale. See "Plan of Distribution."

CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of Initial Notes who do not exchange their Initial Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Initial Notes as set forth in the legend thereon as a consequence of the offer or sale of the Initial Notes pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Initial Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exception from, or in a transaction not subject to, the Securities Act and applicable states securities laws. The Company does not currently anticipate that it will register the Initial Notes under the Securities Act. See "Risk Factors--Consequences of Failure to Exchange."

OTHER

Participation in the Exchange Offer is voluntary, and holders of Initial Notes should carefully consider whether to participate. Holders of the Initial Notes are urged to consult their financial and tax advisers in making their own decisions on what action to take.

As a result of the making of, and upon acceptance for exchange of all validly tendered Initial Notes pursuant to the terms of, this Exchange Offer, the Company will have fulfilled a covenant contained in the Registration Rights Agreement. Holders of Initial Notes who do not tender their Initial Notes in the Exchange Offer will continue to hold such Initial Notes and will be entitled to all the rights, and limitations applicable thereto, under the Indenture, except for any such rights under the Registration Rights Agreement that by their terms terminate or cease to have further effectiveness as a result of the making of this Exchange Offer. See "Description of Exchange Notes." All untendered Initial Notes will continue to be subject to the restrictions on transfer set forth in the Indenture. To the extent that Initial Notes are tendered and accepted in the Exchange Offer, the trading market for untendered Initial Notes could be adversely affected.

The Company may in the future seek to acquire untendered Initial Notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. The Company has no present plan to acquire any Initial Notes which are not tendered in the Exchange Offer.

RECENT DEVELOPMENTS

TRESCOM MERGER

On June 9, 1998, pursuant to the Merger Agreement, the Company acquired all of the outstanding shares of TresCom, a facilities-based long distance telecommunications carrier focused on international long distance traffic originating in the United States and terminating in Latin America. The TresCom Merger has provided Primus with accelerated entry into the Latin American international long distance markets and expanded scope and coverage of the Network, thereby providing additional opportunities to migrate traffic onto the Network, resulting in better utilization of the Network and reduced variable costs per minute of use. The Company believes that, in addition to providing transmission facilities, and adding foreign carrier agreements and direct connection to foreign telecommunications carriers, the TresCom Merger adds experienced management, and will enable the combined Company to realize synergies in selling, general and administrative expenses. Under the terms of the Merger Agreement, TresCom shareholders received approximately 0.6147 shares of Common Stock for each share of TresCom common stock exchanged in the TresCom Merger.

TELEPASSPORT/USFI ACQUISITION

In October 1997, Primus completed the acquisition of all of the equity and ownership interests of TelePassport and substantially all of the assets of USFI for an aggregate purchase price of $11.5 million in cash. TelePassport and USFI were under common control and engaged in the business of providing international and domestic long distance and reorigination services in Europe, Asia, and South Africa. The acquisition gave Primus a customer base in Germany and a facilities-based carrier in Japan.

HOTKEY INVESTMENT

In March 1998, Primus purchased a controlling interest in Hotkey, a Melbourne, Australia based Internet service provider. The Company's 60% ownership of Hotkey was purchased for approximately $1.3 million in cash and, under certain circumstances, the Company has the right to acquire 100% of the equity interest in Hotkey. Hotkey will allow Primus to offer Internet access to its customers in Australia and will serve as the Company's entrance into Internet protocol based telephony. Prior to the Hotkey investment, Primus's chairman, K. Paul Singh, owned approximately 14% of Hotkey. As a result of the transaction, Mr. Singh owns approximately 4% of Hotkey. See "Certain Transactions."

ECLIPSE ACQUISITION

In April 1998, Primus acquired all of the outstanding stock of Eclipse, a data communications service provider based in Sydney, Australia. Eclipse commenced operations in early 1996 and has approximately 100 business customers, annualized revenues of approximately $4 million and data switches and operational centers in all five capital cities in Australia. Primus paid approximately $2.5 million for the stock of Eclipse, comprised of cash and 27,500 shares of Common Stock. With the acquisition of Eclipse, Primus now offers a complete range of telecommunications services for corporate customers in Australia, including fully integrated voice and data networks, as well as Internet access services.

CAPITALIZATION

The following table sets forth as of March 31, 1998: (i) the actual capitalization of the Company; and (ii) the actual capitalization of the Company after giving pro forma effect to the TresCom Merger and the sale of the Initial Notes in the Offering, less discounts, commissions, and expenses of the Offering payable by the Company, and the application of the net proceeds therefrom. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Unaudited Consolidated Financial Statements of each of Primus and TresCom, and notes thereto, and the Unaudited Pro Forma Financial Data, and the notes thereto, all of which are included elsewhere in this Prospectus.

	MARCH 31, 1998	
	ACTUAL	PRO FORMA
	(IN THOUSANDS, EXCEPT SHARE DATA)	
Cash and cash equivalents	$ 97,381	$ 226,675
Restricted investments (including current and long-term)	61,478	61,478
Total cash, cash equivalents and restricted investments	$ 158,859	$ 288,153
Debt and capital lease obligations:		
11 3/4% Senior Notes due 2004	$ 222,706	$ 222,706
9 7/8% Senior Notes due 2008	--	150,000
Notes payable	189	189
Long-term obligations	--	396
Capital lease obligations	9,343	14,280
Total debt and capital lease obligations	232,238	387,571
Stockholders' Equity:		
Common Stock, $.01 par value--40,000,000 shares actual and pro forma authorized; 19,822,945 shares actual and 27,659,311 shares pro forma, issued and outstanding	198	277
Additional paid-in capital	92,696	248,206
Accumulated deficit	(60,322)	(60,322)
Cumulative translation adjustment	(744)	(744)
Total stockholders' equity	31,828	187,417
Total capitalization	$ 264,066	$ 574,988

SELECTED FINANCIAL DATA

PRIMUS

The following selected financial data should be read in conjunction with the consolidated financial statements of Primus, and the notes thereto, contained elsewhere in this Prospectus, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The statement of operations data for Primus from inception to December 31, 1994, for the years ended December 31, 1995, 1996, 1997, and the balance sheet data as of December 31, 1994, 1995, 1996 and 1997 have been derived from the consolidated financial statements of Primus, which have been audited by Deloitte & Touche LLP, independent auditors. The statement of operations data for Primus for the three months ended March 31, 1997 and 1998, and the balance sheet data as of March 31, 1998, has been derived from the unaudited consolidated financial statements of Primus, which, in management's opinion, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein.

	PERIOD FROM INCEPTION THROUGH DECEMBER 31,	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1997	1997	1998
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF OPERATIONS DATA:						
Net revenue	$ --	$ 1,167	$172,972	$280,197	$59,036	$ 80,051
Cost of revenue	--	1,384	158,845	252,731	55,034	68,722
Gross margin (deficit)	--	(217)	14,127	27,466	4,002	11,329
Operating expenses:						
Selling, general and administrative	557	2,024	20,114	50,622	8,829	15,377
Depreciation and amortization	12	160	2,164	6,733	797	3,478
Total operating expenses	569	2,184	22,278	57,355	9,626	18,855
Loss from operations	(569)	(2,401)	(8,151)	(29,889)	(5,624)	(7,526)
Interest expense	(13)	(59)	(857)	(12,914)	(151)	(7,175)
Interest income	5	35	785	6,238	785	2,384
Other income (expense)	--	--	(345)	407	119	--
Loss before income taxes	(577)	(2,425)	(8,568)	(36,158)	(4,871)	(12,317)
Income taxes	--	--	(196)	(81)	(36)	--
Net loss	$ (577)	$(2,425)	$ (8,764)	$(36,239)	$(4,907)	$(12,317)
Basic and diluted net loss per common share	$(0.07)	$ (0.48)	$ (0.75)	$ (1.99)	$ (0.28)	$ (0.62)
Weighted average number of common shares outstanding	8,560	5,019	11,660	18,250	17,779	19,717
Ratio of earnings to fixed charges (1)	--	--	--	--	--	--
GEOGRAPHIC DATA:						
Net revenue						
North America (2)	$ --	$ 1,167	$ 16,573	$ 74,359	$ 8,271	$ 26,310
Asia Pacific (3)	--	--	151,253	183,126	46,886	44,659
Europe (4)	--	--	5,146	22,712	3,879	9,082
Total	$ --	$ 1,167	$172,972	$280,197	$59,036	$ 80,051
OTHER DATA:						
EBITDA (5)	$ (557)	$(2,241)	$ (5,987)	$(23,156)	$(4,827)	$ (4,048)
Capital expenditures (6)	$ 124	$ 974	$ 15,951	$ 43,457	$ 8,771	$ 12,044
Number of switches	--	1	1	11	8	11

	DECEMBER 31,				MARCH 31,
	1994	1995	1996	1997	1998
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash, cash equivalents and short term investments	$221	$2,296	$ 60,599	$115,232	$ 97,381
Restricted investments (including current and long-term)	--	--	--	73,550	61,478
Working capital (deficit)	(295)	1,295	39,282	115,995	104,726
Total assets	487	5,042	140,560	358,013	355,563
Total debt (including current portion)	13	528	17,248	231,211	232,238
Stockholders' equity	71	2,562	76,440	42,526	31,828

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(1) The ratio of earnings to fixed charges is computed by dividing pre-tax income from operations before fixed charges (other than capitalized interest) by fixed charges. Fixed charges consist of interest charges, whether expensed or capitalized, and that portion of rental expense the Company believes to be representative of interest. For 1994, 1995, 1996 and 1997, and for the three months ended March 31, 1997 and 1998, earnings were insufficient to cover fixed charges by $0.6 million, $2.4 million, $8.6 million, $36.4 million, $5.1 million and $12.3 million, respectively.

(2) Consists primarily of net revenue from operations in the United States for all periods prior to April 1997. Net revenue for 1997 and for the three months ended March 31, 1998 reflects commencement of operations in Canada beginning in April, 1997.

(3) Consists solely of net revenue from operations in Australia for 1996. Net revenue for 1997 and for the three months ended March 31, 1998 reflects commencement of operations in Japan beginning in October 1997.

(4) Consists solely of net revenue from operations in the United Kingdom.

(5) As used herein, "EBITDA" is defined as net income or loss plus depreciation expense, amortization expense, interest expense and income taxes, minus extraordinary income and gains, if any, and plus extraordinary losses, if any. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information regarding the ability of Primus to meet its future debt service, capital expenditures and working capital requirements. EBITDA is not necessarily a measure of Primus's ability to fund its cash needs and is not necessarily comparable to similarly titled measures of other companies.

(6) Capital expenditures include assets acquired, committed to be acquired and leased under capital lease agreements.

TRESCOM

The following selected consolidated financial data for TresCom and its predecessors should be read in conjunction with the consolidated financial statements of TresCom, and the notes thereto, contained elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations--TresCom." The selected consolidated financial data of (i) St. Thomas and San Juan Telephone Company, Inc. ("SJTC") and Total Telecommunications, Inc. ("TTI"), TresCom's combined predecessors, (ii) TresCom's combined predecessors and TresCom and (iii) TresCom alone presented below under "Statement of Operations Data" for the year ended December 31, 1993, the period from January 1, 1994 to November 30, 1994, the year ended December 31, 1994 for both TresCom's combined predecessors and TresCom, the years ended December 31, 1995, 1996 and 1997, for TresCom and "Balance Sheet Data" as of December 31, 1994, 1995, 1996 and 1997 have been derived from the audited consolidated financial statements of TresCom and its predecessors. The statement of operations data for TresCom for the three months ended March 31, 1997 and 1998, and the balance sheet data as of March 31, 1998, has been derived from the unaudited consolidated financial statements of TresCom which, in management's opinion, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein. The selected consolidated financial data as of December 31, 1993 have been derived from the unaudited financial statements of TresCom and its predecessors, which the Company believes include all adjustments TresCom considers necessary for a fair presentation of the financial information set forth therein.

	COMBINED PREDECESSORS		COMBINED PREDECESSORS AND TRESCOM	TRESCOM					
		PERIOD FROM		YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,	
	YEAR ENDED DECEMBER 31, 1993(1)	JANUARY 1, 1994 TO NOVEMBER 30, 1994(2)	YEAR ENDED DECEMBER 31, 1994(3)	1994(4)	1995	1996	1997	1997	1998
	(IN THOUSANDS)								
STATEMENT OF OPERATIONS DATA:									
Revenues	$27,900	$18,871	$ 50,290	$ 31,419	$102,641	$139,621	$157,641(5)	$36,143	$38,137
Cost of services	15,994	11,802	32,603	20,801	74,679	106,928	124,365	27,812	30,971
Gross profit	11,906	7,069	17,687	10,618	27,962	32,693	33,276	8,331	7,166
Selling, general and administrative	11,078	7,222	29,432	22,210	32,437	30,808	36,386	8,108	9,262
Depreciation and amortization	602	252	2,156	1,904	3,961	4,928	6,599	1,501	1,944
Operating income (loss)	226	(405)	(13,901)	(13,496)	(8,436)	(3,043)	(9,709)	(1,278)	(4,040)
Interest and other (income) expense, net	130	134	693	559	3,191	578	1,146	(2)	435
Net income (loss) before taxes and extraordinary item	96	(539)	(14,594)	(14,055)	(11,627)	(3,621)	(10,855)	(1,276)	(4,475)
Provision for income taxes	99	13	13	--	--	--	--	--	--
Loss before extraordinary item	(3)	(552)	(14,607)	(14,055)	(11,627)	(3,621)	(10,855)	(1,276)	(4,475)
Extraordinary item	--	--	--	--	--	1,956	--	--	--
Net loss	$ (3)	$ (552)	$(14,607)	$(14,055)	$(11,627)	$ (5,577)(6)	$(10,855)	$(1,276)	$(4,475)
OTHER DATA:									
EBITDA(7)	$ 828	$ (153)	$ (6,299)	$ (6,146)	$ (4,336)	$ (3,149)	$ (2,853)	$ 385	$(1,936)
Capital expenditures	N/A	N/A	N/A	$ 5,612	$ 5,528	$ 12,796	$ 9,049	$ 1,080	$ 1,449

	COMBINED PREDECESSORS DECEMBER 31,		COMBINED PREDECESSORS AND TRESCOM DECEMBER 31,		TRESCOM DECEMBER 31,		TRESCOM MARCH 31,
	1993	1994	1994	1995	1996	1997	1998
	(IN THOUSANDS)						
BALANCE SHEET DATA:							
Cash	$ 1,786	$ --	$ --	$ 2,052	$ 6,020	$ 1,481	$ 102
Working capital (deficiency)	122	(8,674)	(8,674)	(30,012)	8,201	5,744	2,182
Total assets	13,718	61,565	61,565	72,630	101,610	108,429	101,991
Long-term obligations due within one year	1,408	174	174	25,290	817	1,098	1,299
Long-term obligations	8,817	26,114	26,114	702	3,965	19,593	19,842
Stockholders' (deficit) equity	(2,147)	14,875	14,875	21,508	67,322	58,950	54,781

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(1) Includes approximately $25,000 of start-up costs incurred by TresCom from its formation on December 8, 1993 through December 31, 1993.

(2) Includes operations for St. Thomas and SJTC from January 1, 1994 through February 22, 1994 and operations for TTI from January 1, 1994 through November 30, 1994.

(3) Includes results of operations or period-end amounts, as applicable, for each of TresCom and the Predecessors, as if the acquisition of each of the TresCom predecessors had occurred on January 1, 1994.

(4) Includes results of operations for STSJ from February 23, 1994 through December 31, 1994 and results of operations for TTI from December 1, 1994 through December 31, 1994.

(5) In 1997, TresCom recognized $543,000 of revenue from the sale of excess IRU capacity on undersea digital fiber optic transmission cables.

(6) Includes an extraordinary loss on the early extinguishment of debt of $2.0 million.

(7) As used herein, "EBITDA" is defined as net income or loss plus depreciation expense, amortization expense, interest expense and income taxes, minus extraordinary income, if any, and plus extraordinary losses, if any. EBITDA also includes an adjustment of $5.4 million associated with the revaluation of an acquired customer base for the combined Predecessors and TresCom during 1994. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information regarding the ability of TresCom to contribute to the payment of the Company's future debt service, capital expenditures and working capital requirements. EBITDA is not necessarily a measure of the ability to fund cash needs and is not necessarily comparable to similarly titled measures of other companies.

UNAUDITED PRO FORMA FINANCIAL DATA

The following unaudited pro forma consolidated financial statements are based on the historical presentation of the consolidated financial statements of the Company and TresCom. The Unaudited Pro Forma Consolidated Statement of Operations for the three months ended March 31, 1998 gives effect to the TresCom Merger and the Offering as if they had occurred on January 1, 1998. The Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 1997, gives effect to the TresCom Merger, the TelePassport/USFI Acquisition and the Offering as if they had occurred on January 1, 1997. The Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 1998 gives effect to the TresCom Merger and the Offering, as if they had occurred on March 31, 1998. The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements, including notes thereto, of Primus, TresCom, and USFI, Inc. included elsewhere herein.

The TresCom Merger has been accounted for using the purchase method of accounting. In the unaudited pro forma consolidated balance sheet the total purchase price of TresCom has been allocated to tangible and intangible assets and liabilities based upon management's preliminary estimate of their respective fair values, with the excess of purchase price over the fair value of net assets acquired allocated to goodwill.

The unaudited pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the transactions had been in effect on the dates indicated or which may be obtained in the future.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	PRIMUS	NOTES OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED NOTES OFFERING	TRESCOM	TRESCOM ADJUSTMENTS	PRO FORMA AS ADJUSTED TRESCOM AND NOTES OFFERING
Net revenue	$ 80,051	$ --	$ 80,051	$38,137	$(1,817)(2)	$114,664
Cost of revenue	68,722	--	68,722	30,971	(1,707)(3)	97,986
Gross margin	11,329	--	11,329	7,166	(1,817)	16,678
Operating expenses:						
Selling, general and administrative	15,377	--	15,377	9,262	(1,817)(2)	22,822
Depreciation and amortization	3,478	--	3,478	1,944	(587)(4)	6,894
					2,083 (5)	
					(24)(7)	
Total operating expenses	18,855	--	18,855	11,206	(345)	29,716
Loss from operations	(7,526)	--	(7,526)	(4,040)	(1,472)	(13,038)
Interest expense	(7,175)	(3,828)(1)	(11,003)	(415)	410 (6)	(11,008)
Interest income	2,384	--	2,384	--	--	2,384
Other income (expense)	--	--	--	(20)	--	(20)
Loss before income taxes	(12,317)	(3,828)	(16,145)	(4,475)	(1,062)	(21,682)
Income taxes	--	--	--	--	-- (8)	--
Net loss	$(12,317)	$(3,828)	$(16,145)	$(4,475)	$(1,062)	$(21,682)
Basic and diluted loss per common share	$ (0.62)					$ (0.79)
Weighted average number of common shares outstanding	19,717				7,836 (9)	27,553

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Notes Offering:
(1) To reflect interest expense on the Notes, at an interest rate of 9.875%, and amortization on $5.0 million of deferred financing costs.
TresCom Adjustments:
(2) To reflect the reclassification of TresCom's bad debt costs from SG&A to a reduction of revenue to conform to Primus's accounting policies.
(3) To eliminate the effects of intercompany transactions between Primus and TresCom.
(4) To reverse amortization expense associated with TresCom's previously acquired customer list and the excess of purchase price over the fair value of assets acquired.
(5) To record amortization expense associated with acquired customers list and the excess of purchase price over the fair value of net assets acquired.
(6) To reflect reduction in interest expense related to the repayment of TresCom's credit line in connection with the TresCom Merger.
(7) To reflect reduction in amortization of deferred financing costs resulting from repayment of credit line in connection with the TresCom Merger.
(8) The pro forma adjustment to the income tax provision is zero as a valuation reserve was applied in full to the tax benefit associated with the pro forma net loss before income taxes.
(9) To reflect the issuance of Primus Common Stock in exchange for the outstanding shares of TresCom.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

				PRO FORMA AS ADJUSTED USFI/TELEPASSPORT AND NOTES OFFERING				PRO FORMA AS ADJUSTED, TRESCOM, USFI/ TELEPASSPORT AND NOTES OFFERING	
	PRIMUS	USFI, INC.(1)	TELEPASSPORT L.L.C.(1)	USFI/ TELEPASSPORT ADJUSTMENTS	NOTES OFFERING ADJUSTMENTS	COMBINED	TRESCOM	TRESCOM ADJUSTMENTS	COMBINED
Net revenue.....	$280,197	$27,040	$ 3,108	$(9,673)(2)	$ --	$300,672	$157,641	$(4,159)(6) (5,225)(7)	$448,929
Cost of revenue.....	252,731	20,907	2,704	(8,029)(2)	--	268,313	124,365	(5,225)(7)	387,453
Gross margin.....	27,466	6,133	404	(1,644)	--	32,359	33,276	(4,159)	61,476
Operating expenses:									
Selling, general and administrative....	50,622	11,182	1,389	--	--	63,193	36,386	(4,159)(6)	95,420
Depreciation and amortization.....	6,733	674	74	409 (3)	--	7,890	6,599	(2,167)(8) 8,109 (9) (123)(10)	20,308
Total operating expenses.....	57,355	11,856	1,463	409	--	71,083	42,985	1,660	115,728
Loss from operations.....	(29,889)	(5,723)	(1,059)	(2,053)	--	(38,724)	(9,709)	(5,819)	(54,252)
Interest expense....	(12,914)	--	(18)	--	(15,313)(5)	(28,245)	(1,146)	433 (11)	(28,958)
Interest income.....	6,238	--	--	--	--	6,238	--	--	6,238
Other income (expense).....	407	25	162	--		594	--	--	594
Loss before income taxes.....	(36,158)	(5,698)	(915)	(2,053)	(15,313)	(60,137)	(10,855)	(5,386)	(76,378)
Income taxes.....	(81)	--	--	-- (4)	--	(81)	--	-- (12)	(81)
Net loss.....	$(36,239)	$(5,698)	$ (915)	$(2,053)	$(15,313)	$(60,218)	$(10,855)	$(5,386)	$(76,459)
Basic and diluted net loss per common share.....	$ (1.99)								$ (2.93)
Weighted average number of common shares outstanding.....	18,250							7,836 (13)	26,086

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(1) Represents the historical results of operations of USFI, Inc. and TelePassport L.L.C. for the period from January 1, 1997 through the Company's acquisition on October 20, 1997.

USFI/TelePassport adjustments:

(2) To eliminate net revenue and cost of revenue for a portion of the customer base which was not purchased by Primus.

(3) To record amortization expense associated with acquired customer list and the excess of purchase price over the fair value of net assets acquired.

(4) The pro forma adjustment to the income tax provision is zero because a valuation reserve was applied in full to the tax benefit associated with the pro forma loss before income taxes.

Notes Offering:

(5) To reflect estimated interest expense on the Notes, at an interest rate of 9.875%, and amortization on $5.0 million of deferred financing costs.

TresCom adjustments:

(6) To reflect the reclassification of TresCom's bad debt costs from selling, general and administrative expense to a reduction of net revenue to conform to Primus's accounting policies.

(7) To eliminate the effects of intercompany transactions between Primus and TresCom.

(8) To reverse amortization expense associated with TresCom's previously acquired customer list and the excess of purchase price over the fair value of net assets acquired.

(9) To record amortization expense associated with acquired customer list and the excess of purchase price over the fair value of net assets acquired.

(10) To reflect reduction in amortization of deferred financing costs resulting from the expected repayment of credit line in connection with the acquisition.

(11) To reflect reduction in interest expense related to the expected repayment of TresCom's credit line in connection with the acquisition.

(12) The pro forma adjustment to the income tax provision is zero because a valuation reserve was applied in full to the tax benefit associated with the pro forma loss before income taxes.

(13) To reflect the issuance of Primus Common Stock in exchange for the outstanding shares of TresCom.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
MARCH 31, 1998

(IN THOUSANDS)

	PRIMUS	PRO FORMA AS ADJUSTED NOTES OFFERING	TRESCOM	TRESCOM ADJUSTMENTS	PRO FORMA AS ADJUSTED, TRESCOM AND NOTES OFFERING
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	$ 97,381	$242,381	$ 102	$(15,808)(1)	$226,675
Restricted investments	23,795	23,795	--	--	23,795
Accounts receivable, net	69,124	69,124	26,956	--	96,080
Prepaid expenses and other current assets	7,048	7,048	2,492	--	9,540
Total current assets	197,348	342,348	29,550	(15,808)	356,090
RESTRICTED INVESTMENTS	37,683	37,683	--	--	37,683
PROPERTY AND EQUIPMENT--Net	70,023	70,023	29,895	--	99,918
INTANGIBLES--Net	36,436	36,436	41,606	100,808 (2)	178,850
DEFERRED INCOME TAXES	2,667	2,667	--	--	2,667
OTHER ASSETS	11,406	16,406	940	--	17,346
TOTAL ASSETS	$355,563	$505,563	$101,991	$ 85,000	$692,554
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts Payable	$ 69,116	$ 69,116	$ 19,574	$ --	$ 88,690
Accrued expenses, interest and other current liabilities	18,797	18,797	6,495	--	25,292
Deferred income taxes	3,057	3,057	--	--	3,057
Current portion of long-term obligations	1,652	1,652	1,299	--	2,951
Total current liabilities	92,622	92,622	27,368	--	119,990
LONG-TERM OBLIGATIONS	230,586	380,586	19,842	(15,808)(1)	384,620
OTHER LIABILITIES	527	527	--	--	527
Total liabilities	323,735	473,735	47,210	(15,808)	505,137
COMMITMENTS AND CONTINGENCIES					
TOTAL STOCKHOLDERS' EQUITY	31,828	31,828	54,781	100,808 (3)	187,417
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$355,563	$505,563	$101,991	$ 85,000	$692,554

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(1) To reflect the expected repayment of TresCom's credit line.
(2) To reflect the elimination of TresCom's intangibles and to establish intangibles for customer list and excess of purchase price over the fair value of net assets acquired.
(3) To eliminate the equity of TresCom and to reflect the issuance of approximately 7.8 million shares of Common Stock based upon an exchange ratio of 0.6147 for each share of TresCom common stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the applicable consolidated financial statements and notes thereto contained elsewhere in this Prospectus.

OVERVIEW

Primus is a facilities-based global telecommunications company that offers international and domestic long distance and other telecommunications services to business, residential and carrier customers in North America and selected markets within the Asia-Pacific region and Europe. Primus has recently expanded its geographic presence in Latin America through its acquisition of TresCom, which currently provides international long distance service primarily for calls originating in the United States. The Company seeks to capitalize on the increasing demand for high-quality international telecommunications services resulting from the globalization of the world's economies and the worldwide trend toward telecommunications deregulation. Primus provides these services over its global intelligent network and through resale arrangements and foreign carrier agreements. Currently the Company serves approximately 275,000 customers in its Service Regions. The United States, Australia and the United Kingdom are the most deregulated countries within the Company's Service Regions and will serve as regional hubs for Primus's intended expansion into additional markets as worldwide deregulation of telecommunications markets continues.

The Company was founded in February 1994, and through the first half of 1995 was a development stage enterprise involved in various start-up activities, including raising capital, obtaining licenses, acquiring equipment, leasing space, developing markets and recruiting and training personnel. The Company began generating revenue during March 1995. On March 1, 1996 the Company acquired Axicorp, the fourth largest telecommunications provider in Australia. The acquisition of Axicorp has had a material effect on the Company's results of operations for the year ended December 31, 1996. The Company's Australian operations generated approximately $177.6 million, or 89%, of the Company's pro forma net revenue for the year ended December 31, 1996.

The Company has invested substantial resources to transform Axicorp's strategy and operations to those of a facilities-based carrier focused on the provision of international and domestic long distance services. Prior to the acquisition, Axicorp was a switchless reseller of long distance, local and cellular service. Since the acquisition, the Company has installed and begun to carry traffic on a five-switch network in Australia, has leased fiber capacity connecting Australia with the United States and, in July 1997, became one of the initial five licensed carriers permitted to own and operate transmission facilities in Australia. In addition, the Company has focused on migrating existing traffic onto the Company's Network while increasing the number of higher-margin, higher-volume business customers with significant international long distance traffic. As part of its focus on business customers, the Company has increased Axicorp's direct sales force and reduced its reliance on marketing through trade and professional associations. The Company has experienced and expects to continue to experience lower gross margin as a percentage of net revenue for Axicorp's local switched and cellular services, as compared to long distance services. The Company expects to continue to upgrade Axicorp's facilities, increase its traffic capacity and introduce new products and services. In that regard, the Company expanded its service offerings in Australia with its acquisition in March 1998 of a controlling interest in Hotkey, an Australia-based Internet service provider, and its acquisition in April 1998 of all the outstanding stock of Eclipse, an Australia-based data communications service provider.

On June 9, 1998, pursuant to the Merger Agreement, the Company acquired the operations of TresCom. After giving pro forma effect to the TresCom Merger and the TelePassport/USFI Acquisition, for the year ended December 31, 1997, the Company would have had net revenue of $448.9 million. After giving pro forma effect to the TresCom Merger, for the three months ended March 31, 1998, the Company would have had net revenue of $114.7 million. The TresCom Merger provides Primus with accelerated entry into the Latin American international long distance markets and expands the scope and coverage of the Network, thereby providing

additional opportunities to migrate traffic onto the Network, resulting in better utilization of the Network and reduced variable costs. The Company believes that, in addition to providing transmission facilities, the TresCom Merger adds foreign carrier agreements, direct connections to foreign telecommunications carriers and experienced management, and enables the combined Company to realize synergies in sales, marketing and administration. See "Unaudited Pro Forma Financial Data."

Net revenue is earned based on the number of minutes billable by the Company and is recorded upon completion of a call, adjusted for sales allowance. The Company generally prices its services at a savings compared to the major carriers operating in the Service Regions. The Company's net revenue is derived from carrying a mix of business, residential and wholesale carrier long distance traffic and, in Australia, also from the provision of local and cellular services. The Company expects to continue to generate net revenue from internal growth through sales and marketing efforts focused, on a retail basis, toward small- and medium-sized businesses with significant international long distance traffic and ethnic residential customers and, on a wholesale basis, to other telecommunications carriers and resellers with international traffic in the Company's service areas.

Prices in the long distance industry in the United States and the United Kingdom have declined in recent years and, as competition continues to increase, the Company believes that prices are likely to continue to decrease. Additionally, the Company believes that because deregulatory influences only recently have begun to affect non-United States and non-United Kingdom telecommunications markets, the deregulatory trend in such markets is expected to result in greater competition which could adversely affect net revenue per minute and gross margin as a percentage of net revenue. The Company believes, however, that such decreases in prices will be at least partially offset by increased telecommunications usage and decreased costs.

Cost of revenue is primarily comprised of costs incurred from other domestic and foreign telecommunications carriers to originate, transport and terminate calls. The majority of the Company's cost of revenue is variable, based upon the number of minutes of use, with transmission and termination costs being the Company's most significant expense. As the Company increases the portion of traffic transmitted over leased or owned facilities, cost of revenue increasingly will be comprised of fixed costs. In order to manage such costs, the Company pursues a flexible approach with respect to Network expansion. In most instances, the Company initially obtains transmission capacity on a variable-cost, per-minute leased basis, next acquires additional capacity on a fixed-cost basis when traffic volume makes such a commitment cost-effective, and ultimately purchases and operates its own facilities when traffic levels justify such investment. The Company also seeks to lower its cost of revenue through (i) optimizing the routing of calls over the least cost routing, (ii) increasing volumes on its fixed cost leased and owned lines, thereby spreading the allocation of fixed costs over a larger number of minutes, (iii) negotiating lower variable usage based costs with domestic and foreign service providers and negotiating additional and lower cost foreign carrier agreements with foreign PTTs and others, and (iv) continuing to expand the Network when traffic volumes justify such investment. See "Risk Factors--Managing Rapid Growth" and "Business--Network."

Typical of the long distance telecommunications industry, the Company generally realizes a higher gross margin as a percentage of net revenue on its international as compared to its domestic long distance services and expects to realize a higher gross margin as a percentage of net revenue on its retail (business and residential) services compared to those realized on its wholesale services. In addition, the Company generally realizes a higher gross margin as a percentage of net revenue on its long distance services as compared to those realized on local switched and cellular services. Wholesale services, which generate a lower gross margin as a percentage of net revenue than retail services, are an important part of the Company's net revenue because the additional traffic volume of such wholesale customers improves the utilization of the Network and allows the Company to obtain greater volume discounts from its suppliers than it otherwise would realize. The Company's overall gross margin as a percentage of net revenue may fluctuate based on its relative volumes of international versus domestic long distance services, wholesale versus retail long distance services, and the proportion of traffic carried on the Company's Network versus resale of other carriers' services.

Selling, general and administrative expenses are comprised primarily of salaries and benefits, commissions, occupancy costs, sales and marketing expenses, advertising and administrative costs. These expenses have been increasing consistent with the expansion of the Company's operations and the transformation of Axicorp's operations. The Company expects this trend to continue and believes that additional selling, general and administrative expenses will be necessary to support the expansion of sales and marketing efforts and operations in current markets as well as new markets in the Service Regions.

Since its inception, the Company has made, and expects to continue to make, significant investments in the development of its operations in its Service Regions and the development and expansion of the Network. The TresCom Merger is expected to accelerate the timing, as well as the extent, of the expansion of the Network. The costs of developing its operations and expanding the Network, including the purchase and installation of switches, sales and marketing expenses and other organizational costs, are significant. In addition, increased capital investment activity in the future can be expected to affect the Company's operating results in the near term due to increased depreciation charges and interest expense in connection with borrowings to fund such expenditures, which costs will be incurred in advance of the realization of the expected improvements in operating results from such investments. Such costs and investment activity have resulted in negative cash flows and operating losses for the Company on an historical basis, which are expected to continue to increase in the near future as the Company uses the proceeds of the Offering to accelerate the expansion of its business and the build-out of the Network. See "Use of Proceeds" and "--Liquidity and Capital Resources."

Although the Company's functional currency is the United States dollar, the majority of the Company's net revenue is derived from its sales and operations outside the United States. In the future, the Company expects to continue to derive the majority of its net revenue and incur a significant portion of its operating costs outside the United States and changes in exchange rates may have a significant effect on the Company's results of operations. The Company historically has not engaged in hedging transactions, and does not currently contemplate engaging in hedging transactions to mitigate foreign exchange risk. See "Risk Factors--Risk Associated with International Operations."

Other Operating Data. The following information for the seven quarters ended March 31, 1998 is provided for informational purposes and should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto contained elsewhere herein.

	THREE MONTHS ENDED						
	SEPTEMBER 30, 1996	DECEMBER 31, 1996	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997	MARCH 31, 1998
	(IN THOUSANDS)						
MINUTES OF LONG DISTANCE USE:							
International:							
North America	9,199	12,160	17,629	45,784	57,199	75,950	78,950
Asia-Pacific	1,967	1,876	2,384	6,222	11,844	18,944	24,596
Europe	1,713	3,192	4,253	5,131	9,852	17,403	22,944
Total international	12,879	17,228	24,266	57,137	78,895	112,297	126,490
Domestic:							
North America	3,972	5,533	6,346	18,498	17,131	17,653	20,138
Asia-Pacific	56,932	58,336	59,481	61,304	61,544	61,496	61,151
Europe	1,512	3,051	4,533	5,775	6,973	9,626	11,462
Total domestic	62,416	66,920	70,360	85,577	85,648	88,775	92,751
Total minutes of long distance use	75,295	84,148	94,626	142,714	164,543	201,072	219,241

RESULTS OF OPERATIONS

For the three months ended March 31, 1998 as compared to the three months ended March 31, 1997

Net revenue increased $21.1 million or 36%, from $59.0 million for the three months ended March 31, 1997 to $80.1 million for the three months ended March 31, 1998. Of the increase, $18 million was associated with the North American operations, which represents a growth rate of approximately 218% (approximately 167% exclusive of net revenue associated with the Telepassport/USFI operations acquired in the fourth quarter of 1997), as a result of increased traffic volumes primarily in its wholesale carrier operations and, to a lesser extent, in its business and residential customer base. The European operations contributed $5.2 million to the period-over-period net revenue growth, which represents a growth rate of approximately 134%. The European net revenue increased from $3.9 million for the three months ended March 31, 1997 to $9.1 million for the three months ended March 31, 1998, resulting primarily from wholesale traffic being carried in 1998, and to a lesser extent, growth in retail customer traffic. The Company's Asia-Pacific net revenue decreased by $2.2 million or 5%, from $46.9 million for the three months ended March 31, 1997 to $44.7 million for the three months ended March 31, 1998. The decrease in the Asia-Pacific net revenue was primarily a result of a 14% drop in the Australian dollar's average exchange rate and, to a lesser extent, a change in traffic mix away from lower-margin local traffic in favor of higher-margin long distance traffic.

Cost of revenue increased $13.7 million, from $55.0 million, or 93% of net revenue, for the three months ended March 31, 1997 to $68.7 million, or 86% of net revenue, for the three months ended March 31, 1998. The increase in the cost of revenue is attributable to the increase in traffic volumes. The decrease in the cost of revenue as a percentage of net revenue is reflective of the expansion of the Company's global network, the continuing migration of existing and newly generated customer traffic onto the Company's network, especially in Australia with the advent of equal access, and a change in the Australian traffic mix away from lower-margin local traffic.

Gross margin increased $7.3 million, from $4.0 million, or 6.8% of net revenue, for the three months ended March 31, 1997 to $11.3 million, or 14.2% of net revenue, for the three months ended March 31, 1998. The approximately 740 basis point increase in the gross margin as a percentage of net revenue is due to the reduction in cost of revenue factors stated above.

Selling, general and administrative expenses increased $6.6 million, from $8.8 million to $15.4 million for the three months ended March 31, 1997 and 1998, respectively. The increase is attributable to the hiring of additional sales and marketing staff and engineering personnel, the addition of expenses from acquired operations, and increased advertising and promotional expenses associated primarily with the Company's residential marketing campaigns in Australia.

Depreciation and amortization expense increased from $0.8 million for the three months ended March 31, 1997 to $3.5 million for the three months ended March 31, 1998. The increase is associated with increased depreciation expense from capital expenditures for fiber, switching and other network equipment being placed into service and increased amortization expense associated with intangible assets acquired in the Company's acquisitions.

Interest expense increased from $0.2 million for the three months ended March 31, 1997 to $7.2 million for the three months ended March 31, 1998. The increase is primarily attributable to the interest expense associated with the Company's 1997 Senior Notes and Warrants Offering.

Interest income of $2.4 million for the three months ended March 31, 1998 is attributable to the investment of the Company's cash, cash equivalents and restricted investment balances.

For the year ended December 31, 1997 as compared to the year ended December 31, 1996

Net revenue increased $107.2 million or 62%, from $173.0 million for the year ended December 31, 1996 to $280.2 million for the year ended December 31, 1997 (the net revenue increase in 1997 was $80.9 million or 40.6% when compared to the Company's net revenue during 1996 after giving pro forma effect to the acquisition of Axicorp as of January 1, 1996). Of the increase, $57.8 million was associated with the Company's North American operations and reflects a growth rate of approximately 350% (approximately 300% exclusive of net revenue associated with the TelePassport/USFI Acquisition and operations acquired in Canada during 1997). The growth is a result of increased traffic volumes in wholesale carrier operations and, to a lesser extent, in ethnic residential and business customer traffic. The Asia-Pacific operations contributed $31.9 million to the year-over-year net revenue growth, resulting primarily from the residential customer marketing campaigns commenced in early 1997. The 1997 results also reflect a full year of the Australian operations as compared to ten months in 1996 as a result of the March 1, 1996 acquisition of these operations. The Asia-Pacific net revenue growth was negatively impacted by weakness in the Australian dollar during 1997 as compared to 1996. The remaining net revenue growth of $17.6 million, a year-over-year growth rate in excess of 300%, came from the European operations as a result of expansion into the wholesale carrier marketplace during the third quarter of 1997 and continued growth in the ethnic residential and business marketplaces.

Cost of revenue increased $93.9 million, from $158.8 million, or 91.8% of net revenue, for the year ended December 31, 1996 to $252.7 million, or 90.2% of net revenue, for the year ended December 31, 1997. The increase in the cost of revenue is a direct reflection of the increase in traffic volumes. The decrease in the cost of revenue as a percentage of net revenue reflects the investments made by the Company in its Network and the associated migration of customer traffic onto the Network, particularly in Australia with the introduction of equal access in the second half of 1997.

Gross margin increased $13.3 million, from $14.1 million, or 8.2% of net revenue, for the year ended December 31, 1996 to $27.5 million, or 9.8% of net revenue, for the year ended December 31, 1997.

Selling, general and administrative expenses increased $30.5 million, from $20.1 million or 11.6% of net revenue for the year ended December 31, 1996 to $50.6 million or 18.1% of net revenue for the year ended December 31, 1997, as compared to the year ended December 31, 1996 (the increase in 1997 was $28.4 million when compared to the Company's selling, general and administrative expenses during 1996 after giving pro forma effect to the acquisition of Axicorp as of January 1, 1996). The increase is attributable to the hiring of additional sales and marketing staff, additional operations and engineering personnel to operate the Company's Network; the TelePassport/USFI Acquisition and operations acquired in Canada during 1997; a full year of the Company's Australian operations versus ten months in the prior year; and increased advertising and promotional expenses associated with the Company's residential marketing campaigns.

Depreciation and amortization increased $4.5 million or 211.1%, from $2.2 million for the year ended December 31, 1996 to $6.7 million for the year ended December 31, 1997. The majority of the increase is associated with capital expenditures for international fiber, telephone switches and related transmission equipment being placed into service. Additionally, amortization expense increased as a result of the additional intangible assets associated with the Company's acquisitions during 1997.

Interest expense increased $12.0 million, from $0.9 million for the year ended December 31, 1996 to $12.9 million for the year ended December 31, 1997. The increase is attributable to the interest expense associated with the Company's 1997 Senior Notes issued in August 1997.

Interest income increased $5.4 million, from $0.8 million for the year ended December 31, 1996 to $6.2 million for the year ended December 31, 1997. The increase is due to investment of the proceeds from the Company's 1997 Senior Notes offering and its initial public equity offering.

Other income (expense) for the year ended December 31, 1997 was $0.4 million compared to an expense of $0.3 million for the year ended December 31, 1996. Other income (expense) is the result of foreign currency

transaction gains/losses on Australian dollar-denominated debt incurred by the Company for its acquisition of Axicorp, due to the fluctuations of the Australian dollar against the United States dollar during the year. This debt was paid in full during 1997.

Income taxes were attributable to the operations of the Company's United Kingdom and Australian subsidiaries.

For the year ended December 31, 1996 as compared to the year ended December 31, 1995

Net revenue increased $171.8 million, from $1.2 million for the year ended December 31, 1995 to $173.0 million for the year ended December 31, 1996. Of the increase, $151.3 million was associated with the Company's Australian operations, which were acquired March 1, 1996, while the remaining $20.5 million of net revenue growth was associated primarily with the commencement and expansion of the Company's operations in the United States and the United Kingdom.

Cost of revenue increased $157.4 million, from $1.4 million for the year ended December 31, 1995 to $158.8 million for the year ended December 31, 1996 as a direct result of the increase in traffic volume. Most of the Company's costs of revenue are variable, since the Company had a limited Network during this period and functioned primarily as a switchless reseller. The cost of revenue in the United States reflects the start-up nature of the network operations and traffic being carried on more expensive carriers until adequate capacity on lower cost carriers could be established.

Selling, general and administrative expenses increased $18.1 million, from $2.0 million to $20.1 million for the year ended December 31, 1996 as compared to the year ended December 31, 1995. Approximately $11.4 million of the increase was attributable to the ten months of activity associated with the Australian operations, and the remaining $6.7 million related to the non-Australian operations was a result of increased staffing levels, increased sales and marketing activity and network operations costs. The non-Australian selling, general and administrative costs as a percentage of non-Australian net revenue for the year ended December 31, 1996 was 40%, which is reflective of the growth in the infrastructure necessary to support future non-Australian net revenues. The Australian selling, general and administrative expense as a percentage of Australian net revenue was 7.5% for the 10 months ended December 31, 1996.

Depreciation and amortization increased from $0.2 million for the year ended December 31, 1995 to $2.2 million for the year ended December 31, 1996. The majority of the increase is a result of the acquisition of Axicorp and is comprised of amortization of goodwill and the customer list which totaled $1.3 million. The remaining depreciation is related primarily to Axicorp's assets and increased depreciation expense for the Company as a result of additional capital expenditures for switching and network related equipment.

Other income (expense) for the year ended December 31, 1996 related to foreign currency transaction losses on the Australian dollar-denominated debt incurred by the Company payable to the sellers for its acquisition of Axicorp as a result of the appreciation of the Australian dollar against the U.S. dollar during the period.

Income taxes were primarily attributable to the operations of Axicorp for the 10 months from the date of purchase, and represent the amount of expense for Australian taxes.

Pro Forma Results of Operations for the Year Ended December 31, 1996 Compared to the Year Ended December 31, 1995

As a result of the Company's acquisition of Axicorp on March 1, 1996 and the development stage nature of the Company in the first quarter of 1995, the Company believes that a discussion of the pro forma results of operations for the 12 months ended December 31, 1995 and 1996, which results give effect to the acquisition of Axicorp as if it had occurred on January 1, 1995, is helpful to an understanding of the Company's results of operations.

	YEAR ENDED DECEMBER 31,			
	1995		1996	
	$	%	$	%
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)			
Net revenue:				
United States and United Kingdom	$ 1,167	0.9%	$ 21,719	10.9%
Australia	124,461	99.1	177,621	89.1
Total net revenue	125,628	100.0	199,340	100.0
Cost of revenue	114,639	91.3	182,601	91.6
Gross margin	10,989	8.7	16,739	8.4
Operating expenses:				
Selling, general and administrative	12,955	10.3	22,198	11.1
Depreciation and amortization	1,842	1.5	2,464	1.2
Total operating expenses	14,797	11.8	24,662	12.4
Loss from operations	(3,808)	(3.0)	(7,923)	(4.0)
Interest expense	(885)	(0.7)	(995)	(0.5)
Interest income	132	0.1	909	0.5
Other income (expense)	--	--	(345)	0.2
Loss before income taxes	(4,561)	(3.6)	(8,354)	(4.2)
Income taxes	124	0.1	477	0.2
Net loss	$ (4,685)	(3.7)%	$ (8,831)	(4.4)%

Net revenue increased $73.7 million or 59%, from $125.6 million for the year ended December 31, 1995 to $199.3 million for the year ended December 31, 1996. The Australian net revenue increased 43%, or $53.1 million, from $124.5 million to $177.6 million. The increase was attributable to an increase in minutes of traffic from small- to medium-sized business customers, as well as growth in the number of customers. Non-Australian net revenue was $21.7 million for the year ended December 31, 1996 as compared to net revenue of $1.2 million for the year ended December 31, 1995. The $20.5 million increase is the result of an increase of $15.4 million in the United States, primarily associated with increased wholesale traffic volume and, to a lesser extent, from consumer customers resulting from the ethnic marketing program and business customers resulting from the Company's build-up of its direct sales force, and an increase of $5.1 million in the United Kingdom associated with the commencement of operations in late 1995.

Cost of revenue increased $68.0 million or 59%, from $114.6 million for the year ended December 31, 1995 to $182.6 million for the year ended December 31, 1996. The increase was the direct result of increased traffic volumes the Company carried for its customers. The Australian cost of revenue increased 43%, or $48.1 million, from $113.3 million for the year ended December 31, 1995 to $161.4 million for the year ended December 31, 1996. The Australian cost of revenue increase is primarily driven by an increased number of business customers and associated traffic volumes. The Australian cost of revenue as a percentage of Australian revenue was essentially flat and reflects the continued resale of carrier services and lack of network facilities. The non-Australian cost of revenue increased $19.8 million from $1.4 million for the year ended December 31, 1995 to $21.2 million for the year ended December 31, 1996, as a result of increased traffic volumes for business, consumer, and wholesale customers in the United States and the commencement of operations in the United Kingdom. Non-Australian cost of revenue as a percentage of non-Australian net revenue was 97.6% in the year ended December 31, 1996 versus 118.6% in the year ended December 31, 1995. The non-Australian cost of revenue as a percentage of non-Australian net revenue reflects the start up nature of network operations in the United States and the United Kingdom, the absence of network facilities, traffic being carried on more expensive carriers until adequate capacity on lower cost carriers could be established, and lack of return traffic on newly initiated foreign carrier agreements.

Gross margin increased $5.7 million or 52%, from $11.0 million for the year ended December 31, 1995 to $16.7 million for the year ended December 31, 1996. The Australian gross margin as a percentage of Australian net revenue remained constant for the years ended December 31, 1995 and 1996. The non-Australian gross margin increased from a deficit of $(0.2) million for the year ended December 31, 1995 to a gross margin of $0.5 million for the year ended December 31, 1996.

Selling, general and administrative expenses increased $9.2 million or 71%, from $13.0 million for the year ended December 31, 1995 to $22.2 million for the year ended December 31, 1996. The Australian operations increased selling, general and administrative expenses by $2.5 million as a result of increased salaries and benefits for additional sales and operations staff to support construction of a new five city switched network. The Australian selling, general and administrative expenses as a percentage of Australian net revenue decreased from 9% to 8% for the years ended December 31, 1995 and 1996, respectively. The non-Australian operations account for the remaining increase of $6.7 million which is due to increased staffing in sales and marketing, network operations, and customer service. The non-Australian selling, general and administrative expenses as a percentage of non-Australian net revenue decreased to 40% for the year ended December 31, 1996, from 173% for the year ended December 31, 1995, as a result of these costs being spread over an increasing revenue base.

Depreciation and amortization increased $0.7 million or 34%, from $1.8 million for the year ended December 31, 1995 to $2.5 million for the year ended December 31, 1996. The increase reflects depreciation for capital expenditures for network equipment associated with the Company's network construction.

Interest expense increased 12% as a result of additional capital leases to finance network switching equipment.

Interest income increased from $0.1 million for the year ended December 31, 1995 to $0.9 million for the year ended December 31, 1996 as a result of the interest earned on the cash balance generated from the private placements in February 1996 and July 1996, and the initial public offering in November 1996.

Other income (expense) is comprised of foreign currency transaction loss of $0.3 million for the year ended December 31, 1996 associated with the debt related to the acquisition of Axicorp, which is denominated in Australian dollars. Fluctuations in the currency exchange rates between the Australian and United States dollar will cause currency transaction gains or losses which are recognized in the current period results of operations.

Income taxes are based on the income before taxes generated primarily by the operations in Australia.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements arise from net cash used in operating activities; purchases of network equipment including switches, related transmission equipment, and international and domestic fiber cable capacity; interest and principal payments on outstanding indebtedness; and acquisitions of and strategic investments in businesses. The Company has financed its growth to date through the August 1997 offering of the 1997 Senior Notes, the November 1996 initial public offering of Common Stock, several private placements of Common Stock, and capital lease financing. The semi-annual interest payments due under the 1997 Senior Notes through August 1, 2000 have been pre-funded and will be paid from restricted investments.

Net cash used in operating activities was $17.1 million for the three months ended March 31, 1998, and net cash provided by operating activities was $1.8 million for the three months ended March 31, 1997. Net cash used in operating activities was $14.8 million for the year ended December 31, 1997, $6.9 million for the year ended December 31, 1996, and $2.0 million for the year ended December 31, 1995. The increase in cash used in operating activities for the three month period ended March 31, 1998 is primarily comprised of $7.4 million for an increase in the net loss and a $6.3 million increase in accrued interest payable related to the 1997 Senior Notes. The increase in cash used in operating activities for the year ended December 31, 1997 was primarily the result of the increase in the negative operating cash flow for the period as compared to the same period in 1996.

The increased cash usage for the years ended December 31, 1996 and 1995 was the result of an increase in the net loss partially offset by increases in accounts payable and accrued expenses.

Net cash used in investing activities was $0.9 million for the three months ended March 31 1998 and net cash provided by investing activities was $11.0 million for the three months ended March 31, 1997. Net cash used in investing activities was $104.2 million for the year ended December 31, 1997, $39.6 million for the year ended December 31, 1996 and $0.4 million for the year ended December 31, 1995. Net cash used in investing activities during the three months ended March 31, 1998 includes $11.4 million of capital expenditures primarily for the expansion of the Company's global network, and $1.6 million for business acquisitions and investments, partially offset by cash provided by the sale of restricted investments used to fund interest payments on the 1997 Senior Notes. Cash used in investing activities for the year ended December 31, 1997 was the result of capital expenditures made during the year of $39.5 million to expand the Network, the TelePassport/USFI Acquisition and the acquisition of the Company's Canadian operations net of cash acquired, and the purchase of $73.6 million of restricted investments with proceeds from the offering of the 1997 Senior Notes for escrowed interest payments, offset by the sale of $25.1 million of short term cash investments. The cash utilized during the year ended December 31, 1996 includes $12.7 million for capital expenditures to expand the Network and $1.7 million for the purchase of Axicorp, net of cash acquired.

Net cash provided by financing activities was $0.1 million for the three months ended March 31, 1998 and net cash used by financing activities of $4.4 million during the three months ended March 31, 1997. Net cash provided by financing activities was $200.1 million for the year ended December 31, 1997, $79.5 million for the year ended December 31, 1996 and $4.5 million for the year ended December 31, 1995. Cash provided by financing activities in the three months ended March 31, 1998 resulted from the issuance of the Company's Common Stock through the exercise of employee options. Net cash provided by financing activities for the year ended December 31, 1997 resulted primarily from the proceeds of the offering of 1997 Senior Notes less deferred financing costs. In 1996, the Company completed private placements of Common Stock generating net proceeds of approximately $21.9 million, and in November 1996, the Company completed an initial public offering of its Common Stock and generated net proceeds of approximately $54.4 million.

The Company anticipates aggregate capital expenditures of approximately $225 million during 1998 and 1999 (of which approximately $11.4 million was expended in the three months ended March 31, 1998). Such capital expenditures will be primarily for international and domestic switches and Pops, international and domestic fiber optic cable capacity and satellite earth station facilities for new and existing routes, and other transmission equipment and support systems. The Company is currently installing an additional international gateway switch in Frankfurt, Germany and, by the end of 1999, intends to add up to three switches in North America, two switches in Europe, one switch in the Asia-Pacific region, and three switches in Latin America.

The Company believes that the net proceeds from the Offering, together with its existing cash and available capital lease financing (subject to limitations in the Indenture) will be sufficient to fund the Company's operating losses, debt service requirements, capital expenditures and other cash needs for its operations for at least the next 18 to 24 months. The Company is continually evaluating the expansion of the Network and plans to accelerate its investment in international and domestic fiber optic cable capacity and other transmission facilities. In addition, the Company expects to make additional investments in the TresCom network in order to expand services in Latin America. In order to fund these additional cash requirements, including the expansion of the combined Network, Primus anticipates that it will be required to raise a significant amount of cash in excess of its existing cash and cash equivalents. Consequently, the Company expects to raise additional capital from public or private equity or debt sources to meet its new financing needs, including for the continued buildout of the Network. Additionally, if the Company's plans or assumptions change (including those with respect to the development of the Network, the level of its operations and its operating cash flow), if its assumptions prove inaccurate, if it consummates additional investments or acquisitions or if it experiences unexpected costs or competitive pressures, or if existing cash and any other borrowings prove to be insufficient, the Company may be required to seek additional capital sooner than expected. See "Risk Factors--Need for Additional Financing."

Since inception through March 31, 1998, the Company had negative cash flow from operating activities of $41.3 million and negative EBITDA of $35.9 million. In addition, the Company incurred net losses in 1995, 1996, 1997 and the three months ended March 31, 1998, of $2.4 million, $8.8 million, $36.2 million and $12.3 million, respectively, and had an accumulated deficit of approximately $60.3 million as of March 31, 1998. On a pro forma basis, after giving effect to the Offering, TelePassport/USFI Acquisition and the TresCom Merger, for the year ended December 31, 1997, the Company would have had a net loss of $76.5 million. On a pro forma basis, after giving effect to the Offering and the TresCom Merger, for the three months ended March 31, 1998, the Company would have had a net loss of $21.7 million. Although the Company has experienced net revenue growth in each of its last 13 quarters, such growth should not be considered to be indicative of future net revenue growth, if any. The Company expects to continue to incur additional operating losses, negative EBITDA and negative cash flow from operations as it expands its operations and continues to build-out and upgrade the Network. There can be no assurance that the Company's revenue will grow or be sustained in future periods or that it will be able to achieve or sustain profitability or positive cash flow from operations in any future period. If the Company cannot achieve and sustain operating profitability or positive cash flow from operations, it may not be able to meet its debt service or working capital requirements (including its obligations with respect to the Notes).

From time to time the Company evaluates acquisitions of businesses which complement the business of the Company. Depending on the cash requirements of potential transactions, the Company may finance such transactions with bank borrowings, through other debt financing vehicles, or through the issuance of capital stock. The Company, however, presently has no understanding, commitment or agreement with respect to any acquisition. There can be no assurance that if the Company were to pursue such an opportunity, any such acquisition would occur or that the funds to finance any such acquisition would be available on reasonable terms, if at all.

Year 2000 Compliance. In accordance with Securities and Exchange Commission Staff Legal Bulletin No. 5, dated October 8, 1997, the Company has begun a review and assessment of the anticipated costs, problems and uncertainties associated with Year 2000 issues. The Company is implementing a Year 2000 compliance plan whereby each operating unit is responsible for identifying systems requiring modification or conversion (both internal systems and those provided by or otherwise available from outside vendors) and periodically reporting its progress in meeting milestones toward compliance. The Company believes that Year 2000 issues will not materially affect its products, services, or competitive conditions and that its costs of addressing Year 2000 compliance will not materially impact future operating results or financial condition. See "Risk Factors--Dependence on Effective Information Systems; Year 2000 Problem."

TRESCOM

Summary. TresCom is a facilities-based long distance telecommunications carrier focused on international long distance traffic originating in the United States. TresCom offers a broad array of competitively priced services, including long distance, calling cards, prepaid debit cards, domestic and international toll-free calling, frame relay and bilingual operator services. TresCom derives its revenues by providing international and domestic long distance services on a wholesale basis to other telecommunications carriers and resellers and on a retail basis to residential and commercial customers, ranging in size from small businesses to Fortune 500 companies. Service revenues are based on minutes of use and charged at a rate per minute which varies according to the termination point of the traffic and time of day. All revenues are billed in United States dollars.

Since its formation, TresCom has expanded its revenues, customer base and network through internal growth and acquisitions. TresCom seeks to continue to expand its revenues from internal growth through four distinct sales channels: (i) direct sales efforts; (ii) an agent sales network; (iii) ethnic focused telemarketing programs; and (iv) wholesale sales activities. TresCom believes that it has established the network, operations, customer service, infrastructure and systems necessary to support its expanding sales and customer base for the foreseeable future. A substantial portion of TresCom's revenues are derived from wholesale sales. Increased worldwide competition has continued to drive down wholesale prices.

Cost of services includes those costs associated with the transmission and termination of services over TresCom's international network. Transmission and termination costs are TresCom's most significant expense, and TresCom seeks to lower these costs through: (i) increasing volume on its owned facilities, thereby spreading the allocation of fixed costs over a larger number of minutes; (ii) negotiating lower cost direct operating and transit agreements with PTTs and foreign telecommunications administrations ("TAs"); and (iii) optimizing the routing of calls over the least cost route on its international network. Consistent with its strategy of maximizing traffic carried on TresCom's own network, TresCom significantly expanded the network switch capacity in 1997.

The majority of TresCom's cost of services is variable and consists of payments for leased capacity from other carriers and payments to PTTs and TAs with which TresCom has direct operating and transit agreements. Under its direct operating agreements, TresCom agrees to send United States originated traffic to the PTTs or TAs and the PTTs or TAs agree to send a proportionate amount of return traffic at agreed upon accounting rates. If there is an imbalance in the volume of traffic sent and received in return, the carrier that originates more traffic pays for the difference to compensate the other carrier. The difference is the settlement payment. Under TresCom's direct operating agreements, TresCom's net settlement revenues and payments are denominated in United States dollars.

TresCom's profitability is driven by the difference between net revenues and the cost of leased capacity and settlement payments to PTTs and TAs. In order to minimize the costs of leased capacity and settlement payments, TresCom utilizes a Least Cost Routing System designed to transmit TresCom's traffic over the least cost route choice on the network. Based on FCC data for the period from 1989 through 1996, per minute settlement payments from United States carriers to PTTs and TAs have declined at a significantly faster rate than per minute billed revenues. Due to the WTO Agreement, TresCom expects this trend to continue.

For the three months ended March 31, 1998 compared to the three months ended March 31, 1997

Revenues. Revenues increased 5.5%, or $2.0 million, from $36.1 million in the first quarter of 1997, to $38.1 million in the first quarter of 1998. Minutes of use increased 11.5%, or 13.4 million minutes, from 116.8 million in the first quarter of 1997, to 130.2 million in the first quarter of 1998. International traffic accounted for approximately 79% of total revenue in the first quarter of 1997, and approximately 77% of total revenue in the first quarter of 1998. This, combined with continued international wholesale price pressures and changes within the mix of international terminations, caused the overall rate per minute to decline from approximately $0.31 in the first quarter of 1997, to $0.29 in the first quarter of 1998. Historically, international traffic has commanded a higher per minute rate than domestic traffic; however, this gap has been decreasing due to increased international competition and declining international termination costs.

Costs of Services. Costs of services increased 11.5%, or $3.2 million, from $27.8 million in the first quarter of 1997, to $31.0 million in the first quarter of 1998. Costs of services increased instep with the increased volume of traffic carried. On a per minute basis, however, the variable portion of the cost per minute decreased from approximately $0.23 in the first quarter of 1997, to approximately $0.21 in the first quarter of 1998. This decline was offset by TresCom's investment in the expansion of its network, represented by higher fixed per minute costs of services.

Gross Profit. Gross profit decreased 13.3%, or $1.1 million, from $8.3 million in the first quarter of 1997, to $7.2 million in the first quarter of 1998. As a percentage of revenues, gross profit decreased from approximately 23% in the first quarter of 1997 to approximately 19% in the first quarter of 1998.

Selling, General and Administrative Expense. Selling, general and administrative expense increased 14.8%, or $1.2 million, from $8.1 million in the first quarter of 1997, to $9.3 million in the first quarter of 1998. This increase was due primarily to increased expenses, such as additional reserves for bad debt. Bad debt expense was $1.0 million and $1.8 million in the first quarter of 1997 and 1998, respectively.

Depreciation and Amortization. Depreciation and amortization expense increased 26.7%, or $0.4 million, from $1.5 million in the first quarter of 1997, to $1.9 million in the first quarter of 1998. This increased expense

is due to the depreciation of assets acquired to support continued expansion of TresCom's network and amortization related to acquired businesses and customer bases.

Interest Expense, Net. Interest expense, net, increased to $0.4 million in the first quarter of 1998 due to interest associated with TresCom's capital leases and borrowings under the revolving credit agreement.

Net Loss. Net loss increased 71.1%, or $3.2 million, from $1.3 million in the first quarter of 1997, to $4.5 million in the first quarter of 1998, due to the above factors.

For the year ended December 31, 1997 compared to year ended December 31, 1996

Revenues. Revenues increased 12.9%, or $18.0 million, from $139.6 million in 1996 to $157.6 million in 1997 due to an increase in the volume of traffic carried, offset, in part, by a decrease in average revenue per minute. Minutes of use increased 18.1%, or 82.4 million, from 455.5 million in 1996 to 537.9 million in 1997. Although international traffic accounted for approximately 80.0% of TresCom's revenue in both 1997 and 1996, the overall revenue per minute decreased to approximately $0.29 in 1997 from approximately $0.31 in 1996 as a result of continued international wholesale price pressures and a change in the mix of international terminations.

Costs of Services. Costs of services increased 16.4%, or $17.5 million, from $106.9 million in 1996 to $124.4 million in 1997. The increased costs are a factor of increased minutes of use, the costs of which are variable in nature, partially offset by a fractional decrease in the overall cost per minute resulting from changes in the mix of international terminations and lower termination costs derived from certain direct operating agreements.

Gross Profit. Gross profit increased 1.8%, or $0.6 million, from $32.7 million in 1996 to $33.3 million in 1997. As a percentage of revenues, gross profit decreased from 23.4% in 1996 to 21.1% in 1997 reflecting the impact of the international wholesale price pressures referred to above.

Selling, General and Administrative Expense. Selling, general and administrative expense increased 18.2%, or $5.6 million, from $30.8 million in 1996 to $36.4 million in 1997. After giving effect to a one-time $1.5 million promotional credit for services rendered by a vendor in 1996, selling, general and administrative expense, as a percentage of revenues, was approximately 23.1% for both 1997 and 1996. On an absolute basis, the increase was primarily due to variable costs associated with growth in the retail business, such as advertising, commissions and billing costs.

Depreciation and Amortization. Depreciation and amortization expense increased 34.7%, or $1.7 million, from $4.9 million in 1996 to $6.6 million in 1997. The increased expense is due to depreciation of assets acquired to support continued expansion of TresCom's network and amortization related to acquired businesses and customer bases.

Interest and other expenses, net. Interest and other expenses, net, increased 83.3%, or $0.5 million, from $0.6 million in 1996 to $1.1 million in 1997. The increase is primarily due to additional borrowings under TresCom's revolving credit agreement.

Extraordinary Item. Extraordinary expense decreased 100%, or $2.0 million, from 1996 to 1997. The extraordinary expense in 1996 of $2.0 million was a result of the early extinguishment of $35.8 million of indebtedness in February of such year. Approximately $1.5 million was attributable to debt and warrants payable to a major shareholder of TresCom and approximately $0.5 million was related to the write-off of deferred financing costs associated with TresCom's bank facility.

Net Loss. Net loss increased 94.6%, or $5.3 million, from $5.6 million in 1996 to $10.9 million in 1997 due to the above factors.

For the year ended December 31, 1996 compared to year ended December 31, 1995

Revenues. Revenues increased 36.1%, or $37.0 million, from $102.6 million in 1995 to $139.6 million in 1996 due to a 37.9% increase in minutes of use from 330.3 million in 1995 to 455.5 million in 1996, offset in part by a fractional decrease in average revenue per minute resulting from pricing pressures and a change in the mix of international terminations. In 1996, approximately 80.0% of TresCom's revenue was derived from international traffic compared with approximately 75.0% in 1995. Historically, international traffic has commanded a higher per minute rate than domestic traffic, however this gap is decreasing due to increased international competition.

Costs of Services. Costs of services increased 43.1%, or $32.2 million, from $74.7 million in 1995 to $106.9 million in 1996. This increase resulted from a greater percentage of international traffic in 1996 (approximately 80.0%) compared to 1995 (approximately 75.0%) as discussed above. The cost per minute also increased in absolute terms due to higher cost countries within the international mix.

Gross Profit. Gross profit increased 16.8%, or $4.7 million, from $28.0 million in 1995 to $32.7 million in 1996. As a percentage of revenues, gross profit decreased from 27.3% in 1995 to 23.4% in 1996. The primary factors contributing to the increase in gross profit are TresCom's mix of business and continued international competitive pressures as described above.

Selling, General and Administrative Expense. Selling, general and administrative expense decreased 4.9%, or $1.6 million, from $32.4 million in 1995 to $30.8 million in 1996. The 1995 selling, general and administrative expense reflects a $4.1 million charge for a settlement with a major customer, and a $1.7 million charge for expenses relating to Hurricane Marilyn (which hit St. Thomas, a significant base of operations for TresCom, in September 1995). The 1996 expense reflects a $1.5 million promotional credit for services rendered by a vendor and $0.6 million associated with a one-time cash compensation charge relating to changes in executive management during the year. After giving effect to these items, selling, general and administrative expense, as a percentage of revenues, decreased from 26.0% in 1995 to 22.7% in 1996.

Depreciation and Amortization. Depreciation and amortization expense increased 22.5%, or $0.9 million, from $4.0 million in 1995 to $4.9 million in 1996. The increased expense is due to depreciation of assets acquired during 1996 to support continued expansion of TresCom's network and corporate infrastructure.

Interest and other expenses, net. Interest and other expense, net, decreased 81.3%, or $2.6 million, from $3.2 million in 1995 to $0.6 million in 1996. The decrease is primarily due to the repayment of borrowings under a bank facility between TresCom Network Services, Inc., a wholly-owned subsidiary of TresCom, and a commercial bank and due to the repayment of borrowings from a major shareholder, each in February 1996.

Extraordinary Item. The extraordinary expense in 1996 of $2.0 million was a result of the early extinguishment of $35.8 million of indebtedness in February. Approximately $1.5 million was attributable to debt and warrants payable to a major shareholder of TresCom and approximately $0.5 million was related to the write-off of deferred financing costs associated with the Bank Facility.

Net Loss. Net loss decreased 51.7%, or $6.0 million, from $11.6 million in 1995 to $5.6 million in 1996 due to the above factors.

Year 2000

TresCom has determined that it will need to modify or replace significant portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and beyond. The majority of the software which needs to be replaced by TresCom is under license from third-party software manufacturers who have indicated that they will provide the necessary upgrades. TresCom also has initiated discussions with its significant suppliers, large customers and financial institutions to ensure that those parties have appropriate plans to remediate Year 2000 issues where their systems interface with TresCom's systems or otherwise impact its

operations. TresCom is assessing the extent to which its operations are vulnerable should the organizations fail to remediate properly their computer systems.

TresCom's comprehensive Year 2000 initiative is being managed by a team of internal staff and outside consultants. The team's activities are designed to ensure that there is no adverse effect on TresCom's core business operations and that transactions with suppliers, customers and financial institutions are fully supported. TresCom is well under way with these efforts, which are scheduled to be completed in early 1999. While TresCom believes its planning efforts are adequate to address its Year 2000 concerns, there can be no assurance that the systems of other companies on which TresCom's systems and operations rely will be converted on a timely basis and that such conversion will not have a material effect on TresCom. The cost of the Year 2000 initiatives is not expected to be material to TresCom's results of operations or financial position.

Liquidity and Capital Resources

A separate liquidity and capital resources section has not been presented for TresCom on a stand-alone basis as it would not be meaningful to an understanding of the operations of Primus subsequent to consummation of the recently completed TresCom Merger. See"--Liquidity and Capital Resources."

GENERAL

Primus

Primus is a facilities-based global telecommunications company that offers international and domestic long distance and other telecommunications services to business, residential and carrier customers in North America, and selected markets within the Asia-Pacific region and Europe. Primus has expanded its geographic presence in Latin America through its recent acquisition of TresCom, which provides international long distance service primarily for calls originating in the United States. The Company seeks to capitalize on the increasing demand for high-quality international telecommunications services resulting from the globalization of the world's economies and the worldwide trend toward telecommunications deregulation. Primus provides these services over its Network, which includes (i) ten international gateway switches in the United States, Australia, Canada, Puerto Rico and the United Kingdom, (ii) four domestic switches in Australia, (iii) a switching platform in Japan and (iv) both owned and leased transmission capacity on undersea and land-based fiber optic cable systems. The Network, along with resale arrangements and foreign carrier agreements, allows the Company to offer quality service to approximately 275,000 customers.

Primus is a full-service carrier and has licenses and operations in the United States, Australia, the United Kingdom, Japan and Canada, enabling it to complete calls to more than 230 countries. The United States, Australia and the United Kingdom are the most deregulated countries within the Company's Service Regions and will serve as regional hubs for Primus's intended expansion into additional markets as worldwide deregulation of telecommunications markets continues. During the years ended December 31, 1996 and 1997, Primus had net revenue of $173.0 million and $280.2 million, respectively. After giving pro forma effect to the TresCom Merger and the TelePassport/USFI Acquisition, for the year ended December 31, 1997, the Company would have had net revenue of $448.9 million.

The Company primarily targets, on a retail basis, small- and medium-sized businesses and ethnic residential customers with significant international long distance traffic and, on a wholesale basis, other telecommunications carriers and resellers with substantial international traffic. The Company provides a broad array of competitively priced telecommunications services, including international and domestic long distance services and private networks, reorigination services, prepaid and calling cards and toll-free services, as well as local, data, Internet and cellular services in Australia. The Company markets its services through a variety of channels, including through its direct sales force and independent agents, and through direct marketing.

The Company has constructed and is expanding the Network to reduce and control costs, improve service reliability and increase flexibility to introduce new products and services. Management believes that, as the volume of telecommunications traffic carried on the Network increases, the Company should continue to improve its profitability as it more fully utilizes its Network capacity and realizes economies of scale. As customer demand justifies the capital investment, Primus will seek to expand the Network through additional investment in undersea and domestic fiber optic cable systems, international gateway and domestic switching facilities, and international satellite earth stations. Major components of the Network include the following:

Switches. Since December 31, 1996, when the Company operated one international gateway switch in Washington, D.C., the Network has grown to consist of 14 switches, including ten international gateway switches (New York, Los Angeles, Washington, D.C., Toronto, Vancouver, London and Sydney, and as a result of the recently completed TresCom Merger, Fort Lauderdale, New York City and Guaynabo, Puerto Rico) and four domestic switches (Adelaide, Brisbane, Melbourne and Perth), and a switching platform in Japan. The Company also has 15 Pops in additional markets within its Service Regions. The Company's international gateway switches will serve as the base for its global expansion of the Network into new countries when customer demand justifies such investment and as regulatory rules permit the Company to compete in new markets. The Company is currently installing an additional international gateway switch in Frankfurt, Germany and, by the end of 1999, intends to add up to three switches in North America, two switches in Europe, one switch in the Asia-Pacific region, and three switches in Latin America.

Transmission Capacity. The Company owns and leases transmission capacity which connects its switches to each other and to the networks of other international and domestic telecommunications carriers. The Company's ownership interests consist of MAOUs and IRUs in 12 undersea fiber optic cable systems, including the CANTAT-3, TAT-12/TAT-13, TPC-5 and Gemini systems. As a result of the recently completed TresCom Merger, the Company has acquired additional MAOUs and IRUs in 11 cable systems, including the Americas 1, Columbus 2, PTAT-1 and Taino Caribe systems. The Company expects to continue to acquire additional capacity on both existing and future international and domestic fiber optic cable systems as anticipated customer demand justifies such investments.

Foreign Carrier Agreements. In selected countries where competition with the traditional incumbent PTTs is limited or is not currently permitted, the Company has entered into foreign carrier agreements with PTTs or other service providers which permit the Company to carry traffic into and receive return traffic from these countries. The Company has existing foreign carrier agreements with PTTs in Cyprus, Greece, Honduras, India, Iran, Italy and New Zealand, and additional carrier agreements with foreign service providers in five other countries. As a result of the recently completed TresCom Merger, the Company has acquired 27 additional foreign carrier agreements, providing access to various countries in Latin America.

TresCom Merger

On June 9, 1998, pursuant to the Merger Agreement, the Company acquired all of the outstanding shares of TresCom. The TresCom Merger provides Primus with accelerated entry into the Latin American international long distance markets and expands the scope and coverage of the Network, thereby providing additional opportunities to migrate traffic onto the Network, obtaining better utilization of the Network and variable costs. The Company believes that, in addition to providing transmission facilities, the TresCom Merger adds foreign carrier agreements, direct connections to foreign telecommunications carriers and experienced management, enabling the combined Company to realize synergies in sales, marketing and administration.

TresCom

TresCom is a facilities-based long-distance telecommunications carrier focused on international long distance traffic originating in the United States and terminating in Latin America. TresCom offers a broad array of services, including long distance, calling cards, prepaid debit cards, domestic and international toll-free calling and frame relay. TresCom provides its customers with international long distance service and is able to complete calls to approximately 230 countries and territories through an international network consisting of: (i) owned facilities, concentrated in a Caribbean hub linking the United States, the Caribbean, South America and Central America; (ii) direct operating and transit agreements with various PTTs and TAs; and (iii) owned and leased transmission capacity. TresCom also provides local service in Puerto Rico and the United States Virgin Islands ("U.S.V.I.").

A substantial portion of TresCom's business is providing services on a wholesale basis to other telecommunications carriers and resellers. TresCom also markets on a retail basis to residential and commercial customers, ranging in size from small businesses to Fortune 500 companies. To take advantage of the benefits associated with its network, TresCom targets its United States mainland sales and marketing efforts towards customers with significant international long distance traffic to Latin America. These customers include businesses with sales or operations in Latin America, as well as the growing Hispanic population in the United States. During 1997, TresCom further increased its sales and marketing efforts directed towards residential and commercial customers, while maintaining its carrier and reseller customer base. In emerging markets in Latin America, TresCom has teamed up with local agents and has begun generating international traffic originating from those markets.

TresCom transmits customer calls through an international network consisting of ownership interests in undersea digital fiber optic transmission cables and leased capacity from other carriers linking the United States, Europe and Latin America. TresCom's owned network also includes wholly-owned microwave relay and satellite

earth station equipment linking the mainland United States, Puerto Rico and the U.S.V.I. TresCom's international network is further composed of leased capacity from other carriers and direct operating and transit agreements with PTTs and TAs. TresCom uses leased capacity to provide long-distance services in areas where it does not own transmission facilities and to provide redundancy where it does own such facilities. TresCom's contracts with PTTs and TAs typically have terms ranging from one to five years, with clauses providing for negotiated renewals.

TresCom employs a direct sales force, numbering approximately 80 individuals as of June 15, 1998, and independent sales and telemarketing agents to market its services. TresCom maintains sales offices in Florida, New York, Puerto Rico and St. Thomas, U.S.V.I. As part of TresCom's marketing activities to residential customers, TresCom has entered into joint marketing and promotional arrangements with other companies, including Coca-Cola, Shell Oil Company, Seagrams and Walgreens Drug Stores. Additionally, TresCom utilizes direct mail, participates in a variety of promotional activities which target specified customers, and sponsors various civic and charity activities.

INDUSTRY OVERVIEW

General. The international long distance industry, which involves the transmission of voice and data from one country to another, is undergoing a period of fundamental change that has resulted, and is expected to continue to result, in significant growth in usage of international telecommunications services. According to TeleGeography, in 1996, the international long distance industry accounted for $61 billion in revenues and 70 billion minutes of use, up from $22 billion in revenues and 17 billion minutes of use in 1986. According to TeleGeography, it is estimated that by the year 2000 this market will have expanded to $86 billion in revenues and 122 billion minutes of use, representing compound annual growth rates from 1996 of 9.0% and 15.0%, respectively.

The Company believes the growth in international long distance services is being driven by (i) globalization of the world's economies and the worldwide trend toward telecommunications deregulation, (ii) declining prices and a wider choice of products and services driven by greater competition resulting from privatization and deregulation, (iii) increased telephone accessibility resulting from technological advances and greater investment in telecommunications infrastructure, including deployment of wireless networks, and (iv) increased international business and leisure travel. The Company believes that growth of traffic originated in markets outside the United States will be higher than growth in traffic originated within the United States due to recent deregulation in many foreign markets and increasing access to telecommunications facilities in emerging markets.

The competition spurred by privatization and deregulation, which in turn has prompted carriers to offer a wider choice of products and services, has resulted in lower prices. In recent years, prices for long distance services have decreased substantially and are expected to continue to decrease in most of the markets in which Primus currently competes. Several long distance carriers in the United States have introduced pricing strategies that provide fixed, low rates for both domestic and international calls originating in the United States. The Company believes that the lower-price environment and resulting revenue losses from increased competition have been more than offset by cost decreases, as well as an increase in telecommunications usage. For example, based on the most current FCC data which management believes is publicly available, for the period 1989 through 1996, per minute settlement payments by United States-based carriers to foreign PTTs fell 38.6%, from $0.70 per minute to $0.43 per minute while, over this same period, per minute international billed revenue fell only 27.5%, from $1.02 in 1989 to $0.74 in 1996. The Company believes that as settlement rates and costs for leased capacity continue to decline, international long distance will continue to provide high revenue and gross profit per minute. See "Risk Factors--Intense Domestic and International Competition."

Facilities-based Carriers. International long distance carriers generally can be categorized according to ownership and use of transmission facilities and switches. Although no carrier utilizes exclusively owned facilities for the transmission of all of its long distance traffic, carriers vary from being primarily facilities-based

(i.e., they own and operate their own land based or undersea cable and switches) to those that are purely resellers of another carrier's transmission network.

Regulatory and Competitive Environment. Prior to deregulation, the long distance carriers in any particular country generally were government-owned monopoly carriers, such as British Telecom in the United Kingdom, Telstra in Australia, NTT in Japan, Teleglobe in Canada and Telmex in Mexico. Deregulation of a particular telecommunications market typically has begun with the introduction of a second long distance carrier, followed by the governmental authorization of multiple carriers. In the United States, one of the first highly deregulated markets, deregulation began in the 1960's with MCI's authorization to provide long distance service and was followed in 1984 by AT&T's divestiture of the RBOCs and, most recently, by the passage of the 1996 Telecommunications Act. Deregulation has occurred elsewhere, such as in the United Kingdom and Australia, and is being implemented in other countries, including most European Union countries, Japan and several Latin American countries, including Chile, Brazil and Argentina.

On February 15, 1997, the United States and 68 other countries, including Australia, the United Kingdom, Canada, Germany and Japan, signed the WTO Agreement and agreed to open their telecommunications markets to competition and foreign ownership starting January 1, 1998. These 69 countries generate a substantial majority of worldwide telecommunications traffic. The Company believes that the WTO Agreement will provide it with significant opportunities to compete in markets where it did not previously have access, and allow it to provide end-to-end, facilities-based services to and from these countries.

In addition, the FCC recently released an order that significantly changes United States regulation of international services in order to implement the United States' "open market" commitments under the WTO Agreement. Among other measures, the FCC's order (i) eliminated the FCC's Effective Competitive Opportunities ("ECO") test for applicants affiliated with carriers in WTO member countries, while imposing new conditions on participation by dominant foreign carriers, (ii) allowed nondominant United States carriers to enter into exclusive arrangements with nondominant foreign carriers and scaled back the prohibition on exclusive arrangements with dominant carriers and (iii) adopted rules that will facilitate approval of flexible alternative settlement payment arrangements. The Company believes that the recent FCC order will have the following effects on United States carriers: (i) reduce impediments to investment in United States carriers by foreign entities, (ii) increase opportunities to enter into innovative traffic arrangements with foreign carriers located in WTO member countries, (iii) add new opportunities to engage in ISR to additional foreign countries and (iv) modify settlement rates offered by foreign affiliates of United States carriers to United States carriers to comply with the FCC's settlement rate benchmarks.

International Traffic Dynamics. A long distance telephone call consists of three parts: origination, transport and termination. Generally, a domestic long distance call originates on a local exchange network and is transported to the network of a long distance carrier, which in many countries is the same as the local carrier. The call is then carried along the long distance network to another local exchange network where the call is terminated. An international long distance call is similar to a domestic long distance call, but typically involves at least two long distance carriers with the first carrier transporting the call from the country of origination, and the second carrier terminating the call in the country of termination. These long distance telephone calls are classified as one of three types of traffic: outbound, inbound and international transit. Outbound traffic is calls going from a country of origination, and inbound traffic is calls going into a country of destination. For example, a call made from the United States to the United Kingdom is referred to as outbound traffic for the United States carrier and inbound traffic for the United Kingdom carrier. The third type of traffic, international transit traffic, originates and terminates outside a particular country, but is transported through that country on a carrier's network. Since most major international fiber optic cable systems are connected to the United States, and international long distance prices are substantially lower in the United States than in other countries, a large volume of international transit traffic is routed through the United States.

International calls are transported by land based or undersea cable or via satellites. A carrier can obtain voice circuits on cable systems either through ownership or leases. Ownership in cables is acquired either through IRUs

or MAOUs. The fundamental difference between an IRU holder and an owner of MAOUs is that the IRU holder is not entitled to participate in management decisions relating to the cable system. Between two countries, a carrier from each country owns a "half-circuit" of a cable, essentially dividing the ownership of the cable into two equal components. Additionally, any carrier may generally lease circuits on a cable from another carrier. Unless a carrier owns a satellite, satellite circuits also must be leased from one of several existing satellite systems.

Accounting Rate Mechanism. Under the accounting rate mechanism ("ARM"), which is the traditional model for handling long distance traffic between international carriers, traffic is exchanged under bilateral carrier agreements, or operating agreements, between carriers in two countries. Foreign carrier agreements generally are three to five years in length and provide for the termination of traffic in, and return traffic to, the carriers' respective countries at a negotiated accounting rate, known as the Total Accounting Rate ("TAR"). In addition, foreign carrier agreements provide for network coordination and accounting and settlement procedures between the carriers. Both carriers are responsible for costs and expenses related to operating their respective halves of the end-to-end international connection.

Settlement costs, which typically equal one-half of the TAR, are the fees owed to another international carrier for transporting traffic on its facilities. Settlement costs are reciprocal between each party to a foreign carrier agreement at a negotiated rate (which must be the same for all United States-based carriers, unless the FCC approves an exception). For example, if a foreign carrier charges a United States carrier $0.30 per minute to terminate a call in the foreign country, the United States carrier would charge the foreign carrier the same $0.30 per minute to terminate a call in the United States Additionally, the TAR is the same for all carriers transporting traffic into a particular country, but varies from country to country. The term "settlement costs" arises because carriers essentially pay each other on a net basis determined by the difference between inbound and outbound traffic between them.

Foreign carrier agreements typically provide that a carrier will return terminating traffic ("return traffic") in proportion to the traffic it receives. Return traffic generally is more profitable than outgoing traffic because the settlement rate per minute is substantially greater than the incremental cost of terminating a call in the country due to the lack of marketing expense and billing costs, as well as the lower cost structure associated with terminating calls within country. Generally, there is a six-month lag between outbound traffic and the allocation of the corresponding return traffic and, in certain instances, a minimum volume commitment must be achieved before qualifying for receipt of return traffic.

Alternative Calling Procedures. As the international long distance market is being deregulated, long distance companies have devised alternative calling procedures ("ACPs") in order to complete calls more economically than under the ARM. Some of the more significant ACPs include (i) transit, (ii) refiling or "hubbing," (iii) ISR and (iv) reorigination. The most common method is transit which allows traffic between two countries to be carried through a third country on another carrier's network. This procedure, which requires agreement among the particular long distance companies and the countries involved, generally is used either for overflow traffic during peak periods or where the direct circuit may not be available or justified based on traffic volume. Refiling or "hubbing" of traffic, which takes advantage of disparities in settlement rates between different countries, allows traffic to a particular country to be treated as if it originated in another country that enjoys lower settlement rates with the destination country, thereby resulting in lower overall costs on an end-to-end basis. United States-based carriers generally are beneficiaries of refiling on behalf of other carriers because of low international rates. The difference between transit and refiling is that, with respect to transit, the carrier in the destination country has a direct relationship with the originating carrier, while with refiling, the carrier in the destination country is likely not to even know the identity of the originating carrier. The choice between transit and refiling is determined primarily by cost. With ISR, a carrier may completely bypass the settlement system by connecting an international leased or owned line directly to the public-switched telephone network of a foreign country or directly to a customer premise through an international gateway switch deployed in the foreign country. ISR currently is allowed by applicable regulatory authorities between a limited number of international

routes, including Canada-United Kingdom, United States-United Kingdom, United States-Sweden and United Kingdom-Australia and is currently experiencing increasing usage. Reorigination avoids the high international rates in a particular country of origin by providing dial tone in a second country with a lower rate, typically the United States.

Industry Strategies. Strategies to provide international long distance services are driven by the emergence of ACPs and the increased demand for seamless services on a global basis. First-tier service providers, which largely utilize their own network facilities, primarily utilize foreign carrier agreements in order to provide international service. Second-tier carrier and new entrants which, to a greater extent must rely on the network facilities of other carriers, primarily are utilizing ACPs and are developing networks to compete with the first-tier carriers and gain market share. Other entrants, including the Company, are establishing their own operations in multiple countries and, to the extent required to serve other selected markets, alliances or other arrangements with other carriers. In response, first-tier carriers have formed alliances to provide seamless services and one-stop shopping on a global basis.

STRATEGY

Primus's objective is to become a leading global provider of international and domestic long distance voice, data and other services in its Service Regions. Key elements of Primus's strategy to achieve this objective include:

- Focus on Customers with Significant International Long Distance Usage. The Company's primary focus is providing telecommunications services, on a retail basis, to small- and medium-sized businesses with significant international long distance traffic, to ethnic residential customers and, on a wholesale basis, to other telecommunications carriers and resellers with international traffic. The Company believes that the international long distance market offers an attractive business opportunity given its size and, as compared to the domestic long distance market, its higher revenue per minute, gross margin and expected growth rate.

- Pursue Early Entry into Selected Deregulating Markets. The Company seeks to be an early entrant into selected deregulating telecommunications markets where it believes there is significant demand for international long distance services as well as substantial growth and profit potential. The Company believes that early entrance into deregulating markets provides it with competitive advantages as it develops sales channels, establishes a customer base, hires personnel experienced in the telecommunications industry and achieves name recognition, prior to the entry into these markets by a large number of competitors. The Company focuses its expansion efforts on major metropolitan areas with high concentrations of potential customers with international traffic.

- Expand Global Intelligent Network. Primus expects that continued strategic development of its Network will lead to reduced transmission and other operating costs as a percentage of net revenue, reduced reliance on other carriers and more efficient network utilization. The Company owns and operates its own switching facilities, and purchases fiber optic cable capacity on an end-to-end basis when current and expected traffic levels justify such investment.

- Deliver Quality Services at Competitive Prices. Management believes that the Company delivers high quality services at competitive prices and provides a high level of customer service. The Company intends to maintain a low cost structure in order to offer its customers international and domestic long distance services priced below those of major carriers in the Service Regions. In addition, the Company intends to maintain strong customer relationships through the use of trained and experienced sales and service representatives, and through the provision of customized billing services.

- Expand Service Offerings as Markets Deregulate. The Company typically enters markets which are in the initial stages of deregulation by first providing international long-distance services and, as the market deregulates further, expanding its portfolio of service offerings within the particular market. Management believes that international long distance generally offers attractive margins in markets in the early stage

of deregulation and provides a platform for capturing customers for additional services. Subsequent additions to service offerings may include, among other services, domestic long distance, data and Internet access.

. Growth through Selected Acquisitions and Strategic Investments. As part of its business strategy, the Company frequently evaluates potential acquisitions, joint ventures and strategic investments. The Company views acquisitions, joint ventures and strategic investments as a means to enter additional markets and expand its operations within existing markets, thereby facilitating an acceleration of its business plan. Potential candidates include voice and data service providers with an established customer base, complementary operations, telecommunications licenses, experienced management or network facilities in countries into which the Company seeks to enter.

DESCRIPTION OF OPERATING MARKETS

The following is a summary of the market size, competitive dynamics and regulatory environments of the domestic and international long distance industries in the principal jurisdictions in which the Company provides its services and a description of the Company's operations in each of its four Service Regions:

North America. The United States long distance market is highly deregulated and is the largest in the world. According to the FCC, in 1996 long distance telephone revenue in the United States was approximately $99.7 billion, including approximately $17.1 billion from international services (representing 17.2% of the total market). AT&T is the largest long distance carrier in the United States market, with market share of approximately 50.2% of international outgoing minutes in 1996. MCI and Sprint had market shares of 28.4% and 13.2%, respectively in 1996. AT&T, MCI and Sprint constitute what generally is regarded as the first-tier in the United States long distance market. Other large long distance companies with more limited ownership of transmission capacity, such as WorldCom, Frontier and LCI, constitute the second-tier of the industry. The remainder of the United States long distance market is comprised of several hundred smaller companies, largely resellers, which are known as third-tier carriers.

In the United States, Primus provides long distance services to small- and medium-sized businesses, residential customers, and other telecommunication carriers. The Company operates international gateway telephone switches in the New York City area, Washington D.C. and Los Angeles which are connected with European countries and countries in the Asia-Pacific region through owned and leased international fiber cable systems. The Company maintains a direct sales organization in each of these cities to sell to business customers, and has a telemarketing center for small business sales in Tampa. To reach residential customers, the Company advertises nationally in ethnic newspapers and other publications, offering discounted rates for international calls to targeted countries. The Company utilizes independent agents to reach and enhance sales to both business and residential customers and has established a direct sales force for marketing wholesale international services to other long distance carriers. The Company maintains a national customer service center staffed with multi-lingual representatives and operates a global Network Management Center that monitors the Network from its McLean, Virginia location.

As a result of the recently completed TresCom Merger, the Company has acquired all of the operations and facilities of TresCom. In the United States, TresCom markets wholesale telecommunications services to other long distance carriers who utilize the TresCom network to transmit international calls to Latin America. TresCom's customers also include businesses with sales or operations in Latin America, as well as the growing Hispanic population in the United States. TresCom employs a direct sales force, numbering approximately 80 individuals as of June 15, 1998, and independent sales and telemarketing agents to market its services. TresCom maintains sales offices in Florida, New York, California, Georgia, Puerto Rico and St. Thomas, U.S.V.I. As part of TresCom's marketing activities to residential customers, TresCom has entered into joint marketing and promotional arrangements with other companies, including Coca-Cola, Shell Oil Company, Seagrams and Walgreens Drug Stores. Additionally, TresCom utilizes direct mail, participates in a variety of promotional activities which target specified customers, and sponsors various civic and charity activities.

According to the International Telecommunications Union ("ITU"), the total telecommunications market in Canada accounted for approximately $13.2 billion in revenues in 1996. In Canada, Stentor, a partnership of Canadian regional telephone companies, is the largest provider of long distance services with a market share of approximately 67% in 1997. Two types of long distance providers compete with Stentor. The first, which includes AT&T LDS, fONOROLA and Sprint Canada, own and operate interexchange circuits and offer essentially the same services as Stentor. The second type of competitor consists of other long distance providers that lease but do not own interexchange circuits and sell their services primarily to distinct niche markets, such as ethnic communities, affinity associations or small business associations. In Canada, Primus Canada provides long distance services to small- and medium-sized businesses, residential customers and other telecommunication carriers. Primus Canada operates switches in Toronto and Vancouver, maintains points-of-presence in Ottawa, Montreal and Calgary, and has sales and customer service offices in Vancouver, Toronto, and Montreal.

According to the ITU, the total telecommunications market in Mexico accounted for approximately $6.9 billion in 1996. As of January 1, 1997, the local and long distance market was opened to facilities-based competition in Mexico. Mexico, however, imposes foreign ownership restrictions that limit the ownership of facilities-based carriers by non-Mexican persons to below 50%. The Mexican government has granted licenses to 10 companies (many of them affiliated with U.S.-based long distance carriers such as AT&T and MCI) to operate as facilities-based long distance carriers. Resale of basic switched voice long distance services, however, is still not allowed in Mexico. Primus provides customers with United States-Mexico cross border private line services, but is prohibited by the private ownership limitations from providing other services.

As of June 15, 1998, the Company had approximately 25,000 business customers and 95,000 residential customers in North America, including the recently acquired TresCom customer base.

Asia-Pacific. According to the ITU, in 1996, the total telecommunications market in Australia accounted for approximately $13.4 billion in revenues. Telstra and Optus, the leading full-service carriers in Australia, own and operate local, national and international transmission networks. Telstra, which is majority-owned by the Australian government, is a traditional facilities-based carrier with a market share of approximately 62.0% in 1996. In addition to the Company and Optus, Telstra currently competes against other facilities-based carriers such as AAPT, several switchless resellers and call-back service providers, including CorpTel, and mobile telecommunications carriers, such as Vodafone. Australia has further deregulated its long-distance market by allowing service providers other than Telstra and Optus to own domestic transmission facilities and mandating Telstra to provide equal (non-code) access to customers of select service providers such as the Company. The Company is a licensed carrier permitted to own and operate transmission facilities in Australia.

Primus is the fourth largest long distance company in Australia, providing domestic and international long distance services, data and Internet access services, as well as local and cellular service on a resale basis, to small- and medium-sized business customers and ethnic residential customers. The Company has invested substantial resources over the past two years to build a domestic and international long distance network to transform its Australian operations into a full facilities-based telecommunications carrier. During 1997, the Company installed and began operating a five-city switched network using Northern Telecom switches in Sydney, Melbourne, Perth, Adelaide, and Brisbane. The Company purchased international fiber cable capacity during 1997 and linked the Australian network to the United States via the TPC-5, APCN, and Jassaurus cable systems, as well as to New Zealand. Primus Australia became a fully licensed facilities-based telecommunications carrier on July 1, 1997. In August 1997, equal access was introduced in Australia, and the Company began the process of migrating and connecting customers directly to its own Network. In 1998, the Company completed the Hotkey Investment and the Eclipse Acquisition, positioning it to offer a complete range of telecommunications services for corporate customers in Australia, including fully integrated voice and data networks, as well as Internet access. The Company markets its services through a combination of direct sales to small- and medium-sized business customers, independent agents which market to business and residential customers, and media advertising aimed at ethnic residential customers living in Australia who make a high

volume of international calls. As of June 15, 1998, the Company had approximately 25,000 business customers and 105,000 residential customers in Australia.

The Company entered the Japanese market in late 1997 through the TelePassport/USFI Acquisition. According to the ITU, in 1996, the total telecommunications market in Japan accounted for approximately $93.6 billion in revenues. The Company maintains an office in downtown Tokyo and a switching platform to provide international calling services to resellers and small businesses. The Company has interconnected its Tokyo switch to Los Angeles via the TPC-5 fiber cable system. The Company plans to apply for a full Class-I carrier license in Japan. The Company plans to market its services in Japan through direct sales and relationships that it is establishing with business partners.

Europe. Oftel estimates that the market for international and domestic long distance services in the United Kingdom accounted for approximately $6.6 billion in revenues in the 12 months ended March 31, 1996. In the United Kingdom, British Telecom historically has dominated the telecommunications market and is the largest carrier. Mercury, which owns and operates interchange transmission facilities, is the second largest carrier. The remainder of the United Kingdom long distance market is comprised of an emerging market of licensed telecommunications service providers, such as Energis, and switch-based resellers, such as AT&T, WorldCom, MFS, ACC and Esprit.

Primus Telecommunications, Ltd. is a fully licensed carrier in the United Kingdom and provides domestic and international long distance services to residential customers, small businesses, and other telecommunications carriers. The Company operates an Ericsson AXE-10 international gateway telephone switch in London, which is directly connected to the United States and will be directly connected to the international gateway switch currently being installed in Frankfurt, Germany. Primus's European operations are headquartered in London, where it also maintains a 24-hour customer service call center. The Company markets its services in the United Kingdom using a combination of direct sales, agents, and direct media advertising primarily to ethnic customers who make a higher-than-average percentage of international calls. As of June 15, 1998, Primus Telecommunications, Ltd. had approximately 25,000 residential customers in the United Kingdom.

The Company is in the process of expanding its services and Network to continental Europe which has recently begun the process of deregulation of its telecommunications markets. For example, the Company was recently awarded a Class-4 switched voice telephone license in Germany. According to the ITU, in 1996, the German telecommunications market generated approximately $44.6 billion in revenues. Through the TelePassport/USFI Acquisition, Primus acquired a base of small business customers in Germany to whom it provides reorigination services, establishing a platform for the Company's expansion into that market. Additionally, the Company has opened its first sales office in Frankfurt, and has purchased an Ericsson AXE-10 international gateway switch which is currently being installed. The Company has also applied for a license and expects to begin operations in France during 1998.

Latin America. As a result of the recently completed TresCom Merger, the Company will accelerate the targeting of businesses and residential customers in Latin America to capitalize on the existing TresCom relationships with customers having operations in those countries. TresCom offers international inbound calling services which provide collect calling from parts of Latin America to the United States and calling card services with United States terminations. In 1997, TresCom began marketing these services in Honduras, Nicaragua and Panama. Additionally, TresCom began providing international callthrough services from portions of Latin America enabling its customers located in that region to place international calls at reduced rates. TresCom maintains a multi-lingual customer service department available through "toll-free" access, as well as a "Trouble Reporting Center" which caters to its wholesale customers. In addition to international long distance services, TresCom provides local service in Puerto Rico, and the U.S.V.I.

SERVICES

The Company offers a broad array of telecommunications services through the Network and through interconnection with the networks of other carriers. The Company's decision to offer certain services in a market

is based on competitive factors and regulatory restraints within the market. Below is a summary of services offered by the Company:

- International and Domestic Long Distance. The Company provides international long distance voice services terminating in approximately 230 countries, and provides domestic long distance voice services within selected countries within its Service Regions. Access methods required to originate a call vary according to regulatory requirements and the existing domestic telecommunications infrastructure.

- Private Network Services. For business customers, the Company designs and implements international private network services that may be used for voice, data and video applications.

- Prepaid Cards, Calling Cards and Collect Calling. The Company offers prepaid and calling cards that may be used by customers for domestic and international telephone calls both within and outside of their home country. If the TresCom Merger is consummated, the Company will offer customers in selected Latin American markets collect calling services to the United States and calling card services for calls terminating in the United States. TresCom is currently marketing such services in Honduras, Nicaragua and Panama.

- Reorigination and Callthrough Services. In selected countries, including Germany and Japan, the Company provides call reorigination services which allow non-United States country to country calling to originate from the United States, thereby taking advantage of lower United States accounting rates. As a result of the recently completed TresCom Merger, the Company also offers international callthrough services from selected countries in Latin America.

- Local Switched Services. The Company in the future intends to provide local service on a resale basis as part of its "multi-service" marketing approach, subject to commercial feasibility and regulatory limitations. The Company currently provides local service in Australia and, as a result of the recently completed TresCom Merger, provides competitively-priced local calling services within Puerto Rico and the U.S.V.I.

- Toll-free Services. The Company offers domestic and international toll-free services.

- Data Services. With the Hotkey Investment and the Eclipse Acquisition, the Company is positioned to offer ATM, a transmission standard which utilizes statistical multiplexing technology, and frame relay and other data services, including Internet access services, in Australia.

- Cellular Services. The Company resells Telstra analog and digital cellular services in Australia.

NETWORK

General. Since its inception in 1994, the Company has been deploying a global intelligent telecommunications network consisting of international and domestic switches, related peripheral equipment, undersea fiber optic cable systems and leased satellite and cable capacity. Primus believes that the Network allows it to control both the quality and cost of the on-net telecommunications services it provides to its customers. To ensure high-quality telecommunications services, the Network employs digital switching and fiber optic technologies, uses SS7 signaling and is supported by comprehensive monitoring and technical services. The Company's Network consists of (i) a global backbone network connecting intelligent gateway switches in the Service Regions, (ii) a domestic long distance network presence within certain countries within the Service Regions, and (iii) a combination of owned and leased transmission facilities, resale arrangements and foreign carrier agreements.

Each of the international gateway switches will be connected to the domestic and international networks of both the Company and other carriers in a particular market, allowing the Company to (i) provide seamless service, (ii) package and market the voice and data services purchased from other carriers under the "Primus" brand name and (iii) divert a portion of that market's United States-bound return traffic through the Company's switches in the United States. In addition, until the Company's customer base grows and it penetrates other

deregulating telecommunications markets, the Company intends to transit a significant portion of its traffic through the United States.

The Company has targeted North America, the Asia-Pacific region, Europe and, as a result of the recently completed TresCom Merger, Latin America, for the development of the Network. The Company has selected the United States, Australia and the United Kingdom as regional hubs for expansion into additional markets within North America, the Asia-Pacific region and Europe, respectively. These countries were selected based on their market size, potential growth and favorable regulatory environments. The Company expects to expand into additional markets as deregulation occurs and the Company is permitted to offer a full range of switched public telephone services. For instance, the Company is using its United Kingdom operations to coordinate efforts to enter other major metropolitan European markets in the European Union in conjunction with the deregulation of the telecommunications industry in certain European Union countries which began in 1998. The initial step in this expansion involves the Company's current installation of an international gateway switch in Frankfurt, Germany.

The following chart illustrates an international long distance call using the Network from the United States to another market where the Company has an international gateway switch:

[GRAPH APPEARS HERE]

International Gateway and Domestic Switches. As of March 31, 1998, the Company operated 11 switches, including seven international gateway switches (New York, Los Angeles, Washington, D.C., Toronto, Vancouver, London, Sydney), four domestic switches (Adelaide, Brisbane, Melbourne and Perth) and a switching platform in Japan. As a result of the recently completed TresCom Merger, the Company has acquird three additional international gateway switches located in Fort Lauderdale, New York City and Guaynabo, Puerto Rico. The Company also currently operates approximately 15 Pops in other major metropolitan areas of its Service Regions. The equipment deployed in the Network, including the switches, consists primarily of equipment manufactured by Nortel, Ericsson and Siemens.

Fiber Optic Cable Systems. Where the Company's customer base has developed sufficient traffic, the Company has purchased and leased undersea and land-based fiber optic cable transmission capacity to connect to its various switches. Where traffic is light or moderate, the Company obtains capacity to transmit traffic on a per-minute variable cost basis. When traffic volume increases and such commitments are cost effective, the Company intends to either lease or purchase lines on a monthly or longer term basis at a fixed cost and acquire

economic interests in transmission capacity through MAOUs and IRUs to international traffic destinations. The following chart sets forth a listing of the undersea fiber optic cable systems in which the Company has capacity after the recently completed TresCom Merger (which includes both MAOUs and IRUs):

CABLE SYSTEM	COUNTRIES SERVED	STATUS
PRIMUS:		
TAT 12/13	United States--United Kingdom	Existing
Gemini	United States--United Kingdom	Existing
CANTAT	United States--Germany	Existing
	United States--Canada	Existing
CANUS	United States--Canada	Existing
Flag	United Kingdom--Italy	Existing
	Italy--Japan	Existing
UK--France 5	United Kingdom--France	Existing
Arianne	France--Greece	Existing
CIOS	Greece--Cyprus	Existing
Aphrodite	Greece--Italy	Existing
TPC 5	United States--Japan	Existing
APCN	Japan--Indonesia	Existing
Jasaurus	Indonesia--Australia	Existing
Southern Cross	United States--Australia	Planned
JPN--US	United States--Japan	Planned
SEA ME WE	Italy--Japan	Planned
TRESCOM:		
Columbus II	United States--Mexico	Existing
Americas I	United States--Brazil	Existing
	United States--U.S.V.I.	Existing
	U.S.V.I.--Trinidad	Existing
PTAT-1	United States--U.S.V.I.	Existing
CARAC	United States--U.S.V.I.	Existing
Taino--Carib	U.S.V.I.--Puerto Rico	Existing
Bahamas I	United States--Bahamas	Existing
ECFS	U.S.V.I.--Antigua--St. Martin--St. Kitts--Martinique--Guyana	Existing
Americas II	United States--Argentina	Planned
Columbus II	United States--Spain	Planned
Pan American	U.S.V.I.--Aruba--Venezuela--Panama--Columbia--Ecuador--Peru--Chile--Panama	Planned
Bahamas 2	United States--Bahamas	Planned
MONA	Puerto Rico--Dominican Republic	Planned
Antilles 1	Puerto Rico--Dominican Republic	Planned
CANTAT 3	United States--Denmark	Existing
CANUS	United States--Canada	Existing
ODIN	Netherlands--Denmark	Existing
RIOJA	Netherlands--Belgium	Existing

Foreign Carrier Agreements. In selected countries where competition with the traditional incumbent PTTs is limited or is not currently permitted, the Company has entered into foreign carrier agreements with PTTs or other service providers which permit the Company to provide traffic into and receive return traffic from these countries. The Company has existing foreign carrier agreements with PTTs in Cyprus, Greece, Honduras, India,

Iran, Italy and New Zealand, and additional agreements with other foreign carriers in 5 other countries. As a result of the recently completed TresCom Merger, the Company has acquired 27 additional foreign carrier agreements, providing access to various countries in Latin America.

Network Management and Control. The Company owns and operates a network management control center (a "NMCC") in Sydney, Australia which is used to monitor and control all switches and other transmission equipment used in its Australia Network. This NMCC operates seven days a week, 24 hours per day, 365 days a year. In the United States, United Kingdom and Canada, the Company currently monitors and controls each switch locally. The Company has begun to construct a NMCC in McLean, Virginia, and plans to use a portion of the net proceeds of this Offering to build a new NMCC in London and to upgrade the existing Sydney NMCC. Each of the NMCCs will be capable of monitoring and controlling the Network in all regions.

Planned Expansion of Network. The Company is currently installing an additional international gateway switch in Frankfurt, Germany and, by the end of 1999, intends to add up to three switches in North America, two switches in Europe, one switch in Asia-Pacific and three switches in Latin America. Additionally, the Company intends to continue to invest in additional switches and Pops in major metropolitan areas of the Service Regions as the traffic usage warrants the expenditure. The Company also intends to acquire capacity in land based fiber optic cable systems in its Service Regions, particularly in North America and Europe. To augment the Network, the Company intends to construct and own international satellite earth stations to connect the Network to developing countries in which fiber optic cable connections are unavailable or uneconomical.

CUSTOMERS

The Company's primary focus is providing telecommunications services, on a retail basis, to small- and medium-sized businesses with significant international long distance traffic and ethnic residential consumers and, on a wholesale basis, other carriers and resellers with international traffic. As of June 15, 1998, Primus had in excess of 275,000 customers, including the recently acquired TresCom customer base.

Businesses. The Company's business sales and marketing efforts target small- and medium-sized businesses with significant international long distance traffic. The Company believes that these users are attracted to the Company primarily due to its price savings compared to first-tier carriers and, secondarily, its personalized approach to customer service and support, including customized billing and bundled service offerings.

Residential Consumers. The Company's residential sales and marketing strategy targets ethnic residential consumers who generate high international traffic volumes. The Company believes that they are attracted to the Company because of price savings as compared to first-tier carriers, simplified pricing structure, and multilingual customer service and support.

Telecommunications Carriers and Resellers. The Company competes for the business of other telecommunications carriers and resellers primarily on the basis of price and service quality. Sales to other carriers and resellers help the Company maximize the utilization of the Network and thereby reduce the Company's fixed costs per minute of use.

Customer Service. The Company strives to provide personalized customer service and believes that the quality of its customer service is one of its competitive advantages. The Company's larger customers are actively covered by dedicated account and service representatives who seek to identify, prevent and solve problems. The Company provides toll-free, 24-hour a day customer service in the United States, Canada, the United Kingdom and Australia. As of June 15, 1998, the Company employed approximately 190 full-time customer service employees, many of whom are multi-lingual. The Company intends to integrate the TresCom staff of operators fluent in English and Spanish, which can be accessed to complete collect, third party, person-to-person, station-to-station and credit card validation calls. The TresCom Merger will accelerate the Company's ability to offer wholesale and retail traffic repricing for international and domestic traffic, as well as advanced personal computer billing services. TresCom also maintains a "Trouble Reporting Center" for its wholesale customers.

SALES AND MARKETING

The Company markets its services through a variety of sales channels, as summarized below:

Direct Sales Force. The Company's direct sales force is comprised of full-time employees who focus on small- to medium-sized business customers with substantial international traffic or traffic potential. The Company also employs full-time direct sales representatives focused on ethnic residential consumers and direct sales representatives who exclusively sell wholesale services to other long-distance carriers and resellers. Direct sales personnel are compensated with a base salary plus commissions.

The Company's direct sales efforts are organized into regional sales offices. The Company currently has offices in Washington, D.C., New York City, Los Angeles, Tampa, Toronto, Vancouver, Montreal, Mexico City, London, Frankfurt, Melbourne, Sydney, Adelaide, Brisbane, Perth and Tokyo. With the recent completion of the TresCom Merger, the Company has additional sales offices in Fort Lauderdale, Puerto Rico and St. Thomas, U.S.V.I.

Agents and Independent Sales Representatives. The Company supplements its direct sales efforts with agents and independent sales representatives. These agents and representatives, who typically focus on small- and medium-sized businesses, as well as ethnic residential consumers, are paid commissions based on long distance revenue generated. Within major metropolitan regions, the Company usually grants only nonexclusive sales rights, requires its agents and representatives to maintain minimum quotas and prohibits them from selling competitors' products.

Telemarketing. The Company employs full-time telemarketing sales personnel to supplement sales efforts to ethnic residential consumers and small- and medium-sized business customers.

Media and Direct Mail. The Company uses a variety of print, television and radio advertising to increase name recognition and generate new customers. The Company reaches ethnic residential consumers by print advertising campaigns in ethnic newspapers, and advertising on select radio and television programs.

MANAGEMENT INFORMATION AND BILLING SYSTEMS

The Company uses various management information, network and customer billing systems in its different operating subsidiaries to support the functions of network and traffic management, customer service and customer billing. For financial reporting, Primus utilizes a common system in each of its markets. It is expected that TresCom's financial reporting will be integrated with that of the Company. For its billing requirements in the United States, the Company uses a customer billing system developed by Electronic Data Systems Inc. ("EDS") which supplies, operates and maintains this system and is responsible for providing back-up facilities and disaster recovery. The EDS system is widely used in the telecommunications industry and has been customized to meet the Company's specific needs. Elsewhere, the Company uses advanced systems to handle its billing requirements. The Company direct bills all of its business, resellers and residential customers in all of its Service Regions.

Management believes that its financial reporting and billing systems are adequate to meet the Company's needs in the near term, including integration of TresCom's operations, but as the Company continues to grow, it will need to invest additional capital to purchase hardware and software, license more specialized software, increase capacity and link its systems among different countries. The Company is reviewing its computer systems and operations to identify and determine the extent to which any systems will be vulnerable to potential errors and failures as a result of the Year 2000 problem. See "Risk Factors--Dependence on Effective Information Systems; Year 2000 Problem" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000 Compliance."

COMPETITION

The international telecommunications industry is highly competitive and significantly affected by regulatory changes, marketing and pricing decisions of the larger industry participants and the introduction of new services made possible by technological advances. The Company believes that long distance service providers compete on the basis of price, customer service, product quality and breadth of services offered. In each country of operation, the Company has numerous competitors. The Company believes that as the international telecommunications markets continue to deregulate, competition in these markets will increase, similar to the competitive environment that has developed in the United States following the AT&T divestiture in 1984. Prices for long-distance calls in the markets in which the Company competes have declined historically and are likely to continue to decrease. Many of the competitors are significantly larger, have substantially greater financial, technical and marketing resources and larger networks than the Company. See "Risk Factors--Intense Domestic and International Competition."

Privatization and deregulation have had, and are expected to continue to have, significant effects on competition in the industry. For example, as a result of legislation enacted in the United States, RBOCs will be allowed to enter the long distance market, AT&T, MCI and other long distance carriers will be allowed to enter the local telephone services market, and cable television companies and utilities will be allowed to enter both the local and long distance telecommunications markets. In addition, competition has begun to increase in the European Union telecommunications markets in connection with the deregulation of the telecommunications industry in most European Union countries, which began in January 1998. This increase in competition could adversely affect net revenue per minute and gross margin as a percentage of net revenue.

The following is a brief summary of the competitive environment in selected countries within each of the Service Regions:

North America. In the United States, which is the most competitive and among the most deregulated long distance markets in the world, competition is based upon pricing, customer service, network quality, and the ability to provide value-added services. AT&T is the largest supplier of long distance services, with MCI, Sprint and WorldCom being the next largest providers. In the future, under provisions of recently enacted federal legislation, the Company anticipates that it will also compete with RBOCs, LECs and Internet providers in providing domestic and international long-distance services. The Canadian telecommunications market is highly competitive and is dominated by a few established carriers whose marketing and pricing decisions have a significant impact on the other industry participants including the Company. The Company competes with facilities-based carriers, other resellers and rebillers, primarily on the basis of price. The principal facilities-based competitors include the Stentor Companies, in particular, Bell Canada, the dominant supplier of local and long-distance services in Canada, AT&T LDS, Sprint Canada and fONOROLA. The Company also competes with ACC Canada, one of the large resellers. Based upon current market share estimates, the Stentor Companies control approximately 70% of the entire Canadian long distance market and approximately 66% of the business long distance market.

Asia-Pacific. Australia is one of the most deregulated and competitive telecommunications markets in the Asia-Pacific region. The Company's principal competitors in Australia are Telstra, the dominant carrier, Optus and AAPT and a number of other switchless resellers. The Company competes in Australia by offering a comprehensive menu of competitively-priced products and services, including value-added services, and by providing superior customer service and support. The Company believes that competition in Australia will increase as more companies are awarded carrier licenses in the future. The Company's principal competitor in Japan is KDD, the dominant carrier, as well as Japan Telecom, IDC and a number of second tier carriers, including Cable & Wireless, WorldCom and ATNet.

Europe. The Company's principal competitors in the United Kingdom are British Telecom, the dominant supplier of telecommunications services in the United Kingdom, and Cable & Wireless Communications. Other competitors in the United Kingdom include Colt, Energis, Esprit Telecom Group and RSL

Communications. The Company competes in the United Kingdom, and expects to compete in other European countries, by offering competitively-priced bundled and stand-alone services, personalized customer service and value-added services. The Company's principal competitor in Germany is Deutsche Telekom, the dominant carrier. The Company also competes with O.tel.o Communications, Mannesmann ARCOR, VIAG Interkom, MobilCom, Talkline, MFS/Colt, WorldCom, PlusNet, and RSL Communications. Additionally, the Company also faces competition from other licensed public telephone operators that are constructing their own facilities-based networks, cable companies and switch-based resellers, including the emerging German local exchange carriers known as "City Carriers".

Latin America. The Company's principal competitors in Latin America are the traditional PTTs in each country within this region, including Telmex in Mexico.

GOVERNMENT REGULATION

As a global telecommunications company, the Company is subject to varying degrees of regulation in each of the jurisdictions in which it provides its services. Local laws and regulations, and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which the Company operates. There can be no assurance that future regulatory, judicial and legislative changes will not have a material adverse effect on the Company, that domestic or international regulators or third parties will not raise material issues with regard to the Company's compliance or noncompliance with applicable regulations or that regulatory activities will not have a material adverse effect on the Company. See "Risk Factors--Potential Adverse Effects of Regulation."

Regulation of the telecommunications industry is changing rapidly both domestically and globally. The FCC is considering a number of international service issues in the context of several policy rulemaking proceedings in response to specific petitions and applications filed by other international carriers. The Company is unable to predict how the FCC will resolve the pending international policy issues or how such resolution will effect its international business. In addition, the WTO Agreement, which reflects efforts to dismantle government-owned telecommunications monopolies throughout Europe and Asia may affect the Company. Although the Company believes that these deregulation efforts will create opportunities for new entrants in the telecommunications service industry, there can be no assurance that they will be implemented in a manner that would benefit the Company.

The regulatory framework in certain jurisdictions in which the Company provides its services is described below:

United States

In the United States, the Company's services are subject to the provisions of the Communications Act, FCC regulations thereunder, as well as the applicable laws and regulations of the various states and state regulatory commissions.

As a carrier offering services to the public, the Company must comply with the requirements of common carriage under the Communications Act, including the offering of service on a non-discriminatory basis at just and reasonable rates, and obtaining FCC approval prior to any assignment of authorizations or any transfer of de jure or de facto control of the Company. The Company is classified as a non-dominant common carrier for domestic service and is not required to obtain specific prior FCC approval to initiate or expand domestic interstate services.

International Service Regulation. International common carriers, including the Company, are required to obtain authority under Section 214 of the Communications Act and file a tariff containing the rates, terms, and conditions applicable to their services prior to initiating their international telecommunications services. The Company has obtained all required authorizations from the FCC to use, on a facilities and resale basis, various transmission media for the provision of international switched services and international private line services.

In addition to the general common carrier principles, the Company must conduct its international business in compliance with the FCC's international settlements policy, the rules that establish the permissible boundaries for U.S.-based carriers and their foreign correspondents to settle the cost of terminating each others' traffic over their respective networks. Under the ISP, absent approval from the FCC, international telecommunications service agreements with foreign carriers must provide that settlement rates paid to each party are one-half of the accounting rate, and U.S. carriers may not accept more than a proportionate share of return traffic. The ISP also provides for a mechanism by which the FCC can review the rates contained in such foreign carrier agreements. The FCC could find that the Company does not meet certain ISP requirements with respect to certain of the Company's foreign carrier agreements. Although the FCC generally has not issued penalties in this area, it could, among other things, issue a cease and desist order, impose fines or allow the collection of damages if it finds that the Company is not in compliance with the ISP. The Company does not believe that any such fine or order would have a material adverse effect on the Company.

The Company is also subject to other FCC requirements regarding the routing of telecommunications services between the United States and foreign countries. These requirements include compliance with the FCC's limitations on the routing of international traffic via international private lines and on accepting "special concessions" from certain carriers, as well as the filing of periodic reports with the FCC. In implementing the WTO Agreement, the FCC recently reduced the applicability of some of these requirements to the activities of telecommunications carriers such as the Company. Moreover, the Company has a number of customers in foreign countries that access the Company's services through international call reorigination. In providing service to these customers, the Company is required by the FCC to offer such services in compliance with the laws of foreign countries where its customers are located. Certain countries prohibit some or all forms of call reorigination. For example, Honduras and Nicaragua have informed the International Telecommunications Union that they prohibit call reorigination. The Company may be prevented in the future from providing such services or penalized either by the foreign country or, in certain circumstances, by the FCC.

The FCC continues to refine its international service rules, including ISP requirements, to promote competition, reflect and encourage liberalization in foreign countries and reduce accounting rates toward cost. In that regard, the FCC has determined that it would permit U.S. carriers to enter into "flexible" international termination arrangements where such arrangements promote competition. Under this new policy, the FCC has allowed the Company to enter into an alternative termination arrangement with its Australian subsidiary Axicorp, which allows the Company and Axicorp to terminate each other's traffic under favorable terms that deviate from the ISP.

Domestic Service Regulation. The Company is considered a non-dominant domestic interstate carrier subject to minimal regulation by the FCC. The Company is not required to obtain FCC authority to expand its domestic interstate operations, but is required to maintain a tariff on file at the FCC. The 1996 Telecommunications Act is intended to increase competition in the U.S. telecommunications markets. The legislation opens the local services markets by requiring LECs to permit interconnection to their networks and by establishing LEC obligations with respect to unbundled access, resale, number portability, dialing parity, access to rights-of-way, mutual compensation and other matters. In addition, the legislation codifies the LECs' equal access and nondiscrimination obligations and preempts inconsistent state regulation. The legislation also contains special provisions that eliminate the restrictions on incumbent LECs such as the RBOCs and the GTE Operating Companies (the "GTOCs") from providing long distance services. These new provisions permit an RBOC to enter the "out-of-region" long distance market immediately upon the receipt of any state and/or federal regulatory approvals otherwise applicable to the provision of long distance service. These new provisions also permit an RBOC to enter the "in-region" long distance market if it satisfies procedural and substantive requirements, including obtaining FCC approval upon a showing that in certain situations facilities-based competition is present in its market, and that it has entered into interconnection agreements which satisfy a 14-point "checklist" of competitive requirements. The GTOCs are permitted to enter the long distance market as of the date of enactment of the 1996 Telecommunications Act, without regard to limitations by region, although necessary regulatory approvals to provide long distance services must be obtained, and the GTOCs are subject to the provisions of the 1996

Telecommunications Act that impose interconnection and other requirements on LECs. The 1996 Telecommunications Act also addresses a wide range of other telecommunications issues that may potentially impact the Company's operations. It is unknown at this time precisely the nature and extent of the impact that the legislation will have on the Company. On August 1, 1996, the FCC adopted an Interconnection Order implementing the requirements that incumbent LECs make available to new entrants interconnection and unbundled network elements, and offer retail services for resale at wholesale rates. Portions of that order were vacated by the U.S. Court of Appeals for the Eighth Circuit. The U.S. District court for the Northern District of Texas recently ruled that the long distance conditions in Sections 271-275 of the 1996 Telecommunications Act are unconstitutional. Higher courts, including the U.S. Supreme Court, will be reviewing some of these decisions. The result of such review cannot be predicted and the Company could be adversely affected to the extent that conditions of RBOC entry into the long distance market are relaxed or eliminated.

The Company's costs of providing long distance services will be affected by changes in the access charge rates imposed by incumbent LECs for origination and termination of calls over local facilities. The FCC has significantly revised its access charge rules in recent years to permit incumbent LECs greater pricing flexibility and relaxed regulation of new switched access services in those markets where there are other providers of access services. The FCC continues to adjust its access charge rules and has indicated that it will promulgate additional rules sometime in 1998 that may grant certain LECs further flexibility.

The FCC has also significantly revised the universal service subsidy regime to be funded by interstate carriers and certain other entities. The FCC recently established new universal service funds to support qualifying schools, libraries, and rural health care providers and expanded subsidies for low income consumers. The FCC is continuing to revise its universal service rules which may result in further substantial increases in the overall cost of the subsidy program. The outcome of these proceedings or its effect on the Company cannot be predicted.

State Regulation. The Company's intrastate long distance operations are subject to various state laws and regulations, including, in most jurisdictions, certification and tariff filing requirements. The Company has received the necessary certificate and tariff approvals to provide intrastate long distance service in 48 states. Certificates of authority can generally be conditioned, modified, canceled, terminated, or revoked by state regulatory authorities for failure to comply with state law and/or the rules, regulations, and policies of the state regulatory authorities. Fines and other penalties also may be imposed for such violations. PSCs also regulate access charges and other pricing for telecommunications services within each state. The RBOCs and other local exchange carriers have been seeking reduction of state regulatory requirements, including greater pricing flexibility which, if granted, could subject the Company to increased price competition. The Company may also be required to contribute to universal service funds in some states.

Foreign Ownership Affiliations and Limitations. The Communications Act limits the ownership of an entity holding a common carrier radio license by non-U.S. citizens, foreign corporations and foreign governments. Through TresCom, the Company holds common carrier wireless licenses. In its order implementing the U.S. commitments under the WTO Agreement, the FCC established new rules that effectively relax the foreign ownership limits for common carrier wireless licensees. The new rules permit up to 100% foreign indirect ownership of wireless licenses by foreign interests from members of the WTO. FCC rules also require international carriers to notify the FCC 60 days in advance of an acquisition of a 25% or greater controlling interest by a foreign carrier in that U.S. carrier or an acquisition by the U.S. carrier of a 25% or greater controlling interest in a foreign carrier. After receiving this notification, the FCC can require the Company to meet certain "dominant carrier" reporting and other conditions if the Commission finds that the acquisition creates an affiliation with a dominant foreign carrier. In addition, if the Company becomes affiliated with a dominant carrier from a country that is not a member of the WTO, the FCC will apply an "effective competitive opportunities" test and could prevent the Company from providing services between the United States and that country. The effect on the Company of the WTO Agreement or other new legislation, or the outcome of the FCC's rulemaking regarding implementing WTO regulations which may become applicable to the Company, cannot be determined.

Canada

Telecommunications carriers are regulated generally by the CRTC which has enacted policies and regulations that include the establishment of contribution charges (the equivalent of access charges in the U.S.), deregulation of the international segment of the long-distance market, limitations on switched hubbing through the United States and restrictions on foreign ownership for facilities-based carriers. In addition, Canada has committed in the WTO Agreement to eliminate a number of barriers to competition, some of which are expected to be eliminated in October 1998. Teleglobe Canada, Inc. ("Teleglobe"), which currently has a monopoly over international transmission services until October 1, 1998, offers international carrier service on a nondiscriminatory basis to both facilities-based carriers and resellers, who may have direct access to its international gateways. The Company is permitted to provide ISR of private leased lines to any country which permits such arrangements on a reciprocal basis. Routing of basic intra-Canada traffic or basic traffic destined to third countries through U.S. facilities is, however, prohibited. Despite these restrictions, Primus as a reseller is virtually unregulated by the CRTC. In particular, because the Company does not own and operate transmission facilities in Canada, it is not subject to the Canadian Telecommunications Act or the regulatory authority of the CRTC. The Company may therefore provide resold Canadian long distance service without rate, price or tariff regulation, ownership limitations, or other regulatory requirements.

Competition. Long distance competition has been in place in Canada since 1990 for long distance resellers and since 1992 for facilities-based carriers. Since 1994, the ILECs have been required to provide "equal access" which eliminated the need for customers of competitive long distance providers to dial additional digits when placing long distance calls. In June 1992, the CRTC issued its ground-breaking Telecom Decision CRTC 92-12 requiring the largest telephone companies to interconnect their networks with their facilities-based as well as resale competitors. The dominant Stentor group of companies, including Bell Canada, offers both local and long distance services in the respective regions of each of the group's member telephone companies. Other nationwide providers are AT&T Canada Long Distance Services, Sprint Canada and fONOROLA, Inc. Additional long distance services competition is provided by a substantial resale long distance industry in Canada. Although resellers do not own facilities, they are able to provide the same range of domestic services and long distance services as facilities-based carriers by leasing capacity and other services from facilities-based carriers.

Foreign Ownership Restrictions. Under Canada's Telecommunications Act and certain regulations promulgated pursuant to such Act, foreign ownership restrictions are applicable to facilities-based carriers (known as "Canadian carriers"), but not resellers, which may be wholly foreign-owned and controlled. These restrictions limit the amount of direct foreign investment in Canadian carriers to no more than 20% of the voting equity of a Canadian carrier operating company and no more than 33 1/3% of the voting equity of a Canadian carrier holding company. The restrictions also limit the number of seats which may be occupied by non-Canadians on the Board of Directors of a Canadian carrier operating company to 20%. In addition, under Canadian companies law, a majority of Canadians must occupy the seats on the Board of Directors of a Canadian carrier holding company. Although it is possible for foreign investors to also hold non-voting equity in a Canadian carrier, the law requires that the Canadian carrier not be "controlled in fact" by non-Canadians. Based on Canada's commitment in the WTO Agreement, the restriction on foreign investment in facilities-based telecommunications service providers remains largely intact, but will be eliminated as October 1, 1998 for operations conducted under an international submarine cable license and for certain satellites.

Australia

The provision of the Company's services is subject to federal regulation. Two primary instruments of regulation have been the Telecommunications Act 1991 and federal regulation of anti-competitive practices pursuant to the Trade Practices Act. The regulatory climate changed in July 1997 with the implementation of the Telecom Act. These latest changes to the regulatory framework have been described by the Australian Government as the achievement of the Government's long-term objective of an internationally competitive telecommunications industry in Australia through full and open competition.

The Company is licensed under the Telecom Act to own and operate transmission facilities in Australia. Under the new regulatory framework, the Company does not require a carriage license in order to supply carriage services to the public using network facilities owned by another carrier. Instead, with respect to carriage services, the Company must comply with legislated "service provider" rules contained in the Telecom Act covering matters such as compliance with the Telecom Act, operator services, regulation of access, directory assistance, provision of information to allow maintenance of an integrated public number database, and itemized billing.

Also, in connection with the Telecom Act, two federal regulatory authorities now exercise control over a broad range of issues affecting the operation of the Australian telecommunications industry. The ACA is the authority regulating matters including the licensing of carriers and technical matters, and the ACCC has the role of promotion of competition and consumer protection. The Company is required to comply with the terms of its own license, is subject to the greater controls applicable to licensed facilities-based carriers and is under the regulatory control of the ACA and the ACCC. Anti-competitive practices will also continue to be regulated by the Trade Practices Act. In addition, other federal legislation, various regulations pursuant to delegated authority and legislation, ministerial declarations, codes, directions, licenses, statements of Commonwealth Government policy and court decisions affecting telecommunications carriers also apply to the Company.

In the Australian context, a distinction is drawn in the Telecom Act between carriers and other providers of telecommunications services. However, distinctions are no longer drawn between types of carriers such as fixed or mobile. Carriers are the providers of telecommunications infrastructure and carriage service providers extend service to the end-users. In practice, most carriers are expected also to be carriage service providers. There is now no limit to the number of carriers who may be licensed, and it is expected that additional licenses will be granted. As a result of the Telecom Act, any company that meets the relevant financial and technical standards and complies with the license application process can become a licensed carrier permitted to own and operate transmission facilities in Australia. New carriers seeking a license must provide an industry development plan approved by the Australian Government. Carriers are licensed individually, are subject to charges that are intended to cover the costs of regulating the telecommunications industry, and are obliged to comply with license conditions (including obligations to comply with the Telecom Act, with certain commitments made in their industry development plan and with the telecommunications access regime and related facilities access obligations). The Company has submitted its industry development plan to the Australian Government. The plan includes relevant particulars of the carrier's strategic commercial relationships, R&D activities, export development plans, and arrangements aimed at encouraging employment in industries involved in the manufacture, development or supply of facilities. A summary of the plan must be made available to the public. Carriers must also meet the universal service obligation, to assist in providing all Australians, particularly in remote areas, with reasonable access to standard telephone services. The costs required to be paid by the Company in connection with this obligation have not yet been determined by the Australian government, but they are not expected to be material.

Tariffs. The ACCC has access to various information on market conduct. The ACCC's information gathering powers include: a requirement on Telstra to continue to file tariffs with the ACCC about its basic carriage services, unless the ACCC exempts it from this obligation; an ability to direct any carrier or carriage service provider with a substantial degree of market power to file tariff information; and an ability to set rules regarding the way carriers or carriage service providers keep records so that, e.g., information is kept in a form that will assist the ACCC in determining terms and conditions of access under the telecommunications access regime.

Tariff filing will essentially be an information gathering tool to supplement the ACCC's general information gathering powers, and to assist in identifying anticompetitive conduct such as predatory pricing and preferential pricing to a related person. If, on the basis of the information provided in a tariff filing, the ACCC forms the view that a carrier is engaging in anticompetitive conduct, it may use its powers to stop that conduct.

The ACCC may make tariff information publicly available if it is satisfied there would be a public benefit (e.g., by enabling other industry players to scrutinize the tariffs for anticompetitive purpose or effect, or to inform

the public). The ACCC will balance concerns about commercial confidentiality and the promotion of competition against dealing with anticompetitive conduct and informing the public.

Fair Trading Practices. The ACCC will enforce legislation for the promotion of competition and consumer protection, particularly rights of access (including pricing for access) and interconnection. The ACCC will be able to issue a competition notice to a carrier which has engaged in anticompetitive conduct. Where a competition notice has been issued, the ACCC will be able to seek pecuniary penalties, and other carriers will be able to seek damages, if the carrier continues to engage in the specified conduct.

The Telecom Act package of legislation includes a telecommunications access regime that provides a framework for regulating access rights for specific carriage services and related services. The regime establishes mechanisms within which the terms and conditions of access can be determined. The Australian Government intends the access regime to reduce the power of Telstra and Optus (as the former protected fixed line carriers) and other carriers who may come to own or control important infrastructure or services necessary for competition.

The regime establishes access rights through the declaration of services by the ACCC. The ACCC may declare services to be the subject of regulated access, either on the recommendation of the industry self-regulatory body or where, following a public inquiry, the ACCC is satisfied that a declaration would be in the long-term interests of end-users of telecommunications services. Once a service is declared, carriers supplying that service are, unless otherwise exempt, under an obligation to supply the declared service to other carriers and service providers.

Access providers must comply with their access obligations on conditions negotiated between the access provider and access seeker; as detailed in an access undertaking; or as determined by the ACCC through arbitration.

It is expected that in many areas, the industry will negotiate, on a multilateral basis, standard terms and conditions for access to declared services. The access regime establishes a mechanism for the industry to develop an access code containing model terms and conditions for access to particular declared services. Once approved by the ACCC, those model terms and conditions may be adopted in an undertaking by individual carriers who are under an access obligation.

Carrier license conditions will include an obligation to provide other carriers with access to certain facilities and network information. A carrier must provide other carriers with access to its facilities for the purpose of enabling the other carriers to provide competitive facilities and competitive carriage services or to establish their own facilities; to certain information relating to the operation of its telecommunications network; and to its infrastructure, including transmission towers, the sites of transmission towers and underground facilities that are designed to hold lines, if technically feasible.

In July 1997, the Australian government mandated that Telstra provide access to its facilities at specified rates to other service providers including the Company. The Company is negotiating various access arrangements with Telstra which will be substituted for the mandated arrangements.

Foreign Ownership Limitations. Foreign investment in Australia is regulated by the Foreign Acquisitions and Takeovers Act 1975. Administration of the Australian Government's policy on foreign investment is based on guidelines published in 1992 providing for notification of proposals for the establishment of new businesses involving total investment of at least A$10 million and proposals for the acquisition of existing business with total assets valued at more than A$5 million. The Company notified the Australian Government of its proposed acquisition of Axicorp in 1996 and was informed at that time that there were no objections to the investment in terms of Australia's foreign investment policy. There can be no assurance, however, that additional foreign ownership restrictions will not be imposed on the telecommunications industry or other foreign investors, including the Company, in the future.

Japan

The Company's services in Japan are or will be subject to regulation by the Japanese Telecom Ministry under the Japanese Telecom Law. The Company has obtained a license as a Special Type II business, which allows it to provide telecommunications services over international circuits leased from another carrier, or domestic service in Japan over leased circuits if the volume of traffic exceeds a certain amount. The Company may also provide over leased lines basic telecommunications services, value-added services and services to closed user groups. The Company is preparing to apply for a license to operate as a Type I business, which would allow the Company to provide telecommunications services using their own facilities. The Company only must notify the Japanese Telecom Ministry as a General Type II business if it provides domestic service in Japan over leased circuits and does not exceed the traffic threshhold applicable to Special Type II businesses. Although the Japanese government until recently prohibited greater than 33% foreign ownership of a Type I business, as well as the resale of international private lines interconnected to the public switched network at both ends, the Japanese Telecom Ministry recently has begun awarding authorizations to foreign-affiliated carriers to provide telecommunications services using their own facilities and to resell interconnected international private lines. The Japanese Telecom Ministry also regulates the interconnection charges imposed by Type I businesses, and must approve intercarrier agreements between Type I carriers or between Type I and Special Type II carriers.

European Union

In Europe, the regulation of the telecommunications industry is governed at a supra national level by the European Commission, consisting of members from the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom (the "EU"), which is responsible for creating pan-European policies and, through legislation, developing a regulatory framework to ensure an open, competitive telecommunications market.

In 1990, the European Commission issued the Services Directive requiring each EU member state to abolish existing monopolies in telecommunications services with the exception of real time two-way voice telephony to the public, which was still reserved to the PTT. The intended effect of the Services Directive was to permit the competitive provision of all services, including value-added services and voice services to closed user groups ("CUG"), other than such reserved public voice telephony services. However, as a consequence of local implementation of the Services Directive through the adoption of national legislation, there are differing interpretations of the definition of such reserved voice telephony services and permitted value-added and CUG services. Other voice services accessed by customers through leased lines were permissible in all EU member states. The European Commission has generally taken a narrow view of the services classified as reserved voice telephony, declaring that voice services may not be reserved to the PTTs if (i) dedicated customer access is used to provide the service, (ii) the service essentially consists of new value-added benefits on users (such as alternative billing methods) or (iii) calling is limited by a service provider to a group having legal, economic or professional ties.

In March 1996, the EU adopted the Full Competition Directive containing two provisions which required EU member states to allow the creation of alternative telecommunications infrastructures by July 1, 1996, and which reaffirmed the obligations of EU member states to abolish the PTTs' monopolies in voice telephony by 1998. To date, Denmark, Finland, the Netherlands, Sweden, Germany, France, Austria and the U.K. have liberalized facilities-based competition. Certain EU countries may delay the abolition of the voice telephony monopoly based on derogations established in the Full Competition Directive. These countries include Luxembourg (July 1, 1998), Spain (November 30, 1998), Ireland (December 31, 1998), Portugal (January 1, 2000) and Greece (December 31, 2000).

Each EU member state in which the Company currently conducts or plans to conduct its business has a different regulatory regime and such differences have continued beyond January 1998. The requirements for the Company to obtain necessary approvals vary considerably from country to country and are likely to change as competition is permitted in new service sectors. Most EU member states require companies to obtain a license in order to provide voice telephony services or construct and operate telecommunications networks. However, the

EU generally does not permit its member states to require individual licenses for other types of services. In addition, the Company has obtained and will continue to seek to obtain interconnection agreements with other carriers within the EU. While EU directives require that dominant carriers offer cost-based and nondiscriminatory interconnection to competitors, individual EU member states have implemented and may implement this requirement differently. As a result, the Company may be delayed in obtaining or may not be able to obtain interconnection in certain countries that would allow the Company to compete effectively. Moreover, there can be no guarantee that long distance providers such as the Company will be able to afford their customers "equal access" to their networks, and the absence of such equal access could put such long distance companies at a disadvantage with respect to existing PTTs.

United Kingdom

The Company's services are subject to the provisions of the United Kingdom Telecommunications Act. The Secretary of State for Trade and Industry, acting on the advice of the United Kingdom Department of Trade and Industry (the "DTI"), is responsible for granting UK telecommunications licenses, while the Director General of Telecommunications (the "Director General") and Oftel are responsible for enforcing the terms of such licenses. Oftel attempts to promote effective competition both in networks and in services to redress anticompetitive behavior.

In 1991, the British government established a "multi-operator" policy to replace the duopoly that had existed between British Telecom and Mercury. Under the multi-operator policy, the DTI recommends the grant of a license to operate a telecommunications network to any applicant that the DTI believes has a reasonable business plan and where there are no other overriding considerations not to grant such license. All public telecommunications operators and international simple resellers operate under individual licenses granted by the Secretary of State for Trade and Industry pursuant to the United Kingdom Telecommunications Act. Any telecommunications system with compatible equipment that is authorized to be run under an individual license is permitted to interconnect to British Telecom's network. Under the terms of British Telecom's license, it is required to allow any such licensed operator to interconnect its system to British Telecom's system, unless it is not reasonably practicable to do so (e.g., due to incompatible equipment).

The Company's subsidiary, Primus Telecommunications Limited, holds an ISVR license that authorizes it to provide switched voice services over leased private lines to all international points. In addition, the Company's subsidiary, Primus Telecommunications Limited, has received a license from the United Kingdom's Secretary for Trade and Industry to provide international facilities-based voice services to all international points from the United Kingdom. This license also allows the holder to acquire ownership interests in or construct the United Kingdom half circuit of any IRU as well as backhaul facilities. The international facilities-based license together with the international simple resale license authorize the provision of every voice and data service, except the provision of broadcasting and mobile services. While the international facilities-based license authorizes the Company to acquire ownership interests in the United Kingdom half-circuit of satellite space segment in order to provide satellite-based services, it is also necessary to apply for a Wireless Telegraphy Act 1949 License which authorizes the use of the spectrum.

Tariffs. Telecommunications tariffs on operators in the United Kingdom (excluding British Telecom) are generally not subject to prior review or approval by regulatory authorities, although Oftel has historically imposed price caps on British Telecom. British Telecom has advocated and will likely continue to advocate for greater pricing flexibility, including flexibility for pricing toll free and other services. Greater pricing flexibility could allow British Telecom to charge the Company higher prices for certain services or to charge end user customers prices that are lower than the Company is able to charge.

Interconnection and Indirect Access. The Company must interconnect its U.K. network to networks of other service providers in the United Kingdom and allow its end user customers to obtain access to its services in order to compete effectively in the United Kingdom. In the United Kingdom, licensed long distance carriers such as the Company can obtain interconnection to British Telecom at cost-based rates. However, while

customers of British Telecom's long distance service can access that service automatically (i.e., without dialing additional digits), customers of other long distance carriers generally must dial additional digits to access their chosen carrier's services.

Fair Trading Practices. Oftel is the principal regulator of the competitive aspects of the United Kingdom telecommunications industry. Oftel's limited authority in this area is derived from the powers given to Oftel under the United Kingdom Telecommunications Act and from the terms of the licenses granted under the United Kingdom Telecommunications Act. Any dispute between Oftel and a telecommunications service provider may be referred on appeal to the United Kingdom Monopolies and Mergers Commission, which may conduct a detailed and lengthy review of the facts surrounding such dispute. At present, Oftel has no authority to impose fines for a breach of the terms of a license issued under the United Kingdom Telecommunications Act, and third parties have no right to damages for a past breach. Oftel has expressed its view that the current regulatory regime is both obscure and uncertain. Oftel has, however, been successful in its efforts to introduce a general competition provision into British Telecom's license and those of all other Telecommunications Act licensees modeled on European law so as to better police any potential anticompetitive conduct harmful to the Company. The Fair Trading condition is already incorporated in all international facilities-based licenses and has been incorporated in all international simple voice resale licenses beginning in July 1997. There are no foreign ownership restrictions that apply to telecommunications company licensing in the United Kingdom although the DTI does have a discretion as to whether to award licenses on a case by case basis. The Company is also subject to general European law, which, among other things, prohibits certain Anticompetitive agreements and abuses of dominant market positions through Articles 85 and 86 of the Treaty of Rome. The European Commission is entrusted with the principal enforcement powers under European Union competition law. It has the power to impose fines of up to 10% of a group's annual revenue in respect of breaches of Articles 85 and 86. In most cases notification of potentially infringing agreements to the Commission under Article 85 with a request for an exemption protects against the risk of fines from the date of notification.

Germany

The German Telecom Act liberalized all telecommunications activities, except for the voice telephony monopoly which was abolished on January 1, 1998. The German Telecom Act has been complemented by several ordinances. The most significant ordinances concern network access, rate regulation, universal service, frequencies and customer protection.

Under the German regulatory scheme, licenses are required for the operation of infrastructure and the provision of voice telephony services. Licenses required for the operation of infrastructure are divided into 3 license classes: mobile telecommunications (license class 1); satellite (license class 2); and other telecommunications services for the general public (license class 3). In addition to the infrastructure licenses, a separate license is required for provision of voice telephony services to the general public on the basis of self-operated telecommunications networks (license class 4). A class 4 license does not include the right to operate transmission infrastructure. All other telecommunications services (e.g. value-added, data, etc.) are only subject to a notification requirement.

The Regulierungsbehorde fur Telekommunikation und Post ("RegTP") has granted the Company a class 4 license which, according to RegTP's current reading of the German Telecom Act, gives Primus the ability to originate and terminate calls throughout Germany. However, the RegTP may reinterpret the German Telecom Act with regard to license requirements for Germany-wide origination and termination. If that occurs the Company may have to extend its licenses and may incur additional license fees.

Companies that desire to connect with Deutsche Telekom's network must enter into an interconnection agreement which specifies certain interconnection tariffs. Changes in German regulatory policy may require network providers requesting the lowest available interconnection tariffs from Deutsche Telekom to either substantially invest in network technology (i.e. by installing more points of interconnection) or pay higher prices. If a provider does not agree with the tariff rates offered by Deutsche Telekom, the provider can take the case to

the RegTP which determines the applicable rates. Since the Company is not a dominant carrier, it is not subject to the same interconnection obligations toward third parties.

Several complaints, the outcome of which may affect the Company's business, are currently pending before the RegTP or German courts concerning interconnection with Deutsche Telekom. Since Deutsche Telekom and some of its major competitors in Germany have been unable to reach agreement on interconnection rates, the RegTP established provisional interconnection tariffs in September 1997 which Deutsche Telekom has since challenged in court. These rates are now part of the standard offer of Deutsche Telekom and valid for all interconnected and licensed carriers for as long as the matter is pending before the German courts. Court review of these rates may result in higher rates being imposed on network operators retroactively as the standard interconnection agreement provides for retroactive effect of the court's final decision. Other pending complaints concern the costs of billing services provided by Deutsche Telekom to other carriers and rates for direct access to the end-user lines of Deutsche Telekom. It is expected that a final resolution to these matters will take several years.

The Company has entered into an interconnection agreement with Deutsche Telekom at the regulated standard interconnection rates presently under court review. The Company's interconnection agreement with Deutsche Telekom permits the parties to renegotiate interconnection rates or other provisions of the agreement in the event of a change in the German regulatory environment or other circumstances which have a bearing on the economic basis of the interconnection agreement, a party's license situation or those which are considered by both parties to materially affect the interconnection agreement in any other way. In addition, Deutsche Telekom has the right under the agreement to apply to the RegTP for a ruling regarding (i) whether the Company's German network structure, in particular the number and locations of points of interconnection with Deutsche Telekom, entitles the Company to interconnection as defined by Section 35 of the German Telekom Act and (ii) whether the structure entitles the Company to the switching of calls originating Germany-wide. If Deutsche Telekom requests such a ruling, the interconnection agreement will have to be amended to reflect this ruling. Deutsche Telekom has informed the Company by letter dated May 29, 1998 that it will request such a ruling from the RegTP in accordance with the interconnection agreement. The request is presently being reviewed by the RegTp. An unfavorable decision by the RegTP overturning its current policy could potentially adversely affect the Company's German business by requiring additional investments into points of interconnection or switching facilities, the payment of higher connection prices or a geographic restriction on the switching of calls.

The Company is or may become subject to certain other requirements as a licensed telecommunications provider in Germany. For example, licensed providers are under an obligation to present their standard terms and conditions to the RegTP. The RegTP may, based upon certain criteria, decide not to accept these terms and conditions. The Company may also become subject to universal service financing obligations. Currently, it is unlikely that the universal service financing system will be implemented in Germany in the foreseeable future. However, in the event that the system is implemented, Primus could be subject to such universal service requirements and financing schemes if the Company has a market share in Germany of at least 4%.

Latin America

Various countries in Latin America have taken initial steps towards deregulation in their telecommunications markets. Each Latin American country has a different national regulatory regime and each country is in a different stage of liberalization. Historically, Latin American countries have reserved the provision of voice services to the state-owned PTT. In the last few years, several Latin American countries have completely or partially privatized their national carriers, including Argentina, Chile, Mexico, Peru and Venezuela. In addition, certain countries have partially or completely opened their local and/or long distance markets, most notably Chile, which has competitive operators in all sectors. Argentina has liberalized certain telecommunications services, such as value-added, paging, data transmission, and Personal Communications Services (PCS). Brazil currently is in the process of opening its telecommunications market to competition. Brazil intends to privatize Telecomunicacoes Brasileras S.A. ("Telebras"), which, through its 28 regional subsidiaries, hold a monopoly over the provision of local telephone services, as well as Empresa Brasiliera de Telecomunicacoes, S.A. the monopoly provider of long distance and international telephone services. Moreover,

Columbia has recently opened national and international long distance services to competition, and has awarded two new concessions for the provision of these services to two major local exchange carriers in Colombia--Empresas de Telecomunicaciones de Bogota and Orbitel, S.A. In Colombia the provision of value-added services and voice services to closed-user groups is open to competition. Mexico initiated competition in the domestic and international long distance services market on January 1, 1996, which are subject to a concession requirement. In addition, the Mexican government has recently opened basic telephony, and is currently auctioning radioelectric spectrum frequencies for the provision of PCS and LMDS. Value-added services are also fully open to competition in Mexico. Finally, in the Central American region, Guatemala and El Salvador have recently opened their telecommunications market to competition, abolishing all restrictions on foreign investment in this sector. Other countries in Central America, such as Nicaragua and Honduras, are in the process of privatizing their state-owned carriers, and have not fully opened their markets to competition.

EMPLOYEES

The following table summarizes the number of full-time employees of the Company (including those employees added as a result of the TresCom Merger) as of June 15, 1998, by region and classification:

	NORTH AMERICA	ASIA-PACIFIC	EUROPE	TOTAL
Management and Administrative	123	55	9	187
Sales and Marketing	192	106	15	313
Customer Service and Support	106	66	17	189
Technical	92	79	12	183
Total	513	306	53	872

The Company has never experienced a work stoppage, and none of the Company's employees, including the employees of TresCom, are represented by a labor union or covered by a collective bargaining agreement. The Company considers its employee relations to be excellent.

PROPERTIES

The Company currently leases its corporate headquarters which is located in McLean, Virginia. Additionally, the Company also leases administrative, technical and sales office space in Washington, D.C., the New York City metropolitan area, Los Angeles and Tampa in the United States; Melbourne, Sydney, Brisbane, Perth and Adelaide in Australia; London in the United Kingdom; Vancouver, Toronto and Montreal in Canada; Tokyo in Japan; Mexico City in Mexico; and Frankfurt in Germany. Total leased space approximates 130,000 square feet and the total annual lease costs are approximately $2.9 million. The operating leases expire at various times through 2006.

TresCom leases all of its facilities, including its administrative and sales offices, and its switch locations. TresCom's headquarters in Fort Lauderdale, Florida consist of approximately 20,600 square feet of office space under leases that expire through April 2003. In addition, TresCom leases an aggregate of approximately 70,000 square feet where it maintains its sales offices or switches.

Certain communications equipment which includes network switches and transmission lines are leased through operating and capital leases.

Management believes that the Company's present administrative and sales office facilities are adequate for its anticipated operations and that similar space can readily be obtained as needed. The Company believes the current leased facilities to house existing communications equipment are adequate. However, as the Company's Network of switches grows, the Company expects to lease additional locations to house the new equipment.

LEGAL PROCEEDINGS

The Company is from time to time involved in litigation incidental to the conduct of its business. The Company believes the outcome of pending legal proceedings to which the Company is a party will not have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

EXECUTIVE OFFICERS AND DIRECTORS

The following table and biographies set forth information concerning the individuals who serve as directors and executive officers of the Primus:

NAME	AGE	POSITION	YEAR OF EXPIRATION OF TERM AS DIRECTOR
K. Paul Singh(1).....	47	Chairman of the Board of Directors, President, and Chief Executive Officer	1999
Neil L. Hazard.....	46	Executive Vice President and Chief Financial Officer	N/A
John F. DePodesta.....	53	Executive Vice President, and Director	1999
Ravi Bhatia.....	49	Chief Operating Officer, Primus Australia	N/A
Yousef Javadi.....	42	Chief Operating Officer, Primus North America	N/A
John Melick.....	39	Vice President of International Business Development	N/A
Jay Rosenblatt.....	33	Vice President, Global Carrier Services	N/A
Herman Fialkov(2)(3).....	76	Director	2000
David E. Hershberg(2).....	60	Director	2000
Douglas Karp.....	42	Director	2001
John G. Puente(1)(3).....	67	Director	2001

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(1) Member of Nominating Committee.
(2) Member of Compensation Committee.
(3) Member of Audit Committee.

K. Paul Singh co-founded Primus in 1994 with Mr. DePodesta and serves as its Chairman, President and Chief Executive Officer. From 1991 until he co-founded Primus, he served as the Vice President of Global Product Marketing for MCI. Prior to joining MCI, Mr. Singh was the Chairman and Chief Executive Officer of Overseas Telecommunications, Inc. ("OTI"), a provider of private digital communications in over 26 countries which he founded in 1984 and was purchased by MCI in 1991.

Neil L. Hazard joined Primus in 1996 as its Executive Vice President and Chief Financial Officer. Prior to joining Primus, Mr. Hazard was employed by MCI in several executive positions, most recently as its Director of Corporate Accounting and Financial Reporting, responsible for consolidation of MCI's financial results, external reporting to stockholders and SEC reporting. Mr. Hazard served as acting Controller of MCI for six months and as Director of Global Product Marketing. Prior to joining MCI in 1991, Mr. Hazard served as the Chief Financial Officer of OTI.

John F. DePodesta co-founded Primus in 1994 with Mr. Singh, and serves as a director and its Executive Vice President. In addition to his position with Primus, Mr. DePodesta currently serves as the Chairman of the Board of Iron Road Railways Incorporated, which he co-founded in 1994, and served as Senior Vice President, Law and Public Policy of Genesis Health Ventures, Inc. from January 1996 through March 1998. Additionally, since 1994 he has been "of counsel" to the law firm of Pepper Hamilton LLP, where he was previously a partner since 1979. Before joining Pepper Hamilton LLP, Mr. DePodesta served as the General Counsel of Consolidated Rail Corporation. See "Certain Transactions."

Ravi Bhatia joined Primus in October 1995 as the Managing Director of Primus Telecommunications Pty., Ltd. (Australia). In March 1996 Mr. Bhatia became the Chief Operating Officer of Primus Australia and as such is responsible for implementing Primus's business strategy in Australia. Mr. Bhatia has over 26 years of international experience in the telecommunications industry, which includes nine years of employment with MCI in various sales and marketing positions. Most recently, he served as the Director of Sales and Marketing for MCI in the South Pacific Region, based in Sydney.

Yousef Javadi joined Primus in March 1997 as Chief Operating Officer of Primus North America. Prior to joining Primus, Mr. Javadi was Vice President of Business Development at GE Americom (a GE Capital company) from 1995-1997. From 1991-1995 Mr. Javadi was at MCI, as Director of Global Services. From 1985-1991 he was at OTI as Vice President of Sales and Marketing. Prior to OTI, Mr. Javadi worked at Hughes Network Systems.

John Melick joined Primus in 1994 as its Vice President of Sales and Marketing, and since 1996, has served as Vice President of International Business Development of the Company. Prior to joining Primus, Mr. Melick was a Senior Manager with MCI responsible for the day-to-day management of its global product portfolio in Latin America and the Caribbean region. He joined MCI in 1991 at the time of the acquisition of OTI where he managed the development of OTI's service expansion into Mexico and Latin America.

Jay Rosenblatt has served as Primus' Vice President of Global Carrier Services since January 1996 and previously was Director of Marketing and Sales responsible for Primus' commercial programs from September 1994 to January 1996. Prior to joining Primus in 1994, Mr. Rosenblatt was with MCI as the marketing manager responsible for private network services in the Americas and Caribbean.

Herman Fialkov became a director of Primus in 1995. Mr. Fialkov is a consultant to Newlight Management LLC and a General Partner of PolyVentures Associates, L.P., a venture capital firm and has been associated with various venture capital firms since 1968. Previously, he was an officer and director of General Instrument Corporation which he joined in 1960 as a result of its acquisition of General Transistor Corporation, a company Mr. Fialkov founded.

David E. Hershberg became a director of Primus in 1995. Mr. Hershberg is the founder, President and CEO of GlobeComm Systems, Inc., a system integrator of satellite earth stations. From 1976 to 1994, Mr. Hershberg was the President and Chief Executive Officer of Satellite Transmission Systems, Inc., a global provider of satellite telecommunications equipment, and became a Group President of California Microwave, Inc., a company that acquired Satellite Transmission Systems, Inc.

Douglas M. Karp became a director Primus in June 1998. Mr. Karp has been a Managing Director of E.M. Warburg, Pincus & Co., LLC (or its predecessor, E.M. Warburg, Pincus & Co., Inc.) since May 1991. Prior to joining E.M. Warburg, Pincus & Co., LLC, Mr. Karp held several positions with Salomon Inc. including Managing Director from January 1990 to May 1991, Director from January 1989 to December 1989 and Vice President from October 1986 to December 1988. Mr. Karp is a director of LCI International, Inc., TV Filme, Inc., Journal Register Company and several privately held companies.

John G. Puente became a director of Primus in 1995. From 1987 to 1995, he was Chairman of the Board and CEO of Orion Network Systems, a satellite telecommunications company. Mr. Puente is currently Chairman of the Board of Telogy Networks, Inc., a privately-held company. Prior to joining Orion, Mr. Puente was Vice Chairman of M/A-Com Inc., now known as Hughes Network Systems, Inc., a diversified telecommunications and manufacturing company, which he joined in 1978 when M/A-Com acquired Digital Communications Corporation, a satellite terminal and packet switching manufacturer of which Mr. Puente was a founder and Chief Executive Officer.

Under the terms of a shareholders' agreement entered into in connection with the TresCom Merger among Primus, Warburg, Pincus and Mr. Singh, Primus has agreed to nominate one individual selected by Warburg, Pincus and reasonably acceptable to the non-employee directors of Primus, to serve as a member of the Primus board of directors. The foregoing nomination right remains effective so long as Warburg, Pincus is the beneficial owner of 10% or more of the outstanding Common Stock. In June 1998, Mr. Karp joined the Primus board of directors pursuant to the foregoing arrangement.

CLASSIFIED BOARD OF DIRECTORS

Pursuant to the Company's By-Laws, the Board of Directors is divided into three classes of directors each containing, as nearly as possible, an equal number of directors. Directors within each class are elected to serve

three-year terms and approximately one-third of the directors sit for election at each annual meeting of the Company's stockholders. A classified board of directors may have the effect of deterring or delaying any attempt by any group to obtain control of the Company by a proxy contest since such third party would be required to have its nominees elected at two separate annual meetings of the Board of Directors in order to elect a majority of the members of the Board of Directors. Directors who are elected to fill a vacancy (including vacancies created by an increase in the number of directors) must be confirmed by the stockholders at the next annual meeting of stockholders whether or not such director's term expires at such annual meeting.

COMPENSATION OF DIRECTORS

During 1997, Primus paid each director $500 for each Primus Board meeting and each Primus Committee meeting attended by such director in person. Commencing with 1998, Primus pays directors an annual fee of $10,000 and will reimburse their expenses for attending meetings, but has discontinued paying any meeting fees. In addition, Primus grants each person who becomes an Eligible Director (as defined in the Director Option Plan) options to purchase 15,000 shares of the Common Stock pursuant to Primus's Director Option Plan which vest one-third upon the grant date, and one-third on each of the first and second anniversary of the grant dates. Primus did not grant any such options in 1997.

COMMITTEES OF THE BOARD

The Company's Board of Directors has appointed an Audit Committee, Nominating Committee and a Compensation Committee.

Audit Committee. The Audit Committee, which currently consists of Mr. Puente and Mr. Fialkov, has the authority and responsibility: to hire one or more independent public accountants to audit the Company's books, records and financial statements and to review the Company's systems of accounting (including its systems of internal control); to discuss with such independent public accountants the results of such audit and review; to conduct periodic independent reviews of the systems of accounting (including systems of internal control); and to make reports periodically to the Board of Directors with respect to its findings.

Nominating Committee. The Nominating Committee, which currently consists of Messrs. Puente (Chairman) and Singh, is responsible for selecting those persons to be nominated to the Company's Board of Directors.

Compensation Committee. The Compensation Committee, which currently consists of Messrs. Fialkov (Chairman) and Hershberg, is responsible for fixing the compensation of the Chief Executive Officer and the other executive officers, deciding other compensation matters such as those relating to the operation of the Company's Employee Stock Option Plan and Director Stock Option Plan, including the award of options under the Employee Stock Option Plan, and approving certain aspects of the Company's management bonus plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Primus Board consists of Messrs. Fialkov and Hershberg, who were not at any time officers or employees of Primus. No executive officer of Primus serves as a member of the board of directors or compensation committee of another entity which has one or more executive officers that will serve as a member of the Primus Board or the Primus Compensation Committee.

EXECUTIVE COMPENSATION

The following table sets forth, for the years ended December 31, 1997, 1996 and 1995 certain compensation information with respect to Primus's Chief Executive Officer and the other Company officers named therein (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
					AWARDS		PAYOUTS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPEN-SATION ($)	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/ SARS (#)	LTIP PAYOUTS ($)	ALL OTHER COMPEN-SATION ($)
K. Paul Singh--Chairman of the Board of Directors, President and Chief Executive Officer	1997	247,692	160,000	--	--	100,000	--	--
	1996	185,000	100,000	--	--	338,100	--	--
	1995	185,000(1)	--	--	--	--	--	--
Neil L. Hazard--Executive Vice President and Chief Financial Officer	1997	159,231	100,000	--	--	40,000	--	--
	1996	118,461	60,000	--	--	304,290	--	--
	1995	--	--	--	--	--	--	--
Yousef B. Javadi--Chief Operating Officer, Primus North America	1997	121,154	60,000	--	--	170,000	--	--
	1996	--	--	--	--	--	--	--
	1995	--	--	--	--	--	--	--
John F. DePodesta--Executive Vice President	1997	100,000	--	--	--	180,000	--	--
	1996	--	10,000	--	--	--	--	--
	1995	--	--	--	--	101,430	--	--
Ravi Bhatia--Chief Operating Officer, Primus Australia	1997	105,004	50,000	--	--	30,000	--	--
	1996	96,740	30,000	--	--	33,810	--	--
	1995	21,580	--	--	--	67,620	--	--

(1) Of this amount, payment of $77,200 was deferred and subsequently paid on July 31, 1996.

STOCK OPTIONS GRANTED TO CERTAIN EXECUTIVE OFFICERS DURING LAST FISCAL YEAR

Under the Stock Option Plan, options to purchase Common Stock are available for grant to selected employees of Primus. Options are also available for grant to eligible directors under Primus's Director Stock Option Plan. The following table sets forth certain information regarding options for the purchase of Common Stock that were awarded to the Named Executive Officers during 1997.

OPTION GRANTS IN FISCAL YEAR ENDED DECEMBER 31, 1997

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATE OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/ SARS GRANTED (#)	PERCENT OF TOTAL OPTIONS/ SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OF BASE PRICE ($/SH)	EXPIRATION DATE	5% ($)	10% ($)
K. Paul Singh--Chairman of the Board of Directors, President and Chief Executive Officer	100,000	9%	$14.00	12/22/02	386,820	854,700
Neil L. Hazard--Executive Vice President and Chief Financial Officer	40,000	4%	$14.00	12/22/02	154,728	341,880
Yousef B. Javadi--Chief Operating Officer, Primus North America	150,000	14%	$ 8.25	3/21/02	341,921	755,494
	20,000	2%	$14.00	12/22/02	77,364	170,940
John F. DePodesta--Executive Vice President	180,000	17%	$14.00	12/22/02	696,276	1,538,460
Ravi Bhatia--Chief Operating Officer, Primus Australia	30,000	3%	$14.00	12/22/02	116,046	256,410

There were no options exercised by Primus's Chief Executive Officer or the Named Executive Officers during the year ended December 31, 1997.

STOCK PLANS

Employee Stock Option Plan. The Company established the Employee Stock Option Plan for its employees and consultants on January 2, 1995. Recently, the Board adopted and the stockholders approved an amendment to the Employee Stock Option Plan that, among other things, increased the number of options available for grant and expanded the category of plan participants. The Employee Stock Option Plan provides for the grant to selected full and part-time employees and consultants of the Company and its Subsidiaries who contribute to the development and success of the Company and its Subsidiaries of both "incentive stock options" within the meaning of Section 422 of the Code ("ISOs") and options that are non-qualified for federal income tax purposes ("NQSOs"); provided, however, that consultants are eligible for the grant of NQSOs only. The total number of shares of Common Stock for which options may be granted pursuant to the Employee Stock Option Plan is 3,690,500, of which 917,522 are available for future grants, subject to certain adjustments reflecting changes in the Company's capitalization. No individual may receive, over the term of the Employee Stock Option Plan, Options for more than an aggregate of 25% of the shares authorized for grant under the Employee Stock Option Plan. The Employee Stock Option Plan is currently administered by the Compensation Committee of the Board which is comprised of directors who are not also employees of the Company. The Compensation Committee determines, among other things, which employees and consultants will receive options under the Employee Stock Option Plan, the time when options will be granted, the type of option (ISO or NQSO, or both) to be granted, the number of shares subject to each option, the time or times when the options will become exercisable and expire, and, subject to certain conditions discussed below, the option price and duration of the option. Board members administering the Employee Stock Option Plan may vote on any matters affecting the administration of the Plan, except that no member may act upon the granting of an option to himself or herself.

The exercise price of the options granted under the Employee Stock Option Plan is determined by the Board of Directors, but may not be less than the fair market value per share of the Common Stock on the date the option is granted. If, however, an ISO is granted to any person who, at the time of the grant, owns capital stock possessing more than 10% of the total combined voting power of all classes of the company's capital stock, then the exercise price for such ISO may not be less than 110% of the fair market value per share of the Common Stock on the date the option is granted. The Board of Directors also determines the method of payment for the exercise of options under the Employee Stock Option Plan, and may consist entirely of cash, check, promissory notes or Common Stock having a fair market value on the date of surrender equal to the aggregate exercise price. The Board of Directors, in its sole discretion, may cooperate with an optionee to complete a cashless exercise transaction.

Options are not assignable or transferrable other than by will or the laws of descent and distribution. In general, if an employee's employment with, or a consultant's engagement by, the Company is terminated for any reason, such employee's or consultant's options exercisable on the date of termination are exercisable for three months following the date of termination. If the Board of Directors makes a determination that a terminated employee or consultant engaged in disloyalty to the Company, disclosed proprietary information, is convicted of a felony, or breached the terms of a written confidentiality agreement or non-competition agreement, all unexercised options held by such employee or consultant terminate upon the earlier of the date of such determination or the date of termination. If the employment or service of an employee or consultant terminates because of disability or death, such employee's or consultant's options that are exercisable on the date of disability or death will remain exercisable for 12 months following the date of disability or death; provided, however, that if a disabled employee or consultant commences employment or service with a competitor of the Company during that 12-month period, all options held by the employee or consultant terminate immediately.

Options issued pursuant to the Employee Stock Option Plan outstanding on the date of a "change in control" of the Company become immediately exercisable on such date. A change in control for purposes of the Employee Stock Option Plan includes the acquisition by any person or entity of the beneficial ownership of 50% or more of the voting power of the Company's stock, the approval by the Company's stockholders of a merger, reorganization or consolidation of the Company in which the Company's stockholders do not own 50% or more of the voting power of the stock of the entity surviving such a transaction, the approval of the Company's stockholders of an agreement of sale of all or substantially all of the Company's assets, and the acceptance by the Company's stockholders of a share exchange in which the Company's stockholders do not own 50% or more of the voting power of the stock of the entity surviving such exchange.

There are no federal income tax consequences to the Company on the grant or exercise of an ISO. If an employee disposes of stock acquired through the exercise of an ISO within one year after the date such stock is acquired or within two years after the grant of the ISO (a "Disqualifying Disposition"), the Company will be entitled to a deduction in an amount equal to the difference between the fair market value of such stock on the date it is acquired and the exercise price of the ISO. There are no tax consequences to the Company if an ISO lapses before exercise or is forfeited. The grant of a NQSO has no immediate tax consequences to the Company. Upon the exercise of a NQSO by an employee or consultant, the Company is entitled to a deduction in an amount equal to the difference between the fair market value of the share acquired through exercise of the NQSO and the exercise price of the NQSO. There are no tax consequences to the Company if a NQSO lapses before exercise or is forfeited.

An employee who receives an ISO is not subject to federal income tax on the grant or exercise of the ISO; however, the difference between the option price and the fair market value of the Common Stock received on the exercise of the ISO ("ISO Stock") is an adjustment for purposes of the alternative minimum tax. Upon the exercise of an ISO, an employee will have a basis in the ISO Stock received equal to the amount paid. An employee will be subject to capital gain or loss upon the sale of ISO Stock, unless such sale constitutes a Disqualifying Disposition, equal to the difference between the amount received for the stock and the employee's basis in such. The gain or loss will be long- or short-term, depending on the length of time the ISO Stock was

held prior to disposition. There are no tax consequences to an employee if an ISO lapses before exercise or is forfeited.

In the event of a Disqualifying Disposition, an employee will be required to recognize (1) taxable ordinary income in an amount equal to the difference between the fair market value of the ISO Stock on the date of exercise of the ISO and the exercise price; and (2) capital gain or loss (long- or short-term, as the case may be) in an amount equal to the difference between (a) the amount realized by the employee upon the Disqualifying Disposition and (b) the exercise price paid by the employee for the stock, increased by the amount of ordinary income recognized by the employee, if any. If the disposition generates an allowable loss (e.g., a sale to an unrelated party not within 30 days of purchase of Common Stock), then the amount required to be recognized by the employee as ordinary income will be limited to the excess, if any, of the amount realized on the sale over the basis of the stock.

The Employee Stock Option Plan allows an employee or consultant to pay an exercise price in cash or shares of the Company's Common Stock. If the employee pays with shares of the Company's Common Stock that are already owned, the basis of the newly acquired ISO Stock will depend on the tax character and number of shares of the previously owned stock used as payment. If an employee pays with shares acquired upon other than the exercise of an ISO ("non-ISO Stock"), the transaction will be tax-free to the extent that the number of shares received does not exceed the number of shares of non-ISO Stock paid. The basis of the number of shares of newly acquired ISO Stock which does not exceed the number of shares of non-ISO Stock paid will be equal to the basis of the shares paid. The employee's holding period with respect to such shares will include the holding period of the shares of non-ISO Stock paid. To the extent that the employee receives more new shares than shares surrendered, the "excess" shares of ISO Stock will take a zero basis. If an employee exercises an ISO by using stock that is previously acquired ISO Stock, however, certain special rules apply. If the employee has not held the previously acquired ISO Stock for at least two years from the date of grant of the related ISO and one year from the date the employee acquired the previously acquired ISO Stock, the use of such ISO Stock to pay the exercise price will constitute a Disqualifying Disposition and subject the employee to income tax with respect to the ISO Stock as described above. In such circumstances, the basis of the newly acquired ISO Stock will be equal to the fair market value of the previously acquired ISO Stock used as payment.

The grant of a NQSO has no immediate tax consequences to an employee or consultant. The exercise of a NQSO requires an employee or consultant to include in gross income the amount by which the fair market value of the acquired shares exceeds the exercise price on the exercise date. The Company is required to withhold income and employment taxes from an employee's wages on account of this income. The employee's or consultant's basis in the acquired shares will be their fair market value on the date of exercise. Upon a subsequent sale of such shares, the employee or consultant will recognize capital gain or loss equal to the difference between the sales price and the basis in the stock. The capital gain or loss will be long- or short-term, depending on whether the employee or consultant has held the shares for more than one year. There are no tax consequences to an employee or consultant if a NQSO lapses before exercise or is forfeited. If an employee or consultant uses previously owned Common Stock as payment for the exercise price of a NQSO, to the extent the employee or consultant surrenders the same number of shares received, the exchange is tax-free and the new shares will have a basis equal to that of the shares surrendered. The holding period for the new shares will include the period the employee or consultant held the surrendered shares. To the extent the employee or consultant receives more new shares than shares surrendered, the excess shares are treated as having been acquired for no consideration and the fair market value of such excess shares is includible in the employee's or consultant's income as compensation. The basis of the excess shares is their fair market value at the time of receipt. If the previously owned shares consist of ISO Stock for which the holding requirements were not met such that their use as payment of the exercise price constituted a Disqualifying Disposition, the employee will have the income tax consequences described above.

The Board of Directors has authority to suspend, terminate or discontinue the Employee Stock Option Plan or revise or amend it in any manner with respect to options granted after the date of revision. No such revision, however, can change the aggregate number of shares subject to the Employee Stock Option Plan, change the

designation of employees eligible thereunder, or decrease the price at which options may be granted. The Board may not grant any options under the Employee Stock Option Plan after January 2, 2005.

TresCom International Stock Option Plan. In connection with the TresCom Merger, the Company assumed a stock option plan previously sponsored by TresCom. Pursuant to the terms of the TresCom Merger Agreement, each outstanding option to acquire one share of TresCom common stock was converted into an option to acquire 0.6147 shares of Company Common Stock. As assumed by the Company, options to acquire 374,361 shares of Company Common Stock are outstanding under this stock option plan (the "Primus- TresCom Option Plan"). The Primus-TresCom Option Plan provides for an equitable adjustment in the number and price of shares of Common Stock with respect to outstanding Options in the event the outstanding shares of Common Stock are increased or decreased through stock dividends, recapitalizations, reorganizations or similar things.

The Primus-TresCom Option Plan is intended as an incentive and to encourage stock ownership by the officers, key employes, consultants and directors of TresCom prior to the TresCom Merger in order to increase their proprietary interest in the success of the Company and to encourage them to continue to provide services to the Company. No additional stock options will be granted under the Primus-TresCom Option Plan.

The Primus-TresCom Option Plan is administered by the board of directors of the Company or by a committee appointed by the board of directors and consisting of not less than two members of the board of directors who are not also employees of the Company or any of its subsidiaries (the "Committee"). The Primus-TresCom Option Plan does not limit the length of time a director may serve as part of the Committee. Subject to the terms of the Primus-TresCom Option Plan, the board of directors or the Committee will have the exclusive authority to interpret, administer and make determinations under the Primus-TresCom Option Plan.

All Options granted under the Primus-TresCom Option Plan are in the form of ISOs. Payment for the shares of Common Stock purchased under an Option must be made in full upon exercise of the Option, by certified or bank cashier's check payable to the order of the Company or by any other means acceptable to the Company, including, without limitation, tender of shares of Common Stock then owned by the optionee.

Each grant of an Option under the Primus-TresCom Option has been evidenced by an Option Agreement which sets forth the number of shares of Common Stock subject to the Option and includes other terms and conditions applicable to the Option. Options are not assignable or transferable except by will or by the laws of descent and distribution, and, during the lifetime of the optionee, the Option may be exercised only by the optionee.

All Options issued under the Primus-TresCom Option Plan are entirely vested and exercisable in full.

The tax consequences to the Company and the recipient of the Option upon the grant and exercise of either a NQSO or ISO, and the sale of Common Stock acquired upon exercise thereof, are identical to those described for NQSOs and ISOs under "--Employee Stock Option Plan" above.

Director Stock Option Plan. The Company also established a Director Stock Option Plan on July 27, 1995, as amended. The purpose of the Director Stock Option Plan is to encourage ownership in the Company by outside directors (present or future incumbent directors who are not affiliated with or employees of the Company or any subsidiary and who have not been nominated to serve as directors pursuant to an agreement with the Company) whose services are considered essential to the Company's continued progress. Options granted under the Director Stock Option Plan are NQSOS. The Director Stock Option Plan is administered by a committee of the Board of Directors consisting of those directors who are not eligible to receive grants thereunder. The total number of shares of Common Stock for which options may be granted pursuant to the Director Stock Option

Plan is 338,100. On the effective date of the Director Stock Option Plan or the first date thereafter that any director becomes eligible to receive an award under the Director Stock Option Plan, each eligible director will automatically receive an option to purchase 15,000 shares of Common Stock, exercisable for 5,000 shares immediately, and 5,000 on each of the next two anniversary dates of the grant date. All options become immediately exercisable, however, upon the retirement of a director in accordance with any mandatory retirement policy of the Board, upon the death or permanent disability of a director, or if the Company merges with another Company and is not the surviving corporation, the Company enters into an agreement to sell or otherwise dispose of all or substantially all of its assets, or any person or group acquires more than 20% of the Company's outstanding voting stock.

The option price is the fair market value at the date on which an option is granted. Payment for the exercise of options may consist of cash or Common Stock. Options issued under the Director Stock Option Plan are not transferable other than by will or the laws of descent and distribution. Options expire upon the earlier of five years from the date they were granted or three years following either the retirement or resignation of the director, the failure of the director to be re-elected, or the permanent disability or death of the director. No options may be granted under the Director Stock Option Plan after December 31, 2005.

The grant of a NQSO has no immediate tax consequences to the Company. Upon the exercise of a NQSO by a director, the Company is entitled to a deduction in an amount equal to the difference between the fair market value of the share acquired through exercise of the NQSO and the exercise price of the NQSO. There are no tax consequences to the Company if a NQSO lapses before exercise or is forfeited.

The tax consequences to a director upon the grant and exercise of a NQSO, and the sale of Common Stock acquired upon exercise thereof, are identical to those described for NQSOs under "--Employee Stock Option Plan" above, except that the Company has no withholding obligations upon the exercise of a NQSO by a director.

Employee Stock Purchase Plan. During 1997, the Board adopted and the stockholders approved an Employee Stock Purchase Plan (the "ESP Plan"). The ESP Plan provides employees with the right to purchase shares of Common Stock through payroll deduction. A total of 2,000,000 shares of Common Stock are available for purchase under the ESP Plan, subject to adjustment in the number and price of shares of Common Stock available for purchase in the event the outstanding shares of Common Stock are increased or decreased through stock dividends, recapitalizations, reorganizations or similar changes. The Plan is to be administered by the Board, which may delegate responsibility for such administration to a committee of the Board (the "Committee"). Subject to the terms of the ESP Plan, the Board or the Committee shall have authority to interpret the ESP Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations deemed necessary or advisable in administering the ESP Plan.

An employee of a Participating Company is eligible to participate in the ESP Plan if the employee, as of the last day of the month immediately preceding the effective date of an election to purchase shares of Common Stock pursuant to the ESP Plan: (1) has been employed on a full-time basis for at least six consecutive months; or (2) has been employed on a part-time basis for at least 24 consecutive months. Presently, only employees of the Company residing in the United States are eligible to participate in the ESP Plan. An employee is considered to be a part-time employee if the employee is scheduled to work at least 20 hours per week. Notwithstanding the foregoing, any employee who, after purchasing Common Stock under the ESP Plan, would own five percent or more of the total combined voting power or value of all classes of stock of the Company or any parent corporation or subsidiary corporation thereof is not eligible to participate. Ownership of stock is determined in accordance with the provisions of Section 424(d) of the Internal Revenue Code. Further, an employee is not eligible to participate if such participation would permit such employee's rights to purchase stock under all employee stock purchase plans of the Participating Companies which meet the requirements of section 423(b) of the Code to accrue at a rate which exceeds $25,000 in fair market value (as determined pursuant to section 423(b)(8) of the Code) for each calendar year in which such option is outstanding.

Eligible employees may elect to participate in the ESP Plan during an offering which starts on the first day of each month beginning on or after adoption of the ESP Plan by the Board ("Offering Commencement Date") and ends on the last day of each month ("Offering Termination Date"). Shares will be deemed to have been purchased on the Offering Termination Date. The purchase price per share offered under the ESP Plan will be 85 percent of the lesser of: (1) the fair market value per share on the Offering Commencement Date, or if such date is not a trading day, then on the next trading day thereafter; or (2) the fair market value per share on the Offering Termination Date, or if such date is not a trading day, then on the next trading day thereafter.

An eligible employee who wishes to participate in the ESP Plan shall file an election form with the Board or Committee at least 15 days before the Offering Commencement Date for the first offering for which such election form is effective, on which he may elect to have payroll deductions made from his compensation on each regular payday during the time he is a participant in the ESP Plan. All payroll deductions shall be credited to the participant's account under the ESP Plan. A participant who is on an approved leave of absence may authorize continuing payroll deductions.

If the total number of shares of Common Stock for which purchase rights are exercised on any Offering Termination Date exceeds the maximum number of shares of Common Stock available, the Board or Committee shall make a pro rata allocation of shares available for delivery and distribution in as nearly a uniform manner as practicable, and as it shall determine to be fair and equitable, and the unapplied account balances shall be returned to participants as soon as practicable following the Offering Termination Date.

A participant may discontinue his participation in the ESP Plan at any time, but no other change can be made during an offering, including, but not limited to, changes in the amount of payroll deductions for such offering. A participant may change the amount of payroll deductions for subsequent offerings by giving written notice of such change to the Board or Committee on or before the 15th day of the month immediately preceding the Offering Commencement Date for the offering for which such change is effective.

A participant may elect to withdraw the balance credited to the participant's account by providing a termination form to the Board or the Committee at any time before the Offering Termination Date applicable to any offering. A participant may withdraw all, but not less than all, of the amounts credited to the participant's account. All amounts credited to such participant's account shall be paid as soon as practicable following the Committee's receipt of the participant's termination form, and no further payroll deductions will be made with respect to the participant. A participant who elects to withdraw from an offering shall be deemed to have elected not to participate in each of the four succeeding offerings following the date on which the participant gives a termination form to the Committee.

Upon termination of a participant's employment for any reason other than death, including termination due to disability or continuation of a leave of absence beyond 90 days, all amounts credited to such participant's account shall be returned to the participant. In the event of a participant's (1) termination of employment due to death or (2) death after termination of employment but before the participant's account has been returned, all amounts credited to such participant's account shall be returned to the participant's successor-in-interest. A participant who is on an approved leave of absence shall remain eligible to participate in the ESP Plan until the end of the first offering ending after commencement of such approved leave of absence. A participant who has been on an approved leave of absence for more than 90 days shall not be eligible to participate in any offering that begins on or after the commencement of such approved leave of absence so long as such leave of absence continues.

All funds held or received by the Company under the ESP Plan may be used for any corporate purpose until applied to the purchase of shares of Common Stock or refunded to employees and shall not be segregated from the general assets of the Company. Shares of Common Stock purchased under the ESP Plan will be issued from the Company's treasury stock or from the Company's authorized but unissued shares. The Participating Companies shall pay all fees and expenses incurred (excluding individual Federal, state, local or other taxes) in connection with the ESP Plan.

An Employee's rights under the ESP Plan belong to the employee alone and may not be transferred or assigned to any other person during the employee's lifetime. After the shares of Common Stock have been issued under the ESP Plan, such shares may be assigned or transferred the same as any other shares.

The Plan is not qualified under Section 401(a) of the Internal Revenue Code. The Company generally will not be entitled to a deduction with respect to stock purchased under the ESP Plan, unless the stock is disposed of less than one year after the Common Stock is purchased by the employee, or less than two years after each Offering Commencement Date.

Generally, no tax consequences arise at the time the participant purchases shares of Common Stock. If a participant does not dispose of shares of Common Stock purchased under the ESP Plan for at least one year after the date of purchase and at least two years after the grant of the purchase right, he will be deemed to have received compensation taxable as ordinary income for the taxable year in which the disposition occurs in an amount equal to the lesser of (a) the 15% discount originally allowed, or (b) the excess over the purchase price of (i) the amount actually received for the shares if sold or exchanged or (ii) the fair market value of the shares on the date of any other termination of his ownership (such as by gift). The amount of such ordinary income is then added to the participant's basis in his shares for purposes of determining capital gain or loss.

If a participant disposes of shares of Common Stock purchased under the ESP Plan less than one year after the date of purchase, or more than one year after the date of purchase but within two years after the grant of the purchase right, he will be deemed to have received compensation taxable as ordinary income in the amount of the difference between the amount paid for the shares and the value of the shares at the time of purchase. If the shares are sold or exchanged, the amount of such ordinary income is added to the participant's basis in his shares for purposes of determining capital gain or loss. If a participant dies before disposing of the shares purchased under the ESP Plan, he will be deemed to have realized compensation income taxable as ordinary income in the taxable year closing with his death in an amount equal to the lesser of clauses (a) and (b)(ii) as set forth in the immediately preceding paragraph. He is deemed not to have realized any capital gain or loss because of death.

The Board or the Committee shall have the right to amend, modify or terminate the ESP Plan at any time without notice, provided that no employee's then existing rights are adversely affected without his or her consent, and provided further, that upon any amendment of the ESP Plan, stockholder approval will be obtained if required by law.

EMPLOYMENT AGREEMENTS

K. Paul Singh. Primus has entered into an employment agreement with Mr. Singh (the "Singh Agreement"). The Singh Agreement is a five-year contract, with a term beginning on June 1, 1994 and continuing until May 30, 1999, and from year to year thereafter unless terminated. Under the terms of the Singh Agreement, Mr. Singh is required to devote his full time efforts to Primus as Chairman of the Board, President and Chief Financial Officer. Primus is required to compensate Mr. Singh at an annual rate of $250,000 effective January 1, 1997 (which amount is reviewed annually by the Primus Board and is subject to increase at their discretion). Mr. Singh, however, agreed to defer payment of his base salary from June 1, 1994 through May 31, 1995, which was subsequently paid to him on July 31, 1996. Primus is also obligated to (i) allow Mr. Singh to participate in any bonus or incentive compensation plan approved for senior management of Primus, (ii) provide life insurance in an amount equal to three times Mr. Singh's base salary and disability insurance which provides monthly payments in an amount equal to one-twelfth of his then applicable base salary, (iii) provide medical insurance and (iv) pay up to $2,500 annually for Mr. Singh's personal tax and financial planning services.

Primus may terminate the Singh Agreement at any time in the event of his disability or for cause, each as defined in the Singh Agreement. Mr. Singh may resign from Primus at any time without penalty (other than the non-competition obligations discussed below). If Primus terminates the Singh Agreement for disability or cause, Primus will have no further obligations to Mr. Singh. If, however, Primus terminates the Singh Agreement other than for disability or cause, Primus will have the following obligations: (i) if the termination is after May 30,

1999, Primus must pay Mr. Singh one-twelfth of his then applicable base salary as severance pay; and (ii) if the termination is before June 1, 1999, Primus must pay to Mr. Singh, as they become due, all amounts otherwise payable if he had remained employed by Primus until June 1, 1999. If Mr. Singh resigns, he may not directly or indirectly compete with Primus's business until six months after his resignation. If Primus terminates Mr. Singh's employment for any reason, Mr. Singh may not directly or indirectly compete with Primus's business until six months after the final payment of any amounts owed to him under the Singh Agreement become due.

Wesley T. O'Brien. TresCom entered into an employment agreement with Mr. Wesley T. O'Brien (the "O'Brien Agreement") which was amended and restated on February 15, 1997 and was further amended on February 3, 1998. The O'Brien Agreement was to terminate in June 1999 (the "Term"); however, it was terminated by Mr. O'Brien for "Good Reason" (as such term is defined in the O'Brien Agreement) as of June 22, 1998. Mr. O'Brien was required to devote his full time efforts to TresCom as its President and Chief Executive Officer for which he received an annual base salary of $231,000.

Pursuant to the terms of the O'Brien Agreement, Mr. O'Brien will receive any unpaid salary and bonus, as well as an additional amount equal to the salary remaining for the balance of the Term of the O'Brien Agreement. In addition, Mr. O'Brien agreed to a customary confidentiality clause and to a non-competition clause which prohibits Mr. O'Brien from competing with TresCom for one year from the date of the termination of the O'Brien Agreement.

The consummation of the TresCom Merger constituted a Change in Control as defined in the O'Brien Agreement, making Mr. O'Brien eligible for a one-time special bonus of $1.5 million (the "O'Brien Special Bonus"). The first installment of the O'Brien Special Bonus was paid contemporaneously with the closing of the TresCom Merger, with the remainder paid upon Mr. O'Brien's termination.

Other Agreements. TresCom has also entered into agreements with Mr. Dan O'Connor and Ms. Denise Boerger, (the "O'Connor/Boerger Agreements"). The O'Connor/Boerger Agreements each provide for a one-time special bonus of $500,000 in the event of a Change in Control, which was triggered by the recently completed TresCom Merger. The first installment of these bonuses was paid contemporaneously with the closing of the TresCom Merger. The second and third installments are due on the first and second anniversary, respectively, of the change in control so long as Mr. O'Connor or Ms. Boerger, as the case may be, remains employed by the Company.

CERTAIN TRANSACTIONS

PRIVATE EQUITY SALE

In July 1996, Primus completed the sale of 965,999 shares of Common Stock to the (i) Quantum Industrial Partners LDC, the principal operating subsidiary of Quantum Industrial Holdings Ltd., an investment fund advised by Soros Fund Management, a private investment firm owned by Mr. George Soros, (ii) Winston Partners II LDC, the principal operating subsidiary of Winston Partners II Offshore Ltd., an investment fund advised by Chatterjee Management Company, a private entity owned by Dr. Purnendu Chatterjee, (iii) Winston Partners II LLC, an investment fund advised by Chatterjee Management Company and (iv) S-C Phoenix Holdings, L.L.C., an investment vehicle owned by affiliates of Mr. Soros and Dr. Chatterjee (collectively, the "Soros/Chatterjee Group"), for an aggregate purchase price of approximately $8.0 million. The Soros/Chatterjee Group also purchased, for an additional $8.0 million, the right to receive, upon exercise, an indeterminate number of shares of Common Stock with a fair market value of $10.0 million as of the date of exercise, plus up to 627,899 additional shares of Common Stock (the "Soros/Chatterjee Warrants"). The Soros/Chatterjee Warrants have been exercised in full.

The Soros/Chatterjee Group was granted registration rights pursuant to a registration rights agreement with the Company (the "Registration Rights Agreement"). Under the Registration Rights Agreement, the Soros/Chatterjee Group is entitled to demand registration of its shares after July 31, 1998, a maximum of three times, the third demand being available only if the Soros/Chatterjee Group has not registered 80% of its shares of Common Stock after the first demand registration. The Company is not required to effect any demand registration within 180 days after the effective date of a previous demand registration and may postpone, on one occasion in any 365-day period, the filing or effectiveness of a registration statement for a demand registration for up to 120 days under certain circumstances, including pending material transactions or the filing by the Company of a registration statement relating to the sale of shares for its own account. The Soros/Chatterjee Group is also entitled to unlimited piggyback registrations. All such registrations would be at the Company's expense, exclusive of underwriting discounts and commissions, and legal fees (up to $25,000 for each such offering) incurred by the holders of the registrable securities. The Company and the Soros/Chatterjee Group have entered into customary indemnification and contribution provisions.

Additionally, members of the Soros/Chatterjee Group are entitled to tagalong rights to participate with Mr. Singh and members of his family in sales of capital stock on the same terms and conditions as Mr. Singh and members of his family. The Soros/Chatterjee Group shares are also subject to drag along rights in the event holders of a majority of the Common Stock decide to sell 80% or more of the outstanding capital stock of the Company. The Securityholders Agreement provides that members of the Soros/Chatterjee Group will not transfer shares of Common Stock to a company, or any affiliate, that competes with the Company to a material extent in the provision of telecommunications services in the United States, Australia, the United Kingdom, France, Germany, Mexico, Canada, Italy or Hong Kong.

TELEGLOBE

The Company entered into an agreement on January 12, 1996 with Teleglobe, pursuant to which Teleglobe purchased 410,808 shares of Common Stock (the "Teleglobe Shares") for a total of $1,458,060. The equity investment was consummated in February 1996 as was a loan by Teleglobe of $2.0 million to the Company. The loan was repaid in full with the proceeds from the offering of the 1997 Senior Notes. Related to the Teleglobe investments, the Company and a number of its subsidiaries have entered into trading agreements with Teleglobe with respect to their respective service offerings. The parties have also agreed to cooperate in an effort to maximize efficiencies with respect to network facilities.

NSI PRIVATE PLACEMENTS

In 1995 and 1996, the Company engaged Northeast Securities, Inc. ("NSI") to serve as the placement agent for two private placements of the Company's Common Stock. Mr. Andrew B. Krieger, a former director of

Primus, served as a broker-dealer in the private placements through an affiliation with NSI. In connection with these offerings, the Company paid Mr. Krieger cash commissions aggregating approximately $1,007,000. The Company also retained Krieger Associates, of which Mr. Krieger is the President and Chief Executive Officer, to perform certain financial and other consulting services and paid a total of approximately $105,828 for the performance of such services during 1995 and 1996. In addition, in connection with these private placements, the Company issued a total of 193,718 shares of Common Stock to Krieger Associates and Mr. Krieger, and at the direction of Mr. Krieger issued a total of 74,003 shares of Common Stock to other individuals associated with the transaction. The Company also issued, in connection with these private placements, a total of 245,555 shares of Common Stock to NSI and certain of its employees associated with the transactions.

LOAN FROM OFFICER

In connection with the initial organization of the Company, K. Paul Singh, the Company's Chairman of the Board, President and Chief Executive Officer, loaned the Company approximately $320,000, accruing interest at a variable rate tied to the prime rate. On March 31, 1995, the Company and Mr. Singh converted all then outstanding principal and interest due ($350,000) into 555,559 shares of Common Stock, at a price per share of $0.63, which shares were issued on such date.

LEGAL SERVICES

From time to time, the Company has retained the law firm of Pepper Hamilton LLP to perform legal services for the Company. John F. DePodesta, a director and an Executive Vice President of the Company, is "of counsel" to such firm.

HOTKEY INVESTMENT

In March 1998, Primus purchased a controlling interest in Hotkey, a Melbourne, Australia-based Internet service provider. The Company's 60% ownership of Hotkey was purchased for approximately $1.3 million in cash. Prior to the Hotkey Investment, Primus's chairman, K. Paul Singh, owned approximately 14% of Hotkey. As a result of the transaction, Mr. Singh owns approximately 4% of Hotkey.

PRINCIPAL STOCKHOLDERS

The following table sets forth information, as of June 15, 1998, with respect to the beneficial ownership of shares of the Common Stock by each person or group who is known to the Company to be the beneficial owner of more than five percent of the outstanding Common Stock, by each director or nominee for director, by each of the Named Executive Officers, and by all directors and executive officers as a group. Unless otherwise indicated, each person has sole voting power and sole investment power.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS(2)
K. Paul Singh (3) 1700 Old Meadow Road McLean, VA 22102	4,616,579	16.4%
Warburg, Pincus Investors, L.P. (4) 466 Lexington Avenue New York, New York 10017	3,875,689	13.9%
Quantum Industrial Partners LDC (5) c/o Curacao Corporation Company N.V. Kaya Flamboyan 9 Willemstad, Curacao Netherlands Antilles	1,406,283	5.5%
Franklin Resources, Inc. (6) 777 Mariners Island Boulevard San Mateo, CA 94404	1,366,750	5.4%
S-C Phoenix Holdings, L.L.C. (7) c/o The Chatterjee Group 888 Seventh Avenue New York, NY 10106	843,769	3.3%
Winston Partners II LLC (8) c/o Chatterjee Advisors LLC c/o The Chatterjee Group 888 Seventh Avenue New York, NY 10106	175,785	*
Winston Partners II LDC (9) c/o Curacao Corporation Company N.V. Kaya Flamboyan 9 Willemstad, Curacao Netherlands Antilles	383,103	1.5%
John F. DePodesta (10)	320,240	1.1%
Herman Fialkov	30,000	*
David E. Hershberg (11)	51,667	*
Douglas M. Karp (12)	3,875,689	13.9%
John G. Puente	166,760	*
Neil L. Hazard (13)	206,987	*
Yousef B. Javadi (14)	52,289	*
Ravi Bhatia	70,120	*
All executive officers and directors as a group (15)	9,542,041	33.5%

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* Less than 1% of the outstanding Common Stock.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting or investment power with respect to the shares beneficially owned. Shares of Common Stock subject to options or warrants currently exercisable or become exercisable on or prior to 60 days from June 15, 1998 are deemed outstanding for computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for computing the percentage ownership of any other person.

(2) Based upon 27,867,536 shares of Common Stock outstanding as of the date hereof.

(3) Includes 377,786 shares of Common Stock owned by Mr. Singh's wife and children, 500,000 shares of Common Stock held by a private foundation of which Mr. Singh is the president and a director, 396,828 shares of Common Stock held of record by a series of revocable trusts of which Mr. Singh is the trustee and pursuant to which Mr. Singh has sole voting power and shared dispositive power, and 640 shares held in a 401(k) plan of which Mr. Singh is a beneficiary. Also includes 225,400 shares of Common Stock issuable upon the exercise of options granted to Mr. Singh.

(4) Calculated by multiplying 6,305,010, the number of shares of TresCom common stock beneficially owned by Warburg, Pincus at the Effective Time of the TresCom Merger, by 0.6147, the exchange ratio for conversion of TresCom common stock into shares of Common Stock pursuant to the TresCom Merger. E.M. Warburg, Pincus & Co., LLC, a New York limited liability company ("E.M. Warburg"), manages Warburg, Pincus. Warburg, Pincus & Co., a New York general partnership ("WP"), the sole general partner of Warburg, Pincus, has a 20% interest in the profits of Warburg, Pincus as the general partner. Lionel I. Pincus is the managing partner of WP and the managing member of E.M. Warburg and may be deemed to control both WP and E.M. Warburg.

(5) Based on a Schedule 13G dated March 6, 1998, Quantum Industrial Partners LDC ("Quantum Industrial") has reported that it may be deemed to be the beneficial owner of 1,406,283 shares of Common Stock. QIH Management Investor, L.P., the sole general partner of which is QIH Management, Inc. ("QIH Management"), is vested with investment discretion with respect to portfolio assets held for the account of Quantum Industrial. Mr. George Soros, the sole shareholder of QIH Management, has entered into an agreement with Soros Fund Management LLC, a Delaware limited liability company ("SFM LLC"), pursuant to which Mr. Soros has, among other things, agreed to use his best efforts to cause QIH Management to act at the direction of SFM LLC (the "QIP Contract"). Mr. Soros is Chairman of SFM LLC and as a result of such position and the QIP Contract, may be deemed to be the beneficial owner of shares of Common Stock held for the account of Quantum Industrial. Mr. Stanley F. Druckenmiller, the Lead Portfolio Manager of SFM LLC, by virtue of such position and the QIP Contract, also may be deemed to be the beneficial owner of the shares of Common Stock held for the account of Quantum Industrial. Dr. Purnendu Chatterjee may be deemed to be the beneficial owner of the shares of Common Stock held for the account of Quantum Industrial by virtue of his position as a sub-investment manager to Quantum Industrial with respect to its shares of Common Stock.

(6) Based on a Schedule 13G dated February 6, 1998, Franklin Resources, Inc. ("Franklin") has reported that it may be deemed to be the beneficial owner of 1,366,750 shares of Common Stock. According to the Schedule 13G, such shares are also beneficially owned by Franklin Advisers, Inc., an investment advisory subsidiary (the "Adviser") of Franklin, which has all investment and/or voting power over the shares pursuant to an advisory contract. In addition, Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding common stock of Franklin and are the principal shareholders of FRI and may, therefore, be deemed to be the beneficial owner of the shares of Common Stock held by Franklin. Franklin, the Adviser, and Messrs. Charles and Rupert Johnson disclaim any economic interest or beneficial ownership in such shares.

(7) Based on a Schedule 13G dated March 6, 1998, S-C Phoenix Holdings, L.L.C. ("Phoenix Holdings") has reported that it may be deemed to be the beneficial owner of 843,769 shares of Common Stock. According to the Schedule 13G, George Soros and Winston Partners, L.P. are the managing members of Phoenix Holdings with respect to its investment in the shares of Common Stock, and as a result of their ability to exercise investment discretion, each may be deemed to be a beneficial owner of the shares of Common

Stock. Dr. Chatterjee, who is the sole general partner of Chatterjee Fund Management ("CFM"), and CFM, which is the sole general partner of Winston Partners, L.P., each may be deemed to have beneficial ownership in the shares of Common Stock held by Phoenix Holdings.

(8) Based on a Schedule 13G dated March 6, 1998, Winston Partners II LLC ("Winston LLC") has reported that it may be deemed to be the beneficial owner of 175,785 shares of Common Stock. According to the Schedule 13G, Chatterjee Management Company ("Chatterjee Management"), an entity over which Dr. Chatterjee may be deemed to have sole and ultimate control, has investment discretion over the shares of Common Stock held by Winston LLC, and as such may be deemed to have beneficial ownership over such shares. In addition, Chatterjee Advisors LLC ("Chatterjee Advisors"), which also may be deemed under the management and control of Dr. Chatterjee, as manager of Winston LLC and by reason of its ability to terminate the contract between Winston LLC and Chatterjee Management may be deemed to be the beneficial owner of the shares of Common Stock held by Winston LLC.

(9) Based on a Schedule 13G dated March 6, 1998, Winston Partners II LDC ("Winston LDC") has reported that it may be deemed to be the beneficial owner of 383,103 shares of Common Stock. According to the Schedule 13G, Chatterjee Management has investment discretion over the shares of Common Stock held by Winston LDC, and as such may be deemed to have beneficial ownership over such shares. In addition, Chatterjee Advisors, as manager of Winston LDC and by reason of its ability to terminate the contract between Winston LDC and Chatterjee Management, may be deemed to be the beneficial owner of the shares of Common Stock held by Winston LDC.

(10) Includes 101,430 shares of Common Stock issuable upon the exercise of options granted to Mr. DePodesta.

(11) Includes 50,715 shares of Common Stock issuable upon the exercise of options granted to Mr. Hershberg and 953 shares of Common Stock owned by a partnership of which Mr. Hershberg is a general partner.

(12) All shares shown as being beneficially owned by Mr. Karp are owned directly by Warburg, Pincus and are included because of Mr. Karp's affiliation with Warburg, Pincus. Mr. Karp disclaims "beneficial ownership" of these shares within the meaning of Rule 13d-3 of the Exchange Act. See Note 9 above.

(13) Includes 202,860 shares of Common Stock issuable upon the exercise of options granted to Mr. Hazard.

(14) Includes 50,000 shares of Common Stock issuable upon the exercise of options granted to Mr. Javadi.

(15) Consists of 11 persons and includes 775,788 shares of Common Stock issuable upon the exercise of options granted to directors and executive officers. Includes 3,875,689 shares deemed to be beneficially owned by Mr. Karp which are owned directly by Warburg, Pincus and are included because of Mr. Karp's affiliation with Warburg, Pincus. Mr. Karp disclaims "beneficial ownership" of these shares within the meaning of Rule 13d-3 of the Exchange Act. See Notes 9 and 12 above.

DESCRIPTION OF CERTAIN INDEBTEDNESS

1997 SENIOR NOTES

General. The 1997 Senior Notes are senior obligations of the Company, limited to $225 million in principal amount, and mature on August 1, 2004. The 1997 Senior Notes, which were issued pursuant to the 1997 Indenture, accrue interest at a rate of 11 3/4% per annum. Interest is payable each February 1 and August 1, commencing on February 1, 1998.

Ranking. The Notes will rank senior in right of payment to any future subordinated Indebtedness (as defined in the 1997 Indenture) of the Company, and pari passu in right of payment with all senior indebtedness of the Company. Because the Company is a holding company that conducts its business through its subsidiaries, all existing and future indebtedness and other liabilities and commitments of the Company's subsidiaries, including trade payables, will be effectively senior to the 1997 Senior Notes.

Security. The Indenture required the Company to purchase and pledge to First Union National Bank, as security for the benefit of the holders of the 1997 Senior Notes, securities consisting of U.S. government securities in an amount sufficient to provide for the payment in full of the first six scheduled interest payments due on the 1997 Senior Notes (the "Pledged Securities"). The Company used approximately $71.8 million of the net proceeds of the 1997 Senior Notes to acquire the Pledged Securities. Assuming the first six scheduled interest payments on the 1997 Senior Notes are made in a timely manner, all remaining Pledged Securities will be released.

Optional Redemption. The 1997 Senior Notes are not redeemable prior to August 1, 2001. Thereafter, the 1997 Senior Notes will be redeemable, in whole or in part, at the option of the Company, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest to the applicable redemption date. Specifically, if redeemed during, the 12-month period commencing on August 1 of the years set forth below, the redemption price will be that amount, expressed as a percentage of the principal amount of the 1997 Senior Notes, set forth below:

YEAR	REDEMPTION PRICE
2001	105.875%
2002	102.938%
2003 (and thereafter)	100.000%

In addition, prior to August 1, 2000, the Company may redeem up to 35% of the originally issued principal amount of the 1997 Senior Notes at 111.750% of the principal amount thereof, plus accrued and unpaid interest through the redemption date, with the net cash proceeds of one or more Public Equity Offerings (as defined in the 1997 Indenture); provided, however, that at least 65% of the originally issued principal amount of the 1997 Senior Notes remains outstanding after the occurrence of such redemption.

Change of Control. Upon the occurrence of a Change of Control (as defined in the 1997 Indenture), each holder of 1997 Senior Notes will have the right to require the Company to repurchase all or any part of such holder's 1997 Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase.

Covenants. The 1997 Indenture contains certain covenants that, among other things, limit the ability of the Company and its Restricted Subsidiaries (as defined in the 1997 Indenture) to incur additional indebtedness and issue preferred stock, pay dividends or make other distributions, repurchase Capital Stock (as defined in the 1997 Indenture) or subordinated indebtedness or make certain other Restricted Payments as defined in the 1997 Indenture, create certain liens, enter into certain transactions with affiliates, sell assets, issue or sell Capital Stock of the Company's Restricted Subsidiaries or enter into certain mergers and consolidations.

Events of Default. The 1997 Indenture contains customary events of default, including (i) defaults in the payment of principal, premium or interest, (ii) defaults in the compliance with covenants contained in the 1997 Indenture, (iii) cross defaults on more than $5 million of other indebtedness, (iv) failure to pay more than $5 million of judgments that have not been stayed by appeal or otherwise and (v) the bankruptcy of Primus or certain of its subsidiaries.

DESCRIPTION OF EXCHANGE NOTES

The form and terms of the Exchange Notes will be identical in all material respects to the form and terms of the Initial Notes, except that (i) the Exchange Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof, (ii) holders of the Exchange Notes, except in limited circumstances, will not be entitled to Liquidated Damages, and (iii) holders of the Exchange Notes will not be, and upon consummation of the Exchange Offer, Holders of the Initial Notes will no longer be, entitled to certain rights under the Registration Rights of the Initial Notes will no longer be, entitled to certain rights under the Registration Rights Agreement intended for the holders of unregistered securities. The Exchange Offer shall be deemed consummated upon the occurrence of the delivery by the Company to the Registrar under the Indenture of Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Initial Notes that are validly tendered by holders thereof pursuant to the Exchange Offer. See "The Exchange Offer--Termination of Certain Rights" and "--Procedures for Tendering Initial Notes".

Set forth below is a summary of certain provisions of the Exchange Notes. The Exchange Notes will be issued pursuant to an Indenture, to be dated as of May 19, 1998 (the "Indenture"), between the Company, as issuer, and First Union National Bank, as Trustee (the "Trustee"). Upon the issuance of the Exchange Notes, if any, or the effectiveness of the Shelf Registration Statement, the Indenture will be subject to and governed by the Trust Indenture Act of 1939 as amended (the "Trust Indenture Act"). The following summary of certain provisions of the Indenture does not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein and those terms made a part thereof by the Trust Indenture Act. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the proposed forms of the Indenture are available upon request from the Company or the Trustee. The term "Note" or "Notes" includes the Initial Notes and the Exchange Notes. The definitions of certain terms used in the following summary are set forth below under "--Certain Definitions."

GENERAL

The Notes will be senior obligations of the Company, limited to $150 million aggregate principal amount, and will mature on May 15, 2008. The Notes will bear interest at the rate of 9 7/8% per annum, payable semiannually on May 15 and November 15 of each year, commencing November 15, 1998 to the Person in whose name the Note (or any predecessor Note) is registered at the close of business on the preceding May 1 or November 1, as the case may be. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal of, premium, if any, and interest on the Notes will be payable by wire transfer of immediately available funds to the holder of the Global Note and with respect to the holder of Certificated Notes at the office or agency of the Company (which initially will be the corporate trust operations office of the Trustee at NC 1153, 1125 West W.T. Harris Boulevard, Charlotte, North Carolina 28262); provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the holders as such address appears in the Note Register. (Section 202)

The Notes will be issued only in fully registered form, without coupons, in denominations of $1,000 of principal amount at maturity and any integral multiple thereof. See "Book-Entry; Delivery and Form." No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith. (Section 203)

OPTIONAL REDEMPTION

The Notes will be redeemable, at the Company's option, in whole or in part, at any time or from time to time, on or after May 15, 2003 and prior to maturity, upon not less than 30 nor more than 60 days' prior notice

mailed by first class mail to each holders' last address as it appears in the Note Register, at the following Redemption Prices (expressed in percentages of principal amount thereof), plus accrued and unpaid interest thereon to the Redemption Date (subject to the right of holders of record on the relevant Regular Record Date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date), if redeemed during the 12-month period commencing on May 15, of the years set forth below:

YEAR	REDEMPTION PRICE
2003	104.938%
2004	103.208%
2005	101.604%
2006 (and thereafter)	100.000%

Notwithstanding the foregoing, prior to May 15, 2001, the Company may on any one or more occasions redeem up to 25% of the originally issued principal amount of Notes at a redemption price of 109.875% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, with the Net Cash Proceeds of one or more Public Equity Offerings; provided (i) that at least 75% of the originally issued principal amount of Notes remains outstanding immediately after the occurrence of such redemption and (ii) that notice of such redemption is mailed within 60 days of the closing of each such Public Equity Offering. (Sections 203 and 1103)

In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on a national securities exchange, on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate; provided that no Note of $1,000 in principal amount at maturity or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note.

RANKING

The indebtedness evidenced by the Notes will rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes and will be pari passu in right of payment with all other existing and future senior unsecured obligations of the Company including trade payables. As of March 31, 1998, after giving pro forma effect to the offering of the Initial Notes and the application of the net proceeds thereof, the Company (on a consolidated basis) would have had outstanding approximately $382.2 million of indebtedness ($387.6 million after giving effect to the TresCom Merger). Because the Company is a holding company that conducts its business through its subsidiaries, all existing and future indebtedness and other liabilities and commitments of the Company's subsidiaries, including trade payables, will be effectively senior to the Notes. As of March 31, 1998, the Company's consolidated subsidiaries had aggregate liabilities of approximately $101.0 million ($132.4 million after giving effect to the TresCom Merger), which includes $9.5 million of indebtedness ($14.9 million after giving effect to the TresCom Merger).

COVENANTS

Limitation on Indebtedness

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (other than the Notes); provided, however, that the Company may Incur Indebtedness if immediately thereafter the ratio of (i) the aggregate principal amount (or accreted value, as the case may be) of Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis outstanding as of the Transaction Date to (ii) the Pro Forma Consolidated Cash Flow for the preceding two full fiscal quarters multiplied by two, determined on a

pro forma basis as if any such Indebtedness that had been Incurred and the proceeds thereof had been applied at the beginning of such two fiscal quarters, would be greater than zero and less than 6.0 to 1.

(b) Notwithstanding the foregoing, the Company and (except for Indebtedness under subsections (v), (vii) and (xi) below) any Restricted Subsidiary may Incur each and all of the following: (i) Indebtedness of the Company or any Restricted Subsidiary under one or more Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of (a) $50 million and (b) 65% of Eligible Accounts Receivable, subject to any permanent reductions required by any other terms of the Indenture; (ii) Indebtedness (including Guarantees) Incurred by the Company or a Restricted Subsidiary after the Closing Date to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of equipment used in the telecommunications business or ownership rights with respect to indefeasible rights of use or minimum investment units (or similar ownership interests) in domestic or transnational fiber optic cable or other transmission facilities, in each case purchased or leased by the Company (including acquisitions by way of Capitalized Leases and acquisitions of the Capital Stock of a Person that becomes a Restricted Subsidiary to the extent of the Fair Market Value of such equipment, ownership rights or minimum investment units so acquired); (iii) Indebtedness of any Restricted Subsidiary to the Company or Indebtedness of the Company or any Restricted Subsidiary to any other Restricted Subsidiary; provided that any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness not permitted by this clause (iii) (other than to the Company or another Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness, and provided further that Indebtedness of the Company to a Restricted Subsidiary must be subordinated in right of payment to the Notes; (iv) Indebtedness of the Company or a Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness of the Company or a Restricted Subsidiary, other than Indebtedness Incurred under clauses (i), (iii), (vi), (viii), (ix) and (xii) of this paragraph, and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, and reasonable fees and expenses); provided that such new Indebtedness shall only be permitted under this clause (iv) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made pari passu with, or subordinate in right of payment to, the remaining Notes, (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes and (C) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; and provided further that in no event may Indebtedness of the Company be refinanced by means of any Indebtedness of any Restricted Subsidiary pursuant to this clause (iv); (v) Indebtedness of the Company not to exceed, at any one time outstanding, 2.00 times (A) the Net Cash Proceeds received by the Company after the Closing Date from the issuance and sale of its Common Stock (other than Redeemable Stock) to a Person that is not a Subsidiary of the Company, to the extent such Net Cash Proceeds have not been used pursuant to clause (C)(2) of the first paragraph or clauses (iii), (iv) and (vii) of the second paragraph of the "Limitation on Restricted Payments" covenant described below to make a Restricted Payment and (B) the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of property (other than cash and cash equivalents) used in a Permitted Business or common equity interests in a Person (the property and assets of such Person consisting primarily of telecommunications assets) that becomes a Restricted Subsidiary (such Fair Market Value being that of the common equity interests received pursuant to the transaction resulting in such Person becoming a Restricted Subsidiary), and, in each case, received by the Company after the Closing Date from the issuance or sale of its Common Stock (other than Redeemable Stock) to a Person that is not a Subsidiary of the Company to the extent such sale of Common Stock has not been used pursuant to clauses (iii), (iv) and (vii) of the second paragraph of the "Limitation on Restricted Payments" covenant described below to make a

Restricted Payment; provided that such Indebtedness does not mature prior to the Stated Maturity of the Notes and the Average Life of such Indebtedness is longer than that of the Notes; (vi) Indebtedness of the Company or any Restricted Subsidiary (A) in respect of performance, surety or appeal bonds or letters of credit supporting trade payables, in each case provided in the ordinary course of business, (B) under Currency Agreements and Interest Rate Agreements; provided that such agreements (a) are designed solely to protect the Company or any Restricted Subsidiary against fluctuation in foreign currency exchange rates or interest rates and (b) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder; and (C) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any of its Restricted Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary of the Company (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), in a principal amount not to exceed the gross proceeds actually received by the Company or any Restricted Subsidiary in connection with such disposition; (vii) Indebtedness of the Company, to the extent that the net proceeds thereof are promptly (A) used to repurchase Notes tendered in a Change of Control Offer or (B) deposited to defease all of the Notes as described below under "Defeasance or Covenant Defeasance of Indenture"; (viii) Indebtedness of a Restricted Subsidiary represented by a Guarantee of the Notes and any other Indebtedness of the Company permitted by and made in accordance with the "Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries" covenant; (ix) Indebtedness of the Company or any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (ix), does not exceed $200 million at any one time outstanding; (x) Acquired Indebtedness; (xi) Strategic Subordinated Indebtedness; and (xii) Indebtedness of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within three business days of Incurrence.

(c) Notwithstanding any other provision of this "Limitation on Indebtedness" covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this "Limitation on Indebtedness" covenant shall not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

(d) For purposes of determining any particular amount of Indebtedness under this "Limitation on Indebtedness" covenant, Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included. For purposes of determining compliance with this "Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the above clauses, the Company, in its sole discretion, shall classify and from time to time may reclassify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of such clauses. (Section 1011)

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, (i) (A) declare or pay any dividend or make any distribution in respect of the Company's Capital Stock to the holders thereof (other than dividends or distributions payable solely in shares of Capital Stock (other than Redeemable Stock) of the Company or in options, warrants or other rights to acquire such shares of Capital Stock) or (B) declare or pay any dividend or make any distribution in respect of the Capital Stock of any Restricted Subsidiary to any Person other than dividends and distributions payable to the Company or any Restricted Subsidiary or to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis, (ii) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Person or any shares of Capital Stock of any

Restricted Subsidiary (including options, warrants and other rights to acquire such shares of Capital Stock) held by any Affiliate of the Company (other than a Wholly Owned Restricted Subsidiary) or any holder (or any Affiliate thereof) of 5% or more of the Company's Capital Stock, (iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of Subordinated Indebtedness, or (iv) make any Investment, other than a Permitted Investment, in any Person (such payments or any other actions described in clauses (i) through (iv) being collectively "Restricted Payments") if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default or Event of Default shall have occurred and be continuing;

(B) the Company could not Incur at least $1.00 of Indebtedness under the first paragraph of the "Limitation on Indebtedness" covenant; or

(C) the aggregate amount expended for all Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) after the date of the Indenture shall exceed the sum of (1) the remainder of (a) 100% of the aggregate amount of the Consolidated Cash Flow (determined by excluding income resulting from transfers of assets received by the Company or a Restricted Subsidiary from an Unrestricted Subsidiary) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date minus (b) the product of 1.75 times cumulative Consolidated Fixed Charges accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date plus (2) the aggregate Net Cash Proceeds received by the Company after the Closing Date from the issuance and sale of its Capital Stock (other than Redeemable Stock) to a Person who is not a Subsidiary of the Company (except to the extent such Net Cash Proceeds are used to incur new Indebtedness outstanding pursuant to clause (v) of the paragraph (b) of the "Limitation on Indebtedness" covenant) plus (3) the aggregate Net Cash Proceeds received after the date of the Indenture by the Company from the issuance or sale of debt securities that have been converted into or exchanged for Capital Stock of the Company (other than Redeemable Stock) together with the aggregate cash received by the Company at the time of such conversion or exchange plus (4) without duplication of any amount included in the calculation of Consolidated Cash Flow, in the case of repayment of, or return of capital in respect of, any Investment constituting a Restricted Payment made after the Closing Date and reducing the amount of Restricted Payments otherwise permitted under this clause (C), an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case less the cost of the disposition of such Investment.

The foregoing provision shall not be violated by reason of: (i) the payment of any dividend within 60 days after the date of declaration thereof if, at said date of declaration, such payment would comply with the foregoing paragraph; (ii) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the Notes including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred under clause (iv) of paragraph (b) of the "Limitation on Indebtedness" covenant; (iii) the repurchase, redemption or other acquisition of Capital Stock of the Company in exchange for, or out of the proceeds of a substantially concurrent offering of, shares of Capital Stock (other than Redeemable Stock) of the Company (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of the "Limitation on Indebtedness" covenant); (iv) the acquisition of Indebtedness of the Company which is subordinated in right of payment to the Notes in exchange for, or out of the proceeds of, a substantially concurrent offering of, shares of the Capital Stock of the Company (other than Redeemable Stock) (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of the "Limitation on Indebtedness" covenant); (v) payments or distributions, to dissenting stockholders pursuant to applicable law, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of the Indenture applicable to mergers, consolidations and transfers of all or substantially all of the property and assets of the Company; (vi) cash payments in lieu of the issuance of fractional shares issued in connection with the exercise of any Common Stock warrants;

(vii) Investments in Permitted Businesses acquired in exchange for Common Stock (other than Redeemable Stock) of the Company or the Net Cash Proceeds from the issuance and sale of such Common Stock (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of the "Limitation on Indebtedness" covenant); provided that such proceeds are so used within 270 days of the receipt thereof; (viii) the purchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof, together with accrued interest, if any, thereof in the event of a Change of Control in accordance with provisions similar to the "Repurchase of Notes upon a Change of Control" covenant; provided that prior to such purchase the Company has made the Change of Control offer as provided in such covenant with respect to the Notes and has purchased all Notes validly tendered for payment in connection with such Change of Control Offer; and (ix) other Restricted Payments not to exceed $5.0 million; provided that, except in the case of clause (i), no Default or Event of Default shall have occurred and be continuing or occur as a consequence of the actions or payments set forth therein. (Section 1012)

Each Restricted Payment permitted pursuant to the immediately preceding paragraph (other than a Restricted Payment referred to in clause (ii) thereof, and an exchange of Capital Stock for Capital Stock, Indebtedness or an Investment referred to in clause (iii), (iv) or (vii) thereof) and the Net Cash Proceeds from any issuance of Capital Stock referred to in clauses (iii), (iv) and (vii) shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments. In the event the proceeds of an issuance of Capital Stock of the Company are used for the redemption, repurchase or other acquisition of the Notes or Indebtedness that is pari passu with the Notes, then the Net Cash Proceeds of such issuance shall be included in clause (C) of the first paragraph of this "Limitation on Restricted Payments" covenant only to the extent such proceeds are not used for such redemption, repurchase or other acquisition of Indebtedness.

Any Restricted Payments made other than in cash shall be valued at Fair Market Value. The amount of any Investment "outstanding" at any time shall be deemed to be equal to the amount of such Investment on the date made, less the return of capital, repayment of loans, and release of Guarantees, in each case of or to the Company and its Restricted Subsidiaries with respect to such Investment (up to the amount of such Investment on the date made).

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

So long as any of the Notes are outstanding, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary, (ii) pay any indebtedness owed to the Company or any other Restricted Subsidiary, (iii) make loans or advances to the Company or any other Restricted Subsidiary, or (iv) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

The foregoing provisions shall not restrict any encumbrances or restrictions: (i) existing on the Closing Date in the Indenture or any other agreements in effect on the Closing Date, and any extensions, refinancings, renewals or replacements of such agreements; provided that the encumbrances and restrictions in any such extensions, refinancings, renewals or replacements are no less favorable in any material respect to the holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; (ii) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if the encumbrance or restriction applies only in the event of a payment default or default with respect to a financial covenant contained in such Indebtedness or agreement and such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined by the Company) and the Company determines that any such encumbrance or restriction will not materially affect the Company's ability to make principal or interest payments on the Notes; (iii) existing under or by reason of applicable law; (iv) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred

in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired; (v) in the case of clause (iv) of the first paragraph of this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" covenant, (A) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is, or is subject to, a lease, purchase mortgage obligation, license, conveyance or contract or similar property or asset, (B) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (C) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary; or (vi) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary. Nothing contained in this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" covenant shall prevent the Company or any Restricted Subsidiary from (1) creating, incurring, assuming or suffering to exist any Liens otherwise permitted in the "Limitation on Liens" covenant or (2) restricting the sale or other disposition of property or assets of the Company or any of its Restricted Subsidiaries that secure Indebtedness of the Company or any of its Restricted Subsidiaries. (Section 1013)

Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries

The Company will not sell, transfer, convey or otherwise dispose of and will not permit any Restricted Subsidiary, directly or indirectly, to issue, transfer, convey, sell, lease or otherwise dispose of any shares of Capital Stock (including options, warrants or other rights to purchase shares of such Capital Stock) of such or any other Restricted Subsidiary to any Person except (i) to the Company or a Restricted Subsidiary, (ii) issuances of director's qualifying shares or sales to foreign nationals of shares of Capital Stock of non-U.S. Restricted Subsidiaries to the extent required by law and (iii) issuances and sales of Capital Stock of Restricted Subsidiaries if (A) the Net Cash Proceeds from such issuance, transfer, conveyance, sale, lease or other disposition are applied in accordance with the provisions of the "Limitation on Asset Sales" covenant, (B) immediately after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, and (C) any Investment in such Person remaining after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance, transfer, conveyance, sale, lease or other disposition (valued as provided in the definition of "Investment"). (Section 1014)

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of the Company or with any Affiliate of the Company or any Restricted Subsidiary, unless (i) such transaction or series of transactions is on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with a Person that is not such a holder or an Affiliate, (ii) if such transaction or series of transactions involves aggregate consideration in excess of $5.0 million, then such transaction or series of transactions is approved by a majority of the Board of Directors of the Company, including the approval of a majority of the independent, disinterested directors, and is evidenced by a resolution of the Board of Directors of the Company, and (iii) if such transaction or series of transactions involves aggregate consideration in excess of $25.0 million, then the Company or such Restricted Subsidiary will deliver to the Trustee a written opinion as to the fairness to the Company or such Restricted Subsidiary of such transaction from a financial point of view from a nationally recognized investment banking firm (or, if an investment banking firm is generally not qualified to give such an opinion, by a nationally recognized appraisal firm or accounting firm). Any such transaction or series of transactions shall be conclusively

deemed to be on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in an arm's-length transaction if such transaction or transactions are approved by a majority of the Board of Directors of the Company, including a majority of the independent, disinterested directors, and are evidenced by a resolution of the Board of Directors of the Company.

The foregoing limitation does not limit, and will not apply to (i) any transaction between the Company and any of its Restricted Subsidiaries or between Restricted Subsidiaries; (ii) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company; (iii) any Restricted Payments not prohibited by the "Limitation on Restricted Payments" covenant; (iv) transactions provided for in the Employment Agreements as in effect on the Closing Date; and (v) loans and advances to employees of the Company or any Restricted Subsidiary not exceeding at any one time outstanding $2.0 million in the aggregate, in the ordinary course of business and in accordance with past practice. (Section 1015)

Limitation on Liens

Under the terms of the Indenture, the Company will not, and will not permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any of its assets or properties of any character (including, without limitation, licenses and trademarks), or any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, without making effective provision for all of the Notes and all other amounts due under the Indenture to be directly secured equally and ratably with (or prior to) the obligation or liability secured by such Lien. (Section 1016)

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, make any Asset Sale unless (i) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of such sale or other disposition at least equal to the Fair Market Value of the assets sold or disposed of as determined by the good-faith judgment of the Board of Directors, which determination, in each case where such Fair Market Value is greater than $5.0 million, will be evidenced by a Board Resolution and (ii) at least 75% of the consideration received for such sale or other disposition consists of cash or cash equivalents or the assumption of unsubordinated Indebtedness.

The Company shall, or shall cause the relevant Restricted Subsidiary to, within 360 days after the date of receipt of the Net Cash Proceeds from an Asset Sale (i), (A) apply an amount equal to such Net Cash Proceeds to permanently repay unsubordinated Indebtedness of the Company or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Company or any of its Restricted Subsidiaries or (B) invest an equal amount, or the amount not so applied pursuant to clause (A) in long-term property or assets of a nature or type or that are used in a business (or in a company having property and assets of a nature or type, or engaged in a business) similar or related to the nature or type of the property and assets of, or the business of, the Company and its Restricted Subsidiaries existing on the date of such investment (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) and (ii) apply (no later than the end of the 360-day period referred to above) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (i)) as provided in the following paragraphs of this "Limitation on Asset Sales" covenant. The amount of such Net Cash Proceeds required to be applied (or to be committed to be applied) during such 360-day period referred to above in the preceding sentence and not applied as so required by the end of such period shall constitute "Excess Proceeds."

If, as of the first day of any calendar month, the aggregate amount of Excess Proceeds not theretofore subject to an Excess Proceeds Offer (as defined below) totals at least $10.0 million, the Company must, not later than the 30th Business Day thereafter, make an offer (an "Excess Proceeds Offer") to purchase from the holders on a pro rata basis an aggregate principal amount of Notes equal to the Proportionate Share of the Excess Proceeds on such date, at a purchase price equal to 100% of the principal amount of the Notes, plus, in each case, accrued and unpaid interest to the date of purchase (the "Excess Proceeds Payment").

The Company shall commence an Excess Proceeds Offer by mailing a notice to the Trustee and each holder stating: (i) that the Excess Proceeds Offer is being made pursuant to this "Limitation on Asset Sales" covenant and that all Notes validly tendered will be accepted for payment on a pro rata basis; (ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Excess Proceeds Payment Date"); (iii) that any Note not tendered will continue to accrue interest pursuant to its terms; (iv) that, unless the Company defaults in the payment of the Excess Proceeds Payment, any Note accepted for payment pursuant to the Excess Proceeds Offer shall cease to accrue interest on and after the Excess Proceeds Payment Date; (v) that holders electing to have a Note purchased pursuant to the Excess Proceeds Offer will be required to surrender the Note, together with the form entitled "Option of the holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Excess Proceeds Payment Date; (vi) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Excess Proceeds Payment Date, a telegram, facsimile transmission or letter setting forth the name of such holder, the principal amount of Notes delivered for purchase and a statement that such holder is withdrawing his election to have such Notes purchased; and (vii) that holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On the Excess Proceeds Payment Date, the Company shall (i) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to the Excess Proceeds Offer up to the Proportionate Share of such Excess Proceeds; (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (iii) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Excess Proceeds Offer as soon as practicable after the Excess Proceeds Payment Date. For purposes of this "Limitation on Asset Sales" covenant, the Trustee shall act as the Paying Agent.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that such Excess Proceeds are received by the Company under this "Limitation on Asset Sales" covenant and the Company is required to repurchase Notes as described above. (Section 1017)

Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary, directly or indirectly, to guarantee, assume or in any other manner become liable with respect to any Indebtedness of the Company, other than Indebtedness under Credit Facilities incurred under clauses (i) and (ii) of the "Limitation on Indebtedness" covenant, unless (i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes on terms substantially similar to the guarantee of such Indebtedness, except that if such Indebtedness is by its express terms subordinated in right of payment to the Notes, any such assumption, Guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Restricted Subsidiary's assumption, Guarantee of other liability with respect to the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes and (ii) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights or reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee.

Notwithstanding the foregoing, any Guarantee by a Restricted Subsidiary may provide by its terms that it will be automatically and unconditionally released and discharged upon (i) any sale, exchange or transfer, to any Person not an Affiliate of the Company, of all of the Company's and each Restricted Subsidiary's Capital Stock in, or all or substantially all of the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture) or (ii) the release or discharge of the guarantee which resulted in the creation of such Guarantee, except a discharge or release by or as a result of payment under such guarantee. (Section 1018)

Business of the Company

The Company will not, and will not permit any Restricted Subsidiary to, be principally engaged in any business or activity other than a Permitted Business.

Limitation on Investments in Unrestricted Subsidiaries

The Company will not make, and will not permit any of its Restricted Subsidiaries to make, any Investments in Unrestricted Subsidiaries if, at the time thereof, the aggregate amount of such Investments would exceed the amount of Restricted Payments then permitted to be made pursuant to the "Limitation on Restricted Payments" covenant. Any Investments in Unrestricted Subsidiaries permitted to be made pursuant to this covenant (i) will be treated as the making of a Restricted Payment in calculating the amount of Restricted Payments made by the Company or a Subsidiary and (ii) may be made in cash or property (if made in property, the Fair Market Value thereof as determined by the Board of Directors of the Company (whose determination shall be conclusive and evidenced by a Board Resolution) shall be deemed to be the amount of such Investment for the purpose of clause (i)). (Section 1020)

Provision of Financial Statements and Reports

The Company will file on a timely basis with the Commission, to the extent such filings are accepted by the Commission and whether or not the Company has a class of securities registered under the Exchange Act, the annual reports, quarterly reports and other documents that the Company would be required to file if it were subject to Section 13 or 15 of the Exchange Act. All such annual reports and quarterly reports shall include the geographic segment financial information currently disclosed by the Company in its public filings with the Commission. The Company will also be required (a) to file with the Trustee, and provide to each holder, without cost to such holder, copies of such reports and documents within 15 days after the date on which the Company files such reports and documents with the Commission or the date on which the Company would be required to file such reports and documents if the Company were so required, and (b) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, to supply at the Company's cost copies of such reports and documents to any prospective holder promptly upon request. (Section 1009)

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL

Upon the occurrence of a Change of Control, each holder shall have the right to require the Company to repurchase all or any part of its Notes at a purchase price in cash pursuant to the offer described below (the "Change of Control Offer") equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (subject to the right of holders of record to receive interest on the relevant interest payment date) (the "Change of Control Payment").

Within 30 days of the Change of Control, the Company will mail a notice to the Trustee and each holder stating: (i) that a Change of Control has occurred, that the Change of Control Offer is being made pursuant to this "Repurchase of Notes upon a Change of Control" covenant and that all Notes validly tendered will be accepted for payment; (ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date"); (iii) that any Note not tendered will continue to accrue interest pursuant to its terms; (iv) that, unless the

Company defaults in the payment of the Change of Control Payment, any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date; (v) that holders electing to have any Note or portion thereof purchased pursuant to the Change of Control Offer will be required to surrender such Note, together with the form entitled "Option of the holder to Elect Purchase" on the reverse side of such Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day immediately preceding the Change of Control Payment Date; (vi) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of such holder, the principal amount of Notes delivered for purchase and a statement that such holder is withdrawing his election to have such Notes purchased; and (vii) that holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On the Change of Control Payment Date, the Company shall: (i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Offer; (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (iii) deliver, or cause to be delivered, to the Trustee, all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail, to the holders of Notes so accepted, payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such holders a new Note equal in principal amount of any unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. For purposes of this "Repurchase of Notes upon a Change of Control" covenant, the Trustee shall act as Paying Agent.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in the event that a Change of Control occurs and the Company is required to repurchase the Notes under this "Repurchase of Notes Upon a Change of Control" covenant. (Section 1010)

If the Company is unable to repay all of its indebtedness that would prohibit repurchase of the Notes or is unable to obtain the consents of the holders of indebtedness, if any, of the Company outstanding at the time of a Change of Control whose consent would be so required to permit the repurchase of Notes, then the Company will have breached such covenant. This breach will constitute an Event of Default under the Indenture if it continues for a period of 30 consecutive days after written notice is given to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes outstanding. In addition, the failure by the Company to repurchase Notes at the conclusion of the Change of Control Offer will constitute an Event of Default without any waiting period or notice requirements.

There can be no assurances that the Company will have sufficient funds available at the time of any Change of Control to make any debt payment (including repurchases of Notes) required by the foregoing covenant (as well as may be contained in other securities of the Company which might be outstanding at the time). The above covenant requiring the Company to repurchase the Notes will, unless the consents referred to above are obtained, require the Company to repay all indebtedness then outstanding which by its terms would prohibit such Note repurchase, either prior to or concurrently with such note repurchase.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person or permit any Person to merge with or into the Company and the Company will not permit any of its Restricted Subsidiaries to enter into any such transaction

or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Company or the Company and its Restricted Subsidiaries, taken as a whole, to any other Person or Persons, unless: (i) the Company will be the continuing Person, or the Person (if other than the Company) formed by such consolidation or into which the Company is merged or that acquired or leased such property and assets of the Company will be a corporation organized and validly existing under the laws of the United States of America or any jurisdiction thereof and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, all of the obligations of the Company with respect to the Notes and under the Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; (iii) immediately after giving effect to such transaction on a pro forma basis the Company, or any Person becoming the successor obligor of the Notes, as the case may be, could Incur at least $1.00 of Indebtedness under paragraph (a) of the "Limitation on Indebtedness" covenant; and (iv) the Company delivers to the Trustee an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clause (iii)) and Opinion of Counsel stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; provided, however, that clause (iii) above does not apply if, in the good faith determination of the Board of Directors of the Company, whose determination shall be evidenced by a Board Resolution, the principal purpose of such transaction is to change the state of incorporation of the Company; and provided further that any such transaction shall not have as one of its purposes the evasion of the foregoing limitations. (Section 801)

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture: (a) default in the payment of interest on the Notes when due and payable and continuance of such default for a period of 30 days; (b) default in the payment of principal of (or premium, if any, on) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (c) default in the payment of principal or interest on Notes required to be purchased pursuant to an Excess Proceeds Offer as described under "Limitation on Asset Sales" or pursuant to a Change of Control Offer as described under "Repurchase of Notes upon a Change of Control"; (d) failure to perform or comply with the provisions described under "Consolidation, Merger and Sale of Assets"; (e) default in the performance of or breach of any other covenant or agreement of the Company in the Indenture or under the Notes (other than a default specified in clause (a), (b), (c) or (d) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the holders of 25% or more in aggregate principal amount of the Notes; (f) there occurs with respect to any issue or issues of Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of $10.0 million or more in the aggregate for all such issues of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (I) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled by the earlier of (x) the expiration of any applicable grace period or (y) the thirtieth day after such default and/or (II) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended by the earlier of (x) the expiration of any applicable grace period or (y) the thirtieth day after such default; (g) any final judgment or order (not covered by insurance) for the payment of money in excess of $10.0 million in the aggregate for all such final judgments or orders against all such Persons (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against the Company or any Restricted Subsidiary and shall not be paid or discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed $10.0 million during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; (h) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of the Company or any of its Significant Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or

similar official of the Company or any of its Significant Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Significant Subsidiaries or (C) the winding up or liquidation of the affairs of the Company or any of its Significant Subsidiaries and, in each case, such decree or order shall remain unstayed and in effect for a period of 30 consecutive days; or (i) the Company or any of its Significant Subsidiaries (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Significant Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Significant Subsidiaries or (C) effects any general assignment for the benefit of creditors. (Section 501)

If an Event of Default (other than an Event of Default specified in clause (h) or (i) above) occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the holders), may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued but unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (f) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default triggering such Event of Default pursuant to clause (f) shall be remedied or cured by the Company and/or the relevant Significant Subsidiaries or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto. If an Event of Default specified in clause (h) or (i) above occurs, the principal of, premium, if any, and accrued interest on the Notes then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder. The holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and accrued and unpaid interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. For information as to the waiver of defaults, see "--Modification and Waiver." (Section 502)

The holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of holders of Notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from holders of Notes. No holder may pursue any remedy with respect to the Indenture or the Notes unless: (i) the holder gives the Trustee written notice of a continuing Event of Default; (ii) the holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy; (iii) such holder or holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense; (iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and (v) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request. However, such limitations do not apply to the right of any holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the holder. (Sections 507 and 508)

The Indenture will require certain officers of the Company to certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the

Company's performance under the Indenture and that the Company has fulfilled all obligations thereunder or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. (Section 1008)

DEFEASANCE OR COVENANT DEFEASANCE OF INDENTURE

The Company may, at its option and at any time, elect to have the obligations of the Company upon the Notes discharged with respect to the outstanding Notes ("defeasance"). Such defeasance means that the Company will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes and to have satisfied all its other obligations under such Notes and the Indenture insofar as such Notes are concerned except for (i) the rights of holders of outstanding Notes to receive payments (solely from monies deposited in trust) in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (ii) the Company's obligations to issue temporary Notes, register the transfer or exchange of any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee and (iv) the defeasance provisions of the Indenture. In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes ("covenant defeasance"). (Sections 1301, 1302, and 1303)

In order to exercise either defeasance or covenant defeasance, (i) the Company must irrevocably deposit or cause to be deposited with the Trustee, as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the Notes, cash in United States dollars, U.S. Government Obligations (as defined in the Indenture), or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge the principal of, premium if any, and interest on the outstanding Notes on the Stated Maturity (or upon redemption, if applicable) of such principal, premium, if any, or installment of interest; (ii) no Default or Event of Default with respect to the Notes will have occurred and be continuing on the date of such deposit or, insofar as an event of bankruptcy under clause (x) of "Events of Default" above is concerned, at any time during the period ending on the 123rd day after the date of such deposit; (iii) such defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company is a party or by which it is bound; (iv) in the case of defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel stating that the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or since May 14, 1998, there has been a change in applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred; (v) in the case of covenant defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of the Notes outstanding will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and (vi) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance or the covenant defeasance, as the case may be, have been complied with. (Section 1304)

MODIFICATION AND WAIVER

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes; provided, however, that no such modification or amendment may, without the consent of each holder affected thereby, (i) change the Stated Maturity of the principal of, or any installment of interest on, any Note, (ii) reduce

the principal amount of, or premium, if any, or interest on any Note or extend the time for payment of interest on, or alter the redemption provisions of, any Note, (iii) change the place or currency of payment of principal of, or premium if any, or interest on any Note, (iv) impair the right of any holder of the Notes to receive payment of, principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the Redemption Date) of any Note, (v) reduce the above-stated percentage of outstanding Notes the consent of whose holders is necessary to modify or amend the Indenture, (vi) waive a default in the payment of principal of, premium, if any, or accrued and unpaid interest on the Notes or (vii) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults.

GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Notes and the Indenture will be governed by the laws of the State of New York. The Company will submit to the jurisdiction of the U.S. federal and New York state courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the Notes and the Indenture.

CURRENCY INDEMNITY

U.S. dollars are the sole currency of account and payment for all sums payable by the Company under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any holder of a Note in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Note, the Company shall indemnify the recipient against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this paragraph, it will be sufficient for the holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of a Note and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

CONCERNING THE TRUSTEE

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuers, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if the Trustee acquires any conflicting interest, it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights

or powers under the Indenture at the request of any holder of Notes, unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all terms as well as any other capitalized term used herein for which no definition is provided.

"Acquired Indebtedness" is defined to mean Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or assumed in connection with an Asset Acquisition by the Company or a Restricted Subsidiary and not incurred in connection with, or in anticipation of, such Person becoming a Restricted Subsidiary or such Asset Acquisition; provided that Indebtedness of such Person which is redeemed, defeased, retired or otherwise repaid at the time of or immediately upon the consummation of the transactions by which such Person becomes a Restricted Subsidiary or such Asset Acquisition shall not be Indebtedness.

"Affiliate" is defined to mean, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, is defined to mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of the Indenture "Affiliate" shall be deemed to include Mr. K. Paul Singh.

"Asset Acquisition" is defined to mean (i) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries or (ii) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" is defined to mean the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary of the Company) of (i) all or substantially all of the Capital Stock of any Restricted Subsidiary of the Company or (ii) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" is defined to mean any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transactions) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person other than the Company or any of its Restricted Subsidiaries of (i) all or any of the Capital Stock of any Subsidiary, (ii) all or substantially all of the property and assets of an operating unit or business of the Company or any of its Restricted Subsidiaries or (iii) any other property and assets of the Company or any of its Restricted Subsidiaries outside the ordinary course of business of the Company or such Restricted Subsidiary and, in each case, that is not governed by the provisions of the Indenture applicable to mergers, consolidations and sales of assets of the Company and which, in the case of any of clause (i), (ii) or (iii) above, whether in one transaction or a series of related transactions, (a) have a Fair Market Value in excess of $1.0 million or (b) are for net proceeds in excess of $1.0 million; provided that (x) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business and (y) sales or other dispositions of assets for consideration at least equal to the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of the assets sold or disposed of, to the extent that the consideration received would constitute property or assets of the kind described in clause (i)(B) of the second paragraph of the "Limitation on Asset Sales" covenant, shall not be included within the meaning of "Asset Sale."

"Average Life" is defined to mean, at any date of determination with respect to any debt security, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such debt security and (b) the amount of such principal payment by (ii) the sum of all such principal payments.

"Capital Stock" is defined to mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether now outstanding or issued after the date of the Indenture, including, without limitation, all Common Stock and Preferred Stock.

"Capitalized Lease" is defined to mean, as applied to any Person, any lease of any property (whether real, personal or mixed) of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person; and "Capitalized Lease Obligation" is defined to mean the discounted present value of the rental obligations under such lease.

"Change of Control" is defined to mean such time as (i) a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the total voting power of the then outstanding Voting Stock of the Company on a fully diluted basis; (ii) individuals who at the beginning of any period of two consecutive calendar years constituted the Board of Directors (together with any directors who are members of the Board of Directors on the date hereof and any new directors whose election by the Board of Directors or whose nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the members of the Board of Directors then still in office who either were members of the Board of Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of such board of directors then in office; (iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any such "person" or "group" (other than to the Company or a Restricted Subsidiary); (iv) the merger or consolidation of the Company with or into another corporation or the merger of another corporation with or into the Company with the effect that immediately after such transaction any such "person" or "group" of persons or entities shall have become the beneficial owner of securities of the surviving corporation of such merger or consolidation representing a majority of the total voting power of the then outstanding Voting Stock of the surviving corporation; or (v) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Closing Date" is defined to mean the date on which the Notes are originally issued under the Indenture.

"Common Stock" is defined to mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's common stock, whether now outstanding or issued after the date of the Indenture, including, without limitation, all series and classes of such common stock.

"Consolidated Cash Flow" is defined to mean, for any period, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) income taxes, to the extent such amount was deducted in calculating Consolidated Net Income (other than income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or sales of assets), (iv) depreciation expense, to the extent such amount was deducted in calculating Consolidated Net Income, (v) amortization expense, to the extent such amount was deducted in calculating Consolidated Net Income, and (vi) all other non-cash items reducing Consolidated Net Income (excluding any non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period), less all non-cash items increasing Consolidated Net Income, all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP.

"Consolidated Fixed Charges" is defined to mean, for any period, Consolidated Interest Expense plus dividends declared and payable on Preferred Stock.

"Consolidated Interest Expense" is defined to mean, for any period, the aggregate amount of interest in respect of Indebtedness (including capitalized interest, amortization of original issue discount on any Indebtedness and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method of accounting; all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing; the net costs associated with Interest Rate Agreements; and interest on Indebtedness that is Guaranteed or secured by the Company or any of its Restricted Subsidiaries) and all but the principal component of rentals in respect of Capitalized Lease Obligations paid, accrued or scheduled to be paid or to be accrued by the Company and its Restricted Subsidiaries during such period.

"Consolidated Net Income" is defined to mean, for any period, the aggregate consolidated net income (or loss) of the Company and its Restricted Subsidiaries for such period determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication): (i) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (C) of the first paragraph of the "Limitation on Restricted Payments" covenant described above, the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries; (ii) any gains or losses (on an after-tax basis) attributable to Asset Sales; (iii) except for purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (C) of the first paragraph of the "Limitation on Restricted Payments" covenant described above, any amount paid or accrued as dividends on Preferred Stock of the Company or Preferred Stock of any Restricted Subsidiary owned by Persons other than the Company and any of its Restricted Subsidiaries; (iv) all extraordinary gains and extraordinary losses; and (v) the net income (or loss) of any Person (other than net income (or loss) attributable to a Restricted Subsidiary) in which any Person (other than the Company or any of its Restricted Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of its Restricted Subsidiaries by such other Person during such period.

"Credit Facilities" is defined to mean, with respect to the Company, one or more debt facilities or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part form time to time.

"Currency Agreement" is defined to mean any foreign exchange contract, currency swap agreement and any other arrangement and agreement designed to provide protection against fluctuations in currency values.

"Default" is defined to mean any event that is, or after notice or passage of time or both would be, an Event of Default.

"Eligible Accounts Receivable" is defined to mean the accounts receivables (net of any reserves and allowances for doubtful accounts in accordance with GAAP) of any Person that are not more than 60 days past their due date and that were entered into in the ordinary course of business on normal payment terms as shown on the most recent consolidated balance sheet of such Person filed with the Commission, all in accordance with GAAP.

"Eligible Institution" is defined to mean a commercial banking institution that has combined capital and surplus of not less than $500 million or its equivalent in foreign currency, whose debt is rated "A-3" or higher or "A-" or higher according to Moody's Investors Service, Inc. or Standard & Poor's Ratings Group (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act) respectively, at the time as of which any investment or rollover therein is made.

"Employment Agreements" is defined to mean the employment agreements between the Company and Mr. K. Paul Singh, dated June 1994.

"Existing Indebtedness" is defined to mean Indebtedness outstanding on the date of the Indenture.

"Fair Market Value" is defined to mean, with respect to any asset or property, the sale value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer.

"GAAP" is defined to mean generally accepted accounting principles in the United States of America as in effect from time to time, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Government Securities" is defined to mean direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged.

"Guarantee" is defined to mean any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Incur" is defined to mean, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness, including an Incurrence of Indebtedness by reason of the acquisition of more than 50% of the Capital Stock of any Person; provided that neither the accrual of interest nor the accretion of original issue discount shall be considered an Incurrence of Indebtedness.

"Indebtedness" is defined to mean, with respect to any Person at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services, except Trade Payables, (v) all obligations of such Person as lessee under Capitalized Leases, (vi) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness, (vii) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person, (viii) the maximum fixed redemption or repurchase price of Redeemable Stock of such Person at the time of determination and (ix) to the extent not otherwise included in this definition, obligations under Currency Agreements and Interest Rate Agreements. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, provided (i) that the amount outstanding at any time

of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP and (ii) that Indebtedness shall not include any liability for federal, state, local or other taxes.

"Interest Rate Agreement" is defined to mean interest rate swap agreements, interest rate cap agreements, interest rate insurance, and other arrangements and agreements designed to provide protection against fluctuations in interest rates.

"Investment" in any Person is defined to mean any direct or indirect advance, loan or other extension of credit (including, without limitation, by way of Guarantee or similar arrangement; but excluding advances to customers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable on the balance sheet of the Company or its Restricted Subsidiaries) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other similar instruments issued by, such Person. For purposes of the definition of "Unrestricted Subsidiary," the "Limitation on Restricted Payments" covenant and the "Limitation on Issuance and Sale of Capital Stock of Restricted Subsidiaries" covenant described above, (i) "Investment" shall include (a) the Fair Market Value of the assets (net of liabilities) of any Restricted Subsidiary of the Company at the time that such Restricted Subsidiary of the Company is designated an Unrestricted Subsidiary and shall exclude the Fair Market Value of the assets (net of liabilities) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company and (b) the Fair Market Value, in the case of a sale of Capital Stock in accordance with the "Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries" covenant such that a Person no longer constitutes a Restricted Subsidiary, of the remaining assets (net of liabilities) of such Person after such sale, and shall exclude the Fair Market Value of the assets (net of liabilities) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined by the Board of Directors in good faith.

"Lien" is defined to mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest).

"Marketable Securities" is defined to mean: (i) Government Securities which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein; (ii) any time deposit account, money market deposit and certificate of deposit maturing not more than 180 days after the date of acquisition issued by, or time deposit of, an Eligible Institution; (iii) commercial paper maturing not more than 90 days after the date of acquisition issued by a corporation (other than an Affiliate of the Company) with a rating, at the time as of which any investment therein is made, of "P-1" or higher according to Moody's Investors Service, Inc., or "A-1" or higher according to Standard & Poor's Rating Group (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act)); (iv) any banker's acceptance or money market deposit accounts issued or offered by an Eligible Institution; (v) repurchase obligations with a term of not more than 7 days for Government Securities entered into with an Eligible Institution; and (vi) any fund 95% of the assets of which consist of investments of the types described in clauses (i) through (v) above.

"Net Cash Proceeds" is defined to mean, (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary of the Company) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of (i) brokerage commissions and other fees and expenses (including

fees and expenses of counsel and investment bankers) related to such Asset Sale, (ii) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole, (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) is secured by a Lien on the property or assets sold or (B) is required to be paid as a result of such sale and (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary of the Company as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary of the Company) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorney's fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Permitted Business" is defined to mean the business of (i) transmitting, or providing services relating to the transmission of, voice, video or data through owned or leased transmission facilities, (ii) constructing, creating, developing or marketing communications related network equipment, software and other devices for use in a telecommunications business or (iii) evaluating, participating or pursuing any other activity or opportunity that is primarily related to those identified in clause (i) or (ii) above; provided that the determination of what constitutes a Permitted Business shall be made in good faith by the Board of Directors of the Company, whose determination shall be conclusive and evidenced by a Board Resolution.

"Permitted Investment" is defined to mean (i) an Investment in a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary; (ii) any Investment in Marketable Securities; (iii) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP; (iv) loans or advances to employees made in the ordinary course of business in accordance with past practice of the Company or its Restricted Subsidiaries and that do not in the aggregate exceed $1.0 million at any time outstanding; (v) stock, obligations or securities received in satisfaction of judgments; (vi) Investments in any Person received as consideration for Asset Sales to the extent permitted under the "Limitation on Asset Sales" covenant; and (vii) Investments in any Person at any one time outstanding (measured on the date each such Investment was made without giving effect to subsequent changes in value) in an aggregate amount not to exceed 10.0% of the Company's total consolidated assets.

"Permitted Liens" is defined to mean (i) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (ii) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (iv) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of- money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money); (v) easements, rights-of-way, municipal and zoning ordinances

and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of the Company or any of its Restricted Subsidiaries; (vi) Liens (including extensions and renewals thereof) upon real or personal property purchased or leased after the Closing Date; provided that (a) such Lien is created solely for the purpose of securing indebtedness Incurred in compliance with the "Limitation on Indebtedness" covenant (1) to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of the item of property or assets subject thereto and such Lien is created prior to, at the time of or within six months after the later of the acquisition, the completion of construction or the commencement of full operation of such property or (2) to refinance any Indebtedness previously so secured, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost and (c) any such Lien shall not extend to or cover any property or assets other than such item of property or assets and any improvements on such item; (vii) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole; (viii) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets; (ix) any interest or title of a lessor in the property subject to any Capitalized Lease or operating lease; (x) Liens arising from filing Uniform Commercial Code financing statements regarding leases; (xi) Liens on property of, or on shares of stock or Indebtedness of, any corporation existing at the time such corporation becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired and were not created in contemplation of such transaction; (xii) Liens in favor of the Company or any Restricted Subsidiary; (xiii) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary of the Company that does not give rise to an Event of Default; (xiv) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof; (xv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (xvi) Liens encumbering customary initial deposits and margin deposits and other Liens that are either within the general parameters customary in the industry or incurred in the ordinary course of business, in each case, securing Indebtedness under Interest Rate Agreements and Currency Agreements; (xvii) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business in accordance with the past practices of the Company and its Restricted Subsidiaries prior to the Closing Date; (xviii) Liens existing on the Closing Date or securing the Notes or any Guarantee of the Notes; (xix) Liens granted after the Closing Date on any assets or Capital Stock of the Company or its Restricted Subsidiaries created in favor of the holders; (xx) Liens securing Indebtedness which is incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (iv) of paragraph (b) of the "Limitation on Indebtedness" covenant; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced; (xxi) Liens on the property or assets of a Restricted Subsidiary securing Indebtedness of such Subsidiary which Indebtedness is permitted under the Indenture; and (xxii) Liens securing Indebtedness under Credit Facilities incurred in compliance with clauses (i) and (ii) of paragraph (b) of the "Limitation on Indebtedness" covenant.

"Preferred Stock" is defined to mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's preferred or preference stock, whether now outstanding or issued after the date of the Indenture, including, without limitation, all series and classes of such preferred or preference stock.

"Pro Forma Consolidated Cash Flow" is defined to mean, for any period, the Consolidated Cash Flow of the Company for such period calculated on a pro forma basis to give effect to any Asset Disposition or Asset Acquisition not in the ordinary course of business (including acquisitions of other Persons by merger, consolidation or purchase of Capital Stock) during such period as if such Asset Disposition or Asset Acquisition had taken place on the first day of such period.

"Proportionate Share" is defined to mean, as of any date of calculation, an amount equal to (i) the outstanding principal amount of Notes as of such date, divided by (ii) the sum of the outstanding principal amount of Notes as of such date plus the outstanding principal amount as of such date of all other Indebtedness (other than Subordinated Indebtedness) of the Issuer the terms of which obligate the Issuer to make a purchase offer in connection with the relevant Excess Proceeds or the Asset Sale giving rise thereto.

"Public Equity Offering" is defined to mean an underwritten primary public offering of Common Stock of the Company pursuant to an effective registration statement under the Securities Act.

"Purchase Money Obligations" is defined to mean, with respect to each Person, obligations, other than those under Capitalized Leases, Incurred or assumed in the ordinary course of business in connection with the purchase of property to be used in the business of such Person.

"Redeemable Stock" is defined to mean any class or series of Capital Stock of any Person that by its terms or otherwise is (i) required to be redeemed prior to the Stated Maturity of the Notes, (ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Redeemable Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Redeemable Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control" covenants described above and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's offer to repurchase such Notes as are required to be repurchased pursuant to the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control" covenants described above.

"Restricted Subsidiary" is defined to mean any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Significant Subsidiary" is defined to mean, at any date of determination, any Subsidiary of the Company that, together with its Subsidiaries, (i) for the most recent fiscal year of the Company, accounted for more than 10% of the consolidated revenues of the Company or (ii) as of the end of such fiscal year, was the owner of more than 10% of the consolidated assets of the Company, all as set forth on the most recently available consolidated financial statements of the Company for such fiscal year.

"Stated Maturity" is defined to mean, (i) with respect to any debt security, the date specified in such debt security as the fixed date on which the final installment of principal of such debt security is due and payable and (ii) with respect to any scheduled installment of principal of or interest on any debt security, the date specified in such debt security as the fixed date on which such installment is due and payable.

"Strategic Subordinated Indebtedness" is defined to mean Indebtedness of the Company Incurred to finance the acquisition of a Person engaged in a business that is related, ancillary or complementary to the business conducted by the Company or any of its Restricted Subsidiaries, which Indebtedness by its terms, or by the terms of any agreement or instrument pursuant to which such Indebtedness is Incurred, (i) is expressly made subordinate in right of payment to the Notes and (ii) provides that no payment of principal, premium or interest on, or any other payment with respect to, such Indebtedness may be made prior to the payment in full of all of the Company's obligations under the Notes; provided that such Indebtedness may provide for and be repaid at any time from the proceeds of a capital contribution, the sale of Common Stock (other than Redeemable Stock) of the Company, or other Strategic Subordinated Indebtedness Incurred, after the Incurrence of such Indebtedness.

"Subsidiary" is defined to mean, with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"Subordinated Indebtedness" is defined to mean Indebtedness of the Company subordinated in right of payment to the Notes.

"Trade Payables" is defined to mean any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by the Company or any of its Restricted Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods and services.

"Transaction Date" is defined to mean, with respect to the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" is defined to mean (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Restricted Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary; provided that (A) either (I) the Subsidiary to be so designated has total assets of $1,000 or less or (II) if such Subsidiary has assets greater than $1,000, that such designation would be permitted under the "Limitation on Restricted Payments" covenant described above, and (B) such Subsidiary is not liable, directly or indirectly, with respect to any Indebtedness other than Unrestricted Subsidiary Indebtedness. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; provided that immediately after giving effect to such designation (x) the Company could Incur $1.00 of additional Indebtedness under the first paragraph of the "Limitation on Indebtedness" covenant described above and (y) no Default or Event of Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"Unrestricted Subsidiary Indebtedness" is defined to mean Indebtedness of any Unrestricted Subsidiary (i) as to which neither the Company nor any Restricted Subsidiary is directly or indirectly liable (by virtue of the Company or any such Restricted Subsidiary being the primary obligor on, guarantor of, or otherwise liable in any respect to, such Indebtedness), and (ii) which, upon the occurrence of a default with respect thereto, does not result in, or permit any holder of any Indebtedness of the Company or any Restricted Subsidiary to declare, a default on such Indebtedness of the Company or any Restricted Subsidiary or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"U.S. Subsidiary" is defined to mean any corporation or other entity incorporated or organized under the laws of the United States or any state thereof.

"Voting Stock" is defined to mean with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned," with respect to any Subsidiary, is defined to mean a Subsidiary of the Company if all of the outstanding Capital Stock in such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) is owned by the Company or one or more Wholly Owned Subsidiaries of the Company.

BOOK ENTRY, DELIVERY AND FORM

The Initial Notes were offered and sold to "qualified institutional buyers" in reliance on Rule 144A and, to certain non-U.S. Holders, Regulation S under the Securities Act. The Initial Notes were issued in registered, global form in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof.

The Initial Notes are represented by one or more Notes in registered, global form without interest coupons (the "Restricted Global Note"), and, except as set forth below, the Exchange Notes will be represented by one or more Notes in registered, global form without interest coupons (the "Unrestricted Global Note," and together with the Restricted Global Note, the "Global Note"). The Restricted Global Note was, and the Unrestricted Global Note will be, deposited upon issuance with the Trustee as custodian for the Depository in Richmond, Virginia and registered in the name of the Depositary or its nominee, in each case for credit to an account of a direct or indirect participant in the Depositary as described below.

Except as set forth below, the Global Note may be transferred, in whole and not in part, only to another nominee of The Depositary or to a successor of the Depositary or its nominee. Beneficial interests in the Global Note may not be exchanged for Notes in certificated form except in the limited circumstances described below. See "Exchange of Book-Entry Notes for Certificated Notes."

The Trustee will act as Registrar.

DEPOSITARY PROCEDURES

The Depositary has advised the Company that the Depositary is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to the Depositary's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of the Depositary only through Participants or Indirect Participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of the Depositary are recorded on the records of the Participants and Indirect Participants.

The Depositary has also advised the Company that pursuant to procedures established by it, (i) upon deposit of the Global Note, the Depositary will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Note and (ii) ownership of such interests in the Global Note will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depositary (with respect to Participants) or by Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Note).

Investors in the Global Note may hold their interests therein directly through the Depositary, if they are participants in such system, or indirectly through organizations that are Participants in such system. All interests in a Global Note may be subject to the procedures and requirements of the Depositary.

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interest in a Global Note to such persons may be limited to that extent. Because the Depositary can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the Depositary system, or otherwise take actions in respect of such interests may be affected by the lack of physical certificate evidencing such interests. For certain other restrictions on the transferability of the Notes, see "--Exchange of Book-Entry Notes for Certificated Notes."

EXCEPT AS DESCRIBED BELOW, OWNERS OF INTERESTS IN THE GLOBAL NOTE WILL NOT HAVE NOTES REGISTERED IN THEIR NAMES, WILL NOT RECEIVE PHYSICAL DELIVERY OF NOTES IN CERTIFICATED FORM AND WILL NOT BE CONSIDERED THE REGISTERED OWNERS OR HOLDERS THEREOF UNDER THE INDENTURE FOR ANY PURPOSE.

Payments in respect of the principal and premium and Liquidated Damages, if any, and interest on a Global Note registered in the name of the Depositary or its nominee will be payable by the paying agent to the Depositary or its nominee in is capacity as the registered holder of a Global Note under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the persons in whose names the Notes, including the Global Note, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for (i) any aspect of the Depositary's records or any participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Note, or for maintaining, supervising or reviewing any of the Depositary's records or any participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Note or (ii) any other matter relating to the actions and practices of the Depositary or any of its Participants or Indirect Participants.

The Depositary has advised the Company that its current practices, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amount of beneficial interests in the relevant security such as the Global Note as shown on the records of the Depositary. Payments by Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will not be the responsibility of the Depositary, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by the Depositary or its Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from the Depositary or its nominee as the registered owner of the Notes for all purposes.

Interests in the Global Note will trade in the Depositary's Same-Day Funds Settlement System and secondary market trading activity in such interests will, therefore, settle in immediately available funds, subject in all cases to the rules and procedures of the Depositary and its Participants. Transfers between Participants in the Depositary will be effective in accordance with the Depositary's procedures, and will be settled in same-day funds.

The Depositary has advised the Company that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more Participants to whose account the Depositary interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given direction. However, if there is an Event of Default under the Notes, the Depositary reserves the right to exchange the Global Note for legended Notes in certificated form, and to distribute such Notes to its Participants.

The information in this section concerning the Depositary and its book-entry systems has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. Neither the Company nor the Trustee will have any responsibility for the performance by the Depositary or its respective Participants or Indirect Participants of its respective obligations under the rules and procedures governing its operations.

Exchange of Book-Entry Notes for Certificated Notes.

A Global Note is exchangeable for definitive Notes in registered certificated form if (i) the Depositary (A) notifies the Company that it is unwilling or unable to continue as depository for the Global Note and the Company thereupon fails to appoint a successor depository or (B) has ceased to be a clearing agency registered under the Exchange Act, (ii) upon the continuance of an Event of Default or (iii) the Company, at its option,

notifies the Trustee in writing that it elects to cause issuance of the Notes in certificated form. In addition, beneficial interests in a Global Note may be exchanged for certificated Notes upon request but only upon at least 20 days' prior written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures. In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interest therein will be registered in names, and issued in any approved denominations, requested by or on behalf of the Depositary (in accordance with its customary procedures) and will bear, the restrictive legend referred to in "Notice to Investors," unless the Company determines otherwise in compliance with applicable law.

Same Day Settlement and Payment.

The Indenture will require that payments in respect of the Notes represented by the Global Note (including principal, premium, if any, interest and Liquidated Damages, if any) be made by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. With respect to certificated Notes, the Company will make all payments of principal, premium, if any, interest and Liquidated Damages, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such Holder's registered address. The Company expects that secondary trading in the certificated Notes will also be settled in immediately available funds.

REGISTRATION RIGHTS

The holders of the Exchange Notes are not entitled to any registration rights with respect to the Exchange Notes. The Company has entered into the Registration Rights Agreement with the Initial Purchasers, pursuant to which the Company agreed to file with the Commission, subject to the provisions described below, the Exchange Offer Registration Statement on an appropriate form permitting registration of the Exchange Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of Exchange Notes held by broker-dealers as contemplated by the Registration Rights Agreement. The Registration Statement of which this Prospectus forms a part constitutes the Exchange Offer Registration Statement.

The Registration Rights Agreement provides that if (i) the Company is not permitted to file the Exchange Offer Registration Statement or to consummate the Exchange offer because the Exchange Offer is not permitted by applicable law or Commission policy, (ii) the Exchange Offer is not for any other reason consummated by October 16, 1998 or (iii) the Exchange Offer has been completed and in the written opinion of counsel for the Initial Purchasers a Registration Statement must be filed and a prospectus must be delivered by the Initial Purchasers in connection with any offering or sale of Transfer Restricted Securities, the Company will use its reasonable best efforts to: (A) file a Shelf Registration Statement within 60 days of the earliest to occur of (i) through (iv) above and (B) cause the Shelf Registration Statement to be declared effective by the Commission on or prior to the 120th day after such obligation arises. The Company shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended to ensure that it is available for resales of Notes by the holders of Transfer Restricted Securities entitled to this benefit and to ensure that such Shelf Registration Statement conforms and continues to conform with the requirements of the Registration Rights Agreement, the Securities Act and the policies, rules and regulations of the Commission, as announced from time to time, until the second anniversary of the Closing Date; provided, however, that during such two-year period the holders may be prevented or restricted by the Company from effecting sales pursuant to the Shelf Registration Statement as more fully described in the Registration Rights Agreement. A Holder of Notes that sells its Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such Holder (including certain indemnification and contribution obligations).

For purposes of the foregoing, "Transfer Restricted Securities" means each Note until the earliest to occur of (i) the date on which such Note has been exchanged by a person other than a broker-dealer for Exchange Notes in the Exchange Offer, (ii) following the exchange by a broker-dealer in the Exchange Offer of such Note

for one or more Exchange Notes, the date on which such Exchange Notes are sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Note is eligible for distribution to the public pursuant to Rule 144 under the Securities Act.

If (i) the Company fails to file with the Commission any of the Registration Statements required by the Registration Rights Agreement on or before the date specified therein for such filing, (ii) any of such Registration Statements is not declared effective by the Commission on or prior to the date specified for such effectiveness in the Registration Rights Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been consummated within 30 days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by the Registration Rights Agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose without being succeeded within five business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (each such event referred to in clauses (i) through (iv) above, a "Registration Default"), additional cash interest (Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages will be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Liquidated Damages with respect to such Transfer Restricted Securities will cease.

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus constitutes a part, will be made available to prospective purchasers of the Notes upon request to the Company.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain material United States federal income tax consequences of the purchase, ownership and disposition of Notes by holders that acquire Notes at original issuance for cash at their face value. This discussion is limited to holders who hold the Notes as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, this discussion does not address all aspects of United States federal income taxation that may be applicable to investors in light of their particular circumstances, or to investors subject to special treatment under United States federal income tax law (including, without limitation, certain financial institutions, insurance companies, tax-exempt entities, dealers in securities, persons who have acquired Notes as part of a straddle, hedge, conversion transaction or other integrated investment or persons whose functional currency is not the United States dollar). This discussion is based on provisions of the Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH INVESTOR OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES INCLUDING THE APPLICABILITY OF ANY FEDERAL ESTATE OR GIFT TAX LAWS, ANY STATE, LOCAL OR FOREIGN TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

As used herein, the term "U.S. Holder" means a holder of a Note that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust, if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust. The term "Non-U.S. Holder", means a holder of a Note other than a U.S. Holder.

U.S. TAXATION OF U.S. HOLDERS

Payments of Interest. Stated interest payable on the Notes generally will be included in the gross income of a U.S. Holder as ordinary interest income at the time accrued or received, in accordance with such U.S. Holder's method of accounting for United States federal income tax purposes.

Payments of Additional Interest/Redemption Premium. Because the Notes provide for the payment of additional interest or redemption premium under certain circumstances, the Notes may be subject to Treasury regulations applicable to debt instruments that provide for one or more contingent payments. Under such Treasury regulations, if the payment of such liquidated damages is, as of the date the Notes are issued, either a "remote" or "incidental" contingency, the payment would not be considered a contingent payment and such amounts would be accounted for under the holder's normal method of accounting for tax purposes. The Company intends, solely for these purposes, to treat the possibility of the payment of such liquidated damages as a remote or incidental contingency. Such determination is binding on a holder unless such holder discloses to the Internal Revenue Service (the "IRS") that it is taking a contrary position.

Disposition of the Notes. Upon the sale, exchange, redemption, retirement at maturity or other disposition of a Note (collectively, a "Disposition"), a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized by such U.S. Holder (except to the extent such amount is attributable to accrued interest, which will be treated as ordinary interest income) and such U.S. Holder's adjusted tax basis in the Note. A holder's adjusted tax basis in the Notes will generally be equal to the amount such holder paid for the Note. Such capital gain or loss generally will be long-term capital gain or loss if the holding period for the Note exceeds one year at the time of the Disposition. Generally, the maximum tax rate for individuals on long term capital gain is 28% for capital assets held for more than one year but for 18 months or less, and 20% for capital assets held for more than 18 months.

The exchange of an Initial Note for an Exchange Note will not be a taxable event for a Holder.

U.S. TAXATION OF NON-U.S. HOLDERS

Payments of Interest. In general, payments of interest received by a Non-U.S. Holder will not be subject to United States withholding tax, provided that the Non-U.S. Holder (i) does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (ii) is not a controlled foreign corporation that is related to the Company actually or constructively through stock ownership, and (iii) either (x) the beneficial owner of the Note provides the Company or its paying agent with a properly executed certification on IRS form W-8 (or suitable substitute form), signed under penalties of perjury, that the beneficial owner is not a "U.S. person" for U.S. federal income tax purposes and that provides the beneficial owner's name and address, or (y) a securities clearing organization, bank or other financial institution that holds customer's securities in the ordinary course of its business holds the Note and certifies to the Company or its agent under penalties of perjury that the IRS form W-8 (or a suitable substitute form) has been received by it from the beneficial owner of the Note or a qualifying intermediary and furnishes the payor a copy thereof. Payments of interest not exempt from U.S. federal withholding tax as described above will be subject to such withholding tax at the rate of 30%, unless reduced or eliminated under an applicable income tax treaty, and the required documentation to claim the treaty benefit is provided.

Treasury regulations that will be effective with respect to payments made after December 31, 1999 (the "Withholding Regulations") provide alternative methods for satisfying the certification requirements described in the preceding paragraph. The Withholding Regulations also will require, in the case of Notes held by a foreign partnership, that the certification described above be provided by each partner.

Disposition of the Notes. A Non-U.S. Holder generally will not be subject to U.S. federal income tax (and generally no tax will be withheld) with respect to gain realized on the Disposition of a Note, unless (i) the gain is effectively connected with a U.S. trade or business conducted by the Non-U.S. Holder or (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 or more days during the taxable year of the Disposition and certain other requirements are satisfied.

Effectively Connected Income. If interest and other payments received by a Non-U.S. Holder with respect to the Notes (including proceeds from the Disposition of the Notes) are effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (or the Non-U.S. Holder is otherwise subject to U.S. federal income taxation on a net basis with respect to such holder's ownership of the notes), such Non-U.S. Holder will generally be subject to the rules described above under "U.S. Taxation of U.S. Holders" (subject to any modification provided under an applicable income tax treaty). Such Non-U.S. Holder may also be subject to the U.S. "branch profits tax" if such holder is a corporation.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Certain non-corporate U.S. Holders may be subject to backup withholding at a rate of 31% on payments of principal, premium and interest on, and the proceeds of the Disposition of, the Notes. In general, backup withholding only will be imposed on a U.S. Holder if he, she or it (i) fails to furnish a taxpayer identification number ("TIN") which, for an individual, would be his or her Social Security number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that he, she or it has failed to report payments of interest or dividends or (iv) under certain circumstances, fails to certify, under penalty of perjury, that he, she or it (a) has furnished a correct TIN and (b) has not been notified by the IRS that he, she or it is subject to backup withholding tax for failure to report interest or dividend payments.

Backup withholding generally will not apply to payments made to a Non-U.S. Holder of a Note who provides the certification described under "U.S. Taxation of Non-U.S. Holders--Payments of Interest" or otherwise establishes an exemption from backup withholding, provided that the payor does not have actual knowledge that the holder is a U.S. person.

THE EXCHANGE OFFER

The exchange of Initial Notes for Exchange Notes pursuant to the Exchange Offer will not constitute a significant modification of the terms of the Initial Notes and, therefore, such exchange will not constitute an exchange for United States federal income tax purposes. Accordingly, such exchange will have no United States federal income tax consequences to U.S. holders of the Initial Notes and the holding period of the Exchange Notes will include the holding period of the Initial Notes and the basis of the Exchange Notes will be the same as the basis of the Initial Notes immediately before the exchange.

ORIGINAL ISSUE DISCOUNT AND STATED INTEREST

The Initial Notes were issued and the Exchange Notes will be issued without original issue discount. Stated interest on the Initial and Exchange Notes will be taxable to a holder as ordinary interest income at the time it is accrued or paid in accordance with such holder's method of accounting for tax purposes.

BOND PREMIUM ON THE EXCHANGE NOTES

If a holder of an Exchange Note purchased the Initial Notes for an amount in excess of the amount payable at the maturity date (or a call date, if appropriate) of the Initial Notes, the holder may deduct such excess as amortizable bond premium over the aggregate terms of the Initial Notes and the Exchange Notes (taking into account earlier call dates, as appropriate), under a yield-to-maturity formula. The deduction is available only if an election is made by the purchaser or is in effect. This election is revocable only with the consent of the IRS. The election applies to all obligations owned or subsequently acquired by the holder. The holder's adjusted tax basis in the Initial Notes and the Exchange Notes will be reduced to the extent of the deduction of amortizable bond premium. Except as may otherwise be provided in future regulations, under the Code the amortizable bond premium is treated as an offset to interest income on the Initial Notes and the Exchange Notes rather than as a separate deduction item.

MARKET DISCOUNT ON THE EXCHANGE NOTES

Tax consequences of a disposition of the Exchange Notes may be affected by the market discount provisions of the Code. These rules generally provide that if a holder acquired the Initial Notes (other than in an original issue) at a market discount which equals or exceeds 1/4 of 1% of the stated redemption price of the Initial Notes at maturity multiplied by the number of remaining complete years to maturity and thereafter recognizes gain upon a disposition (or makes a gift) of the Exchange Notes, the lesser of (i) such gain (or appreciation, in the case of a gift) or (ii) the portion of the market discount which accrued while the Initial or Exchange Notes were held by such holder will be treated as ordinary income at the time of the disposition (or gift). For these purposes, market discount means the excess (if any) of the stated redemption price at maturity over the basis of such Initial or Exchange Notes immediately after their acquisition by the holder. A holder of the Exchange Notes may elect to include any market discount (whether accrued under the Initial Notes or the Exchange Notes) in income currently rather than upon disposition of the Exchange Notes. This election once made applies to all market discount obligations acquired on or after the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

A holder of any Exchange Note who acquired the Initial Note at a market discount generally will be required to defer the deduction of a portion of the interest on any indebtedness incurred or maintained to purchase or carry such Initial or Exchange Note until the market discount is recognized upon a subsequent disposition of such Exchange Note. Such a deferral is not required, however if the holder elects to include accrued market discount in income currently.

REDEMPTION OR SALE OF THE EXCHANGE NOTES

Generally, any redemption or sale of the Exchange Notes by a holder should result in taxable gain or loss equal to the difference between the amount of cash and the fair market value of property received (except to the

extent that such cash or property received is attributable to accrued, but previously untaxed, interest) and the holder's tax basis in the Exchange Notes. The tax basis of a holder of the Exchange Notes should generally be equal to the price paid for the Initial Notes exchanged therefor, plus any accrued market discount on the Exchange Notes (and the Initial Notes exchanged therefor) included in the holder's income prior to sale or redemption of the Exchange Notes, or reduced by any amortizable bond premium applied against the holder's income prior to sale or redemption of the Exchange Notes. Such gain or loss generally would be long-term capital gain or loss if the holding period exceeded one year, except to the extent it constitutes accrued market discount.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH HOLDER OF THE INITIAL NOTES SHOULD CONSULT HIS OR HER TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES TO HIM OR HER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE EXCHANGE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

PLAN OF DISTRIBUTION

Each broker-dealer that holds Initial Notes that were acquired for its own account as a result of market making or other trading activities (other than Initial Notes acquired directly from the Company), may exchange Initial Notes for Exchange Notes in the Exchange Offer. However, any such broker-dealer may be deemed to be an "underwriter" within the meaning of such term under the Securities Act and must, therefore, acknowledge that it will deliver a prospectus in connection with any resale of Exchange Notes received in the Exchange Offer. This prospectus delivery requirement may be satisfied by the delivery by such broker-dealer of this Prospectus, as it may be amended or supplemented from time to time. The Company has agreed that, for a period of 180 days after the effective date of this Prospectus, it will make this Prospectus, as amended or supplemented, available to any broker-dealer who receives Exchange Notes in the Exchange Offer for use in connection with any such sale. The Company will not receive any proceeds from any sales of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own accounts pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale of Exchange Notes by broker-dealers may be made directly to a purchaser or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Company has agreed to pay all expenses incident to the Exchange Offer other than commissions or concessions of any brokers or dealers and will indemnify Holders (including any broker-dealer) against certain liabilities, including liabilities under the Securities Act.

By acceptance of the Exchange Offer, each broker-dealer that receives Exchange Notes pursuant to the Exchange Offer hereby agrees to notify the Company prior to using the Prospectus in connection with the sale or transfer of Exchange Notes, and acknowledges and agrees that, upon receipt of notice from the Company of the happening of any event which makes any statement in the Prospectus untrue in any material respect or which requires the making of any changes in the Prospectus in order to make the statements herein not misleading (which notice the Company agrees to deliver promptly to such broker-dealer), such broker-dealer will suspend use of the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented prospectus to such broker-dealer.

LEGAL MATTERS

The validity of the Exchange Notes offered hereby is being passed upon for the Company by Pepper Hamilton LLP. Mr. John DePodesta, "of counsel" to Pepper Hamilton LLP, is a director and an Executive Vice President of the Company, and the beneficial owner of 320,240 shares of Common Stock.

EXPERTS

The Consolidated Financial Statements of Primus as of December 31, 1996 and 1997, and for each of the three years in the period ended December 31, 1997 included in this Prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as set forth in their report appearing herein and incorporated by reference from the Joint Proxy Statement, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The Consolidated Financial Statements of USFI, Inc. at December 31, 1996 and 1995, and for the years then ended are included in this Prospectus and incorporated by reference from the Joint Proxy Statement and have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere and incorporated by reference herein (which as to the report dated September 30, 1997 contains an explanatory paragraph describing conditions that raise substantial doubt about USFI Inc.'s ability to continue as a going concern as described in Note 2 to the consolidated financial statements), and have been included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The Consolidated Financial Statements of TresCom at December 31, 1996 and 1997, and for each of the three years in the period ended December 31, 1997, included in this Prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein and incorporated by reference from the Joint Proxy Statement, and have been included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Primus Telecommunications Group, Incorporated

We have audited the accompanying consolidated balance sheets of Primus Telecommunications Group, Incorporated and subsidiaries (the "Company") as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Primus Telecommunications Group, Incorporated and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Washington, D.C.
February 12, 1998, except for Note 15
as to which the date is March 8, 1998

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995
NET REVENUE	$280,197	$172,972	$1,167
COST OF REVENUE	252,731	158,845	1,384
GROSS MARGIN (DEFICIT)	27,466	14,127	(217)
OPERATING EXPENSES:			
Selling, general and administrative	50,622	20,114	2,024
Depreciation and amortization	6,733	2,164	160
Total operating expenses	57,355	22,278	2,184
LOSS FROM OPERATIONS	(29,889)	(8,151)	(2,401)
INTEREST EXPENSE	(12,914)	(857)	(59)
INTEREST INCOME	6,238	785	35
OTHER INCOME (EXPENSE)	407	(345)	--
LOSS BEFORE INCOME TAXES	(36,158)	(8,568)	(2,425)
INCOME TAXES	(81)	(196)	--
NET LOSS	$(36,239)	$ (8,764)	$(2,425)
BASIC AND DILUTED NET LOSS PER SHARE	$ (1.99)	$ (0.75)	$ (0.48)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	18,250	11,660	5,019

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED BALANCE SHEET

ASSETS	DECEMBER 31, 1997	DECEMBER 31, 1996
	(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	
CURRENT ASSETS:		
Cash and cash equivalents	$115,232	$ 35,474
Restricted investments	22,774	--
Short-term investments	--	25,125
Accounts receivable (net of allowance of $5,044 and $2,585)	58,172	35,217
Prepaid expenses and othe current assets	5,152	910
Total current assets	201,330	96,726
RESTRICTED INVESTMENTS	50,776	--
PROPERTY AND EQUIPMENT--Net	59,241	16,596
INTANGIBLES--Net	33,164	21,246
DEFERRED INCOME TAXES	2,620	4,951
OTHER ASSETS	10,882	1,041
TOTAL ASSETS	$358,013	$140,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 56,358	$ 32,675
Accrued expenses and other current liabilities	12,468	7,931
Accrued interest	11,016	847
Deferred income taxes	4,434	5,419
Current portion of long-term obligations	1,059	10,572
Total current liabilities	85,335	57,444
LONG TERM OBLIGATIONS	230,152	6,676
Total liabilities	315,487	64,120
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value--authorized 2,455,000 shares; none issued and outstanding	--	--
Common stock, $.01 par value--authorized 40,000,000 shares; issued and outstanding, 19,662,233 and 17,778,731 shares	197	178
Additional paid-in capital	92,181	88,106
Accumulated deficit	(48,005)	(11,766)
Cumulative foreign currency translation adjustment	(1,847)	(78)
Total stockholders' equity	42,526	76,440
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$358,013	$140,560

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

(IN THOUSANDS)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	CUMULATIVE TRANSLATION	STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	ADJUSTMENT	(DEFICIT)
BALANCE, DECEMBER 31, 1994	--	$ --	4,040	$ 41	$ 465	$ (577)	--	$ (71)
Common shares sold through private placement, net of transaction costs	--	--	2,234	22	3,996	--	--	4,018
Conversion of related party debt to common stock	--	--	556	6	344	--	--	350
Common shares unused for services performed	--	--	234	2	691	--	--	693
Foreign currency translation adjustment	--	--	--	--	--	--	(3)	(3)
Net loss	--	--	--	--	--	(2,425)	--	(2,425)
BALANCE, DECEMBER 31, 1995	--	--	7,064	71	5,496	(3,002)	(3)	2,562
Common shares sold through private placement, net of transaction costs	--	--	3,148	31	21,837	--	--	21,868
Common shares issued for services performed	--	--	279	3	987	--	--	990
Preferred shares issued for Axicorp acquisition	455	5	--	--	5,455	--	--	5,460
Common shares sold, net of transaction costs	--	--	5,750	58	54,341	--	--	54,399
Conversion of preferred shares to common shares	(455)	(5)	1,538	15	(10)	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	(75)	(75)
Net loss	--	--	--	--	--	(8,764)	--	(8,764)
BALANCE, DECEMBER 31, 1996	--	--	17,779	178	88,106	(11,766)	(78)	76,440
Common shares issued upon exercise of warrants	--	--	1,843	19	1,453	--	--	1,472
Common shares issued for 401(k) employer matching contribution	--	--	5	0	45	--	--	45
Common shares issued upon exercise of employee stock options	--	--	35	0	42	--	--	42
Senior notes offering--warrants	--	--	--	--	2,535	--	--	2,535
Foreign currency translation adjustment	--	--	--	--	--	--	(1,769)	(1,769)
Net loss	--	--	--	--	--	(36,239)	--	(36,239)
BALANCE, DECEMBER 31, 1997	--	$ --	19,662	$197	$92,181	$(48,005)	$(1,847)	$ 42,526

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (36,239)	$ (8,764)	$(2,425)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,733	2,164	160
Sales allowance	6,185	1,960	132
Foreign currency transaction (gain) loss	(407)	345	--
Stock issuance--401(k) plan employer match	45	--	--
Changes in assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in accounts receivable	(34,240)	(19,405)	(797)
(Increase) decrease in prepaid expenses and other current assets	(4,080)	(227)	(62)
(Increase) decrease in other assets	1,147	(1,621)	(533)
Increase (decrease) in accounts payable	30,247	11,729	1,195
Increase (decrease) in accrued expense and other current liabilities	5,000	6,032	322
Increase (decrease) in accrued interest payable	10,852	847	0
Net cash used in operating activities	(14,757)	(6,940)	(2,008)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(39,465)	(12,745)	(396)
(Purchase) sale of short-term investments	25,125	(25,125)	--
Purchase of restricted investments	(73,550)	--	--
Cash used in business acquisitions, net of cash acquired	(16,349)	(1,701)	--
Net cash used in investing activities	(104,239)	(39,571)	(396)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on capital lease	(529)	(112)	(64)
Principal payments on long-term obligations	(16,352)	(396)	--
Sale of common stock, net of transaction costs	1,514	77,576	4,543
Proceeds from long-term obligations	225,000	2,407	--
Deferred financing costs	(9,500)	--	--
Net cash provided by financing activities	200,133	79,475	4,479
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,379)	214	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,758	33,178	2,075
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	35,474	2,296	221
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 115,232	$ 35,474	$ 2,296
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 2,745	$ 149	$ 36
Non-cash investing and financing activities			
Common stock issued for services	--	$ 990	$ 693
Conversion of related party debt to common stock	--	--	$ 350
Increase in capital lease liability for acquisition of equipment	$ 8,228	$ 388	$ 578
Increase in notes payable for acquisition of equipment	--	$ 2,826	--

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Primus Telecommunications Group, Incorporated (the "Company") is a global telecommunications company that focuses on the provision of international and domestic long distance telecommunications services. Incorporated in Delaware in February 1994, the Company's customers include small-and medium-sized businesses, residential consumers and other telecommunication carriers, primarily located in North America, Asia-Pacific, and Europe. The Company operates as a holding company and has wholly-owned operating subsidiaries in the United States, Canada, Mexico, Australia, Japan, Germany and the United Kingdom. The Company intends to enter the Caribbean, and the Central and South American markets with its pending acquisition of TresCom International, Inc. ("TresCom"). See Note 15 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation--The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Revenue Recognition--Revenues from long distance telecommunications services are recognized when the services are provided and are presented net of estimated uncollectible amounts.

Cost of Revenue--Cost of revenue includes network costs which consist of access, transport, and termination costs. Such costs are recognized when incurred in connection with the provision of telecommunications services.

Foreign Currency Translation--The assets and liabilities of the Company's foreign subsidiaries are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the average exchange rate during the period. The net effect of such translation gains and losses are accumulated as a separate component of stockholders' equity. Foreign currency transaction gains and losses are the primary components of Other Income (Expense) in the consolidated statement of operations.

Cash and Cash Equivalents--The Company considers cash on hand, deposits in banks, certificates of deposit, and overnight repurchase agreements with original maturities of three months or less to be cash and cash equivalents.

Restricted Investments--Restricted investments consist of United States Federal Government-backed obligations which are reflected at amortized cost. These securities are classified as held-to-maturity and are restricted to satisfy certain interest obligations on the Company's senior notes.

Short Term Investments--Highly liquid investments in United States Federal Government-backed obligations with original maturities in excess of three months are classified as available-for-sale and reported at fair value. Cost approximates fair value for all components of short-term investments; unrealized gains and losses are reflected in stockholders' equity and are not material.

Property and Equipment--Property and equipment, which consists of furniture and computer equipment, leasehold improvements, software, fiber optic cable and telecommunications equipment, is stated at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs that do not materially extend the useful lives of the assets are charged to expense. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets which range from three to twenty-five years, or for leasehold improvements and leased equipment, over the terms of the leases, whichever is shorter.

Intangible Assets--At December 31, 1997 and 1996 intangible assets, net of accumulated amortization, consist of goodwill of $27,848,000 and $17,434,000, respectively, and customer lists of $5,316,000 and $3,812,000, respectively. Goodwill is being amortized over 30 years on a straight-line basis and customer lists

over the estimated run-off of the customer bases not to exceed five years. Accumulated amortization at December 31, 1997 and 1996, was $1,152,000 and $498,000 related to goodwill and $1,939,000 and $762,000 related to customer lists, respectively. The Company periodically evaluates the realizability of intangible assets. In making such evaluations, the Company compares certain financial indicators such as expected undiscounted future revenues and cash flows to the carrying amount of the intangibles. The Company believes that no impairments of intangible assets exist as of December 31, 1997.

Deferred Financing Costs--Deferred financing costs incurred in connection with the 1997 Senior Notes and Warrants Offering are reflected within other assets on the balance sheet and are being amortized over the life of the senior notes using the straight-line method, which does not differ materially from the effective interest method.

Stock-Based Compensation--In 1996, the Company adopted Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation. Upon adoption of SFAS 123, the Company continues to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and has provided in Note 10 pro forma disclosures of the effect on net loss and basic and diluted net loss per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk--Financial instruments that potentially subject the Company to concentration of credit risk principally consist of trade accounts receivable. The Company performs ongoing credit evaluations of its customers but generally does not require collateral to support customer receivables.

Income Taxes--The Company recognizes income tax expense for financial reporting purposes following the asset and liability approach for computing deferred income taxes. Under this method, the deferred tax assets and liabilities are determined based on the difference between financial reporting and tax bases of assets and liabilities based on enacted tax rates. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Net Loss Per Share--During 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share and has computed basic and diluted net loss per share based on the weighted average number of shares of common stock and potential common stock outstanding during the period, after giving effect to stock splits (Note 9). Potential common stock, for purposes of determining diluted net loss per share, would include, where applicable, the effects of dilutive stock options, warrants, and convertible securities, and the effect of such potential common stock would be computed using the treasury stock method or the if-converted method. None of the Company's outstanding options and warrants are considered to be dilutive.

Comparative net loss per share data have been restated for prior periods. In connection therewith, common stock, options and warrants issued within one year prior to the original filing of the Company's initial public offering (IPO) at prices below the IPO price, which had previously been considered outstanding for all periods presented even though antidilutive, have been reflected in the computations of basic and diluted net loss per share in accordance with SFAS No. 128 and Securities and Exchange Commission Staff Accounting Bulletin No. 98, issued February 3, 1998. Such common stock has been treated as outstanding only since issuance, and options and warrants have been excluded from the computations as they are considered antidilutive.

New Accounting Pronouncements--In 1998, the Company will be required to adopt the provisions of Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, and SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company will report comprehensive income in a separate statement which will show the effects of the foreign currency translation adjustment as a component of comprehensive income. The Company believes its segment disclosures under SFAS No. 131 will be consistent with those currently presented.

Reclassifications--Certain prior year amounts have been reclassified to conform with certain current year presentation.

3. ACQUISITIONS

On October 20, 1997, the Company completed the acquisition of the equity and ownership interests in Telepassport L.L.C. ("Telepassport") for a purchase price of $6.0 million. Additionally, on October 20, 1997, the Company purchased substantially all of the assets of USFI, Inc. ("USFI") for $ 5.5 million. Telepassport and USFI were under common control and engaged in the business of providing international and domestic telecommunication services, including long distance and reorigination services in Europe, Asia, and South Africa. The purchase price was allocated on a preliminary basis to the net assets acquired based upon the estimated fair value of such net assets, which resulted in an allocation of $7.75 million to goodwill.

On April 8, 1997, the Company acquired the assets of Cam-Net Communications Network, Inc. and its subsidiaries, a Canadian based provider of domestic and international long distance service. The purchase price was approximately $5.0 million in cash.

On March 1, 1996, the Company completed the acquisition of the outstanding capital stock of Axicorp Pty., Ltd. ("Axicorp"), the fourth largest telecommunications carrier in Australia. The purchase price consisted of cash, Company stock, and seller financing. The Company paid $5.7 million cash, including transaction costs, and issued 455,000 shares of its Series A Convertible Preferred Stock, which were subsequently converted to 1,538,355 common shares. The Company also issued two notes aggregating $8.1 million to the sellers, both of which were repaid in full during 1997.

The Company has accounted for all of the referenced acquisitions using the purchase method. Accordingly, the results of operations of the acquired companies are included in the consolidated results of operations of the Company, as of the date of their respective acquisition.

Pro forma operating results for the years ended December 31, 1997 and 1996, as if the acquisitions of Telepassport, USFI and Axicorp had occurred as of January 1, 1996, are as follows (in thousands, except per share amounts):

	1997	1996
Net revenue	$300,672	$227,311
Net loss	$(44,905)	$(17,555)
Basic and diluted net loss per share	$ (2.46)	$ (1.26)

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the acquisitions been consummated as of the above dates, nor are they necessarily indicative of future operations.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	DECEMBER 31,	
	1997	1996
Network equipment	$48,246	$ 4,109
Furniture and equipment	9,334	1,272
Leasehold improvements	1,845	508
Construction in progress	5,147	12,008
	64,572	17,897
Less: Accumulated depreciation and amortization	(5,331)	(1,301)
	$59,241	$16,596

Equipment under capital leases totaled $9,194,000 and $966,000 with accumulated depreciation of $835,000 and $207,000 at December 31, 1997 and 1996, respectively.

5. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

	DECEMBER 31,	
	1997	1996
Obligations under capital leases	$ 8,487	$ 788
Senior Notes	222,616	--
Note payable--equipment financing	--	2,826
Note payable--stockholder	--	2,000
Notes payable relating to Axicorp acquisition	--	8,455
Settlement obligation	108	3,179
Subtotal	231,211	17,248
Less: Current portion of long-term obligations	(1,059)	(10,572)
	$230,152	$ 6,676

On August 4, 1997 the Company completed the sale of $225 million 11 3/4% senior notes and warrants to purchase 392,654 shares of the Company's common stock. The senior notes are due August 1, 2004 with early redemption at the option of the Company at any time after August 1, 2001. Dividends are currently restricted by the senior notes indenture. Interest payments are due semi-annually on February 1st and August 1st. A portion of the proceeds from this offering have been pledged to secure the first six semi-annual interest payments on the senior notes and are reflected on the balance sheet as restricted investments. A portion of the proceeds of this offering, $2.535 million, was allocated to the warrants, and the resulting debt discount is being amortized over the life of the debt on the straight-line method which does not differ materially from the effective interest method.

Notes payable-equipment financing represents vendor financing of network switching equipment for use in the Company's Australian network. This obligation was paid in full in connection with the Company's senior notes and warrants offering.

In relation to an investment agreement, in February 1996 the Company issued a $2.0 million note payable to Teleglobe. This obligation was paid in full in connection with the Company's senior notes and warrants offering.

In association with the acquisition of Axicorp on March 1, 1996, the Company issued two notes to the sellers for a total of $8.5 million. These obligations were paid in full in connection with the Company's senior notes and warrants offering.

In addition, in conjunction with the Axicorp acquisition, the Company accrued approximately $3.5 million to settle a pre-acquisition contingency between Axicorp and one of its competitors. Payments of $400,000 and $1,583,000 were made in December 1996 and January 1997, respectively. The remaining balance is due in 12 equal monthly payments which began in February 1997.

6. INCOME TAXES

The income tax expense recorded results from current foreign taxes on earnings at the Company's Australian and United Kingdom subsidiaries.

The differences between the tax provision (benefit) calculated at the statutory federal income tax rate and the actual tax provision (benefit) for each period is shown in the table below (in thousands) :

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Tax benefit at federal statutory rate	$(12,294)	$(2,913)	$(825)
State income tax, net of federal benefit	(2,100)	(491)	(91)
Foreign taxes	81	196	--
Unrecognized benefit of net operating losses	14,394	3,387	911
Other	--	17	5
Income taxes	$ 81	$ 196	$ --

The significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	DECEMBER 31,	
	1997	1996
Deferred tax asset (non-current):		
Cash to accrual basis adjustments (U.S.)	$ 590	$ 168
Accrued expenses	936	1,456
Net operating loss carryforwards	17,856	6,055
Valuation allowance	(16,762)	(2,728)
	$ 2,620	$ 4,951
Deferred tax liability (current):		
Accrued income	$ 3,523	$ 4,934
Other	385	139
Depreciation	526	346
	$ 4,434	$ 5,419

At December 31, 1997, the Company had United States Federal net operating loss carryforwards of approximately $24 million that may be applied against future United States. taxable income until they expire between the years 2009 and 2012. The Company also has Australian Federal net operating loss carryforwards of approximately $26 million at December 31, 1997.

Due to a deemed "ownership change" of the Company as a result of the Company's initial public offering and private placements, pursuant to Section 382 of the Internal Revenue Code, the utilization of the net operating loss carryforwards of approximately $4.0 million that expire in the year 2009 will be limited to approximately $1.3 million per year during the carryforward period.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted and short-term investments, accounts receivable and accounts payable approximate fair value. The estimated fair value of the Company's senior notes (carrying value of $222.6 million) at December 31, 1997 was $241.9 million based upon market quotation.

8. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments under capital lease obligations and operating leases as of December 31, 1997, are as follows (in thousands):

YEAR ENDING DECEMBER 31,	CAPITAL LEASES	OPERATING LEASES
1998	$ 1,942	$2,907
1999	1,686	2,218
2000	2,211	929
2001	2,378	779
2002	3,096	336
Thereafter	--	560
Total minimum lease payments	11,313	$7,729
Less: Amount representing interest	(2,826)	
	$ 8,487	

Rent expense under operating leases was $2,574,000, $1,050,000 and $215,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

9. STOCKHOLDERS' EQUITY

On October 1, 1997, the Company issued 1,842,941 shares of its common stock pursuant to the exercise of certain warrants, which had been issued in connection with the Company's July 1996 private equity sale of $16 million. In connection with such exercise, the Company received approximately $1.5 million.

On August 4, 1997 the Company completed a senior notes and warrants offering. Warrants valued at $2,535,000 to purchase 392,654 shares of the Company's common stock at a price of $9.075 per share were issued.

In November 1996, the Company completed an initial public offering of 5,750,000 shares of its common stock. The net proceeds to the Company (net of underwriter discounts and offering expenses) were $54.4 million.

In connection with the Company's initial public offering, the Board approved a split of all shares of common stock at a ratio of 3.381 to one as of November 7, 1996 and amended the Company's Amended and Restated Certificate of Incorporation (the "Certificate") to increase the authorized Common Stock to 40,000,000 shares.

In February 1996, the Company's Certificate was amended to authorize 2,455,000 shares of preferred stock (nonvoting) with a par value of $0.01 per share. On March 1, 1996, 455,000 shares of Series A Convertible Preferred Stock were issued in connection with the purchase of Axicorp. The outstanding preferred stock was converted to common stock prior to the date of the Company's initial public offering.

In January 1996, the Company raised approximately $4.7 million, net of transaction costs, in a private placement. This placement included the sale of 1,771,194 shares of common stock to numerous investors. The Company also issued 278,899 shares of common stock for services rendered in conjunction with this offering.

Also in January 1996, the Company entered into an agreement with Teleglobe USA, Inc., under which it sold 410,808 shares of common stock for approximately $1.4 million and borrowed $2.0 million (see Note 5).

In December 1995, $359,000 was committed to the Company in exchange for 121,209 shares of the Company's common stock in conjunction with a private placement. The shares were sold in December 1995 and the physical certificates were issued in January 1996.

Effective March 13, 1995, the Company's Certificate was amended to increase the number of authorized shares of the Company's common stock from 1,000,000 shares to 5,000,000 shares and to split each share of common stock outstanding on March 13, 1995, into 2.1126709 shares of common stock.

All share amounts have been restated to give effect to the November 7, 1996 and the March 13, 1995 stock splits.

10. STOCK-BASED COMPENSATION

The Company has established an Employee Stock Option Plan (the "Employee Plan"). The total number of shares of common stock authorized for issuance under the Employee Plan is 3,690,500. Under the Employee Plan, awards may be granted to key employees of the Company and its subsidiaries in the form of Incentive Stock Options or Nonqualified Stock Options. The Employee Plan allows the granting of options at an exercise price of no less than 100% of the stock's fair value at the date of grant. The options vest over a period of up to three years, and no option will be exercisable more than ten years from the date it is granted.

The Company has established a Director Stock Option Plan (the "Director Plan") for nonemployee directors. Under the Director Plan, an option is granted to each nonemployee director to purchase 50,715 shares of common stock, which vests over a two-year period. The option price per share is the fair market value of a share of common stock on the date the option is granted. No option will be exercisable more than ten years from the date of grant. An aggregate of 338,100 shares of common stock were reserved for issuance under the Director Plan.

A summary of stock option activity during the years ended December 31, is as follows:

	1997		1996		1995	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding--Beginning of year	1,583,661	$ 3.14	722,013	$2.64	--	$ --
Granted	1,062,500	$12.59	913,546	$3.35	722,013	$2.64
Exercised	(35,724)	$ 1.19	--	$ --	--	$ --
Forfeitures	(63,002)	$ 6.03	(51,898)	$3.55	--	$ --
Outstanding--end of year	2,547,435	$ 6.96	1,583,661	$3.14	722,013	$2.64
Eligible for exercise--End of year	894,944	$ 3.00	511,149	$2.81	219,765	$2.96

The following table summarizes information about stock options outstanding at December 31, 1997:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
TOTAL OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	TOTAL EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
72,128	2.0	$ 0.67	38,318	$0.67
924,873	3.0	$ 2.96	684,200	$2.96
507,184	3.3	$ 3.55	168,426	$3.55
226,750	4.3	$ 8.25	4,000	$8.25
83,500	4.8	$12.25	--	
733,000	5.0	$14.00	--	
2,547,435			894,944	

The weighted average fair value at date of grant for options granted during 1997, 1996 and 1995 was $5.45, $1.38 and $1.04 per option, respectively. The fair value of the option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1997	1996	1995
Expected dividend yield	0%	0%	0%
Expected stock price volatility	80%	49%	49%
Risk-free interest rate	5.7%	6.0%	5.8%
Expected option term	4 years	4 years	4 years

If compensation cost for the Company's grants for stock-based compensation had been recorded consistent with the fair value-based method of accounting per SFAS 123, the Company's pro forma net loss, and pro forma basic and diluted net loss per share for the years ending December 31, would be as follows:

	1997	1996	1995
Net loss (amounts in thousands)			
As reported	$(36,239)	$(8,764)	$(2,425)
Pro forma	$(37,111)	$(9,242)	$(2,702)
Basic and diluted net loss per share			
As reported	$ (1.99)	$ (0.75)	$ (0.48)
Pro forma	$ (2.03)	$ (0.79)	$ (0.54)

11. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) employee benefit plan (the "401(k) Plan") that covers substantially all United States based employees. The 401(k) Plan provides that employees may contribute amounts not to exceed statutory limitations. During 1997, the shareholders adopted an employer matching contribution of 50% of the first 6% of employee annual salary contributions. The employer match is made in common stock of the Company and is subject to 3-year cliff vesting. The Company contributed Primus common stock valued at approximately $45,000 during 1997.

During 1997, the Company's shareholders approved the adoption of an Employee Stock Purchase Plan ("ESPP"). The ESPP allows employees to contribute up to 15% of their compensation to be used toward purchasing the Company's common stock at 85% of the fair market value. The Plan commenced on January 1, 1998. An aggregate of 2,000,000 shares of common stock were reserved for issuance under the ESPP.

12. RELATED PARTIES

During 1995, a former director received commissions of 110,944 shares of common stock and $542,000 in connection with the Company's first private placement. Consulting fees earned by the former director under the 1995 private placement totaled $169,000. During 1996, the same former director received commissions of 82,774 shares of common stock and $425,000 which related to a second private placement. Consulting fees earned in connection with this second private placement totaled $157,000. Total consulting fees due the former director are $134,000 and $220,000 at December 31, 1997 and 1996, respectively. The stock and cash commissions and consulting fees relate to services provided in conjunction with the private placements and, as such, have been netted against the proceeds of the respective placements.

13. VALUATION AND QUALIFYING ACCOUNTS

Activity in the Company's allowance accounts for the years ended December 31, 1997, 1996 and 1995 were as follows (in thousands):

DOUBTFUL ACCOUNTS

PERIOD	BALANCE AT BEGINNING OF PERIOD	CHARGED TO OPERATIONS	DEDUCTIONS	OTHER(1)	BALANCE AT END OF PERIOD
1995	$ --	$ 132	$ --	$ --	$ 132
1996	$ 132	$ 1,960	$ (377)	$870	$ 2,585
1997	$2,585	$ 6,185	$(4,309)	$583	$ 5,044

DEFERRED TAX ASSET VALUATION

PERIOD	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER(1)	BALANCE AT END OF PERIOD
1995	$ --	$ 1,087	$ --	$ --	$ 1,087
1996	$1,087	$ 1,641	$ --	$ --	$ 2,728
1997	$2,728	$14,034	$ --	$ --	$16,672

(1) Other additions represent the allowances for doubtful accounts, which were recorded in connection with business acquisitions.

14. GEOGRAPHIC DATA

The Company has subsidiaries in various foreign countries that provide domestic and international long-distance telecommunications services. Summary information with respect to the Company's geographic operations is as follows:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS)		
NET REVENUE			
North America	$ 74,359	$ 16,573	$ 1,167
Asia-Pacific	183,126	151,253	--
Europe	22,712	5,146	--
Total	$280,197	$172,972	$ 1,167
OPERATING INCOME (LOSS)			
North America	$(17,036)	$ (6,364)	$(2,276)
Asia-Pacific	(9,463)	525	--
Europe	(3,390)	(2,312)	(125)
Total	$(29,889)	$ (8,151)	$(2,401)

	DECEMBER 31,		
	1997	1996	1995
ASSETS			
North America	$251,729	$ 72,526	$ 4,996
Asia-Pacific	83,476	62,823	--
Europe	22,808	5,211	46
Total	$358,013	$140,560	$ 5,042

15. SUBSEQUENT EVENTS

On March 8, 1998 the Company purchased a controlling interest in Hotkey Internet Services Pty., Ltd. ("Hotkey"), a Melbourne, Australia based internet service provider. The Company's 60% ownership of Hotkey was purchased for approximately $1.3 million. Prior to the Company's investment in Hotkey, Primus' chairman, K. Paul Singh, owned approximately 14% of Hotkey. As a result of the transaction Mr. Singh owns 4% of Hotkey.

On February 4, 1998 the Company entered into an Agreement and Plan of Merger ("the Agreement") with TresCom International, Inc. ("TresCom"), a facilities-based international telecommunications provider specializing in traffic to the Caribbean and Central and South America. The Agreement calls for the Company to acquire all of the approximately 12.1 million outstanding TresCom shares at a value of $10 per share, subject to certain potential adjustments, through an exchange of the Company's shares of common stock. The transaction is subject to, among other things the approval of both Primus and TresCom stockholders and certain regulatory authorities.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
NET REVENUE	$ 80,051	$ 59,036
COST OF REVENUE	68,722	55,034
GROSS MARGIN	11,329	4,002
OPERATING EXPENSES		
Selling, general and administrative	15,377	8,829
Depreciation and amortization	3,478	797
Total operating expenses	18,855	9,626
LOSS FROM OPERATIONS	(7,526)	(5,624)
INTEREST EXPENSE	(7,175)	(151)
INTEREST INCOME	2,384	785
OTHER INCOME	--	119
LOSS BEFORE INCOME TAXES	(12,317)	(4,871)
INCOME TAXES	--	(36)
NET LOSS	$ (12,317)	$ (4,907)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.62)	$ (0.28)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	19,717	17,779

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED BALANCE SHEET
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 97,381	$115,232
Restricted investments	23,795	22,774
Accounts receivable (net of allowance of $5,762 and $5,044)	69,124	58,172
Prepaid expenses and other current assets	7,048	5,152
Total current assets	197,348	201,330
RESTRICTED INVESTMENTS	37,683	50,776
PROPERTY AND EQUIPMENT--Net	70,023	59,241
INTANGIBLES--Net	36,436	33,164
DEFERRED INCOME TAXES	2,667	2,620
OTHER ASSETS	11,406	10,882
TOTAL ASSETS	$355,563	$358,013
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 69,116	$ 56,358
Accrued expenses and other current liabilities	14,391	13,898
Accrued interest	4,406	11,016
Deferred income taxes	3,057	3,004
Current portion of long-term obligations	1,652	1,059
Total current liabilities	92,622	85,335
LONG TERM OBLIGATIONS	230,586	230,152
OTHER LIABILITIES	527	--
Total liabilities	323,735	315,487
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value--authorized 2,455,000 shares; none issued and outstanding	--	--
Common stock, $.01 par value--authorized 40,000,000 shares; issued and outstanding, 19,822,945 and 19,662,233 shares	198	197
Additional paid-in capital	92,696	92,181
Accumulated deficit	(60,322)	(48,005)
Accumulated other comprehensive loss	(744)	(1,847)
Total stockholders' equity	31,828	42,526
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$355,563	$358,013

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (12,317)	$ (4,907)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	3,567	797
Sales allowance	1,724	716
Stock issuance--401(k) plan employer match	20	--
Foreign currency transaction gain	--	(119)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,020)	(7,522)
(Increase) decrease in prepaid expenses and other current assets	(1,576)	(661)
(Increase) decrease in other assets	(325)	(247)
Increase (decrease) in accounts payable	9,876	11,876
Increase (decrease) in accrued expense and other current liabilities	(413)	2,212
Increase (decrease) in accrued interest payable	(6,609)	(326)
Net cash provided by (used in) operating activities	(17,073)	1,819
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,369)	(8,774)
(Purchase) sale of short-term investments	--	19,766
(Purchase) sale of restricted investments	12,072	--
Cash used in business acquisitions, net of cash acquired	(1,627)	--
Net cash provided by (used in) investing activities	(924)	10,992
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	(316)	(55)
Principal payments on long-term obligations	(114)	(4,356)
Sale of common stock, net of transaction costs	496	--
Net cash provided by (used in) financing activities	66	(4,411)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	80	(262)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,851)	8,138
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	115,232	35,474
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 97,381	$ 43,612

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The results for the three months ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

The financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's most recently filed Form 10-K.

(2) MERGER, ACQUISITION AND INVESTMENT

In February 1998 the Company entered into an Agreement and Plan of Merger ("the Agreement") with TresCom International, Inc. ("TresCom"), a facilities-based long distance telecommunications carrier focused on international long distance traffic originating in the United States and terminating in the Caribbean and Central and South America. The Agreement was subsequently amended in April 1998. The amended Agreement calls for the Company to acquire all of the approximately 12.3 million TresCom common shares outstanding at a value of $12 per share, through the exchange of the Company's shares of common stock. The transaction is subject to, among other things, the approval of both Primus and TresCom stockholders and certain regulatory authorities. The transaction is expected to be completed by the end of the second quarter of 1998.

Effective March 1, 1998 the Company purchased a controlling interest in Hotkey Internet Services Pty., Ltd. ("Hotkey"), a Melbourne, Australia based internet service provider. The Company's 60% ownership of Hotkey was purchased through an investment in Hotkey of approximately $1.3 million.

Effective March 1, 1998 the Company acquired all of the outstanding stock of Eclipse Telecommunications Pty., Ltd. ("Eclipse"), a data communications provider based in Sydney, Australia. The Company paid approximately $1.8 million in cash and 27,500 shares of the Company's Common Stock for Eclipse.

(3) SUBSEQUENT EVENTS

On April 27, 1998 the Company announced a proposed offering of senior notes ("1998 Senior Notes Offering") to be privately placed in reliance on an exemption from the registration requirements of the Securities Act of 1934, as amended. The Company expects to close such offering of $150 million principal amount of its 9 7/8% Senior notes due 2008 on May 19, 1998, generating net proceeds of approximately $145 million.

(4) LONG TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
Obligations under capital leases	$ 9,343	$ 8,487
Senior Notes	222,706	222,616
Notes payable	189	--
Settlement obligation	--	108
Subtotal	232,238	231,211
Less: Current portion of long term obligations	(1,652)	(1,059)
	$230,586	$230,152

On August 4, 1997 the Company completed the sale of $225 million 11 3/4% senior notes and warrants to purchase 392,654 shares of the Company's common stock ("1997 Senior Notes and Warrants Offering"). The senior notes are due August 1, 2004 with early redemption at the option of the Company at any time after August 1, 2001. Dividends are currently restricted by the senior notes indenture. Interest payments are due semi-annually on February 1st and August 1st. A portion of the proceeds from this offering have been pledged to secure the first six semi-annual interest payments on the senior notes and are reflected on the balance sheet as restricted investments. A portion of the proceeds of this offering, $2.535 million, was allocated to the warrants, and the resulting debt discount is being amortized over the life of the debt on the straight-line method which does not materially differ from the effective interest method.

(5) NEW ACCOUNTING PRONOUNCEMENTS

In January 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS No. 130). Under SFAS No. 130, the Company's foreign currency translation adjustments are considered to be components of other comprehensive income (loss), and the stockholders' equity section of the accompanying balance sheet has been reclassified accordingly. During the quarters ended March 31, 1998 and 1997, the Company's foreign currency translation adjustment totaled $ 1.1 million and $ (0.1) million, respectively. For the year ending December 31, 1998, the Company will report its net income (loss) and its foreign currency translation income or loss within a separate statement of comprehensive income (loss).

(6) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
USFI, Inc.

We have audited the accompanying consolidated balance sheets of USFI, Inc. and subsidiary as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of USFI, Inc. and subsidiary at December 31, 1996 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that USFI, Inc. will continue as a going concern. As more fully described in Note 2, the Company has incurred recurring operating losses and has a working capital deficiency and a deficit in stockholders' equity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

September 30, 1997

USFI, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1996	1995
	(IN THOUSANDS, EXCEPT SHARE INFORMATION)	
ASSETS		
Current assets:		
Cash	$ 884	$ 420
Accounts receivable:		
Customers, less allowance of $790 in 1996 and $683 in 1995	4,620	3,852
Affiliates	1,703	304
Prepaid expenses and other current assets	112	75
Total current assets	7,319	4,651
Property and equipment, net (Note 4)	2,702	1,974
Deferred costs, net of accumulated amortization of $22 in 1996 and $4 in 1995	88	77
Goodwill, net of accumulated amortization of $5 in 1995		122
Deposits	161	123
Total assets	$ 10,270	$ 6,947
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 10,885	$ 4,624
Accrued liabilities and other current liabilities	1,828	1,844
Reseller deposits and deferred revenue	310	263
Capital lease obligations		3
Due to affiliates (Note 7)	1,412	1,523
Total current liabilities	14,435	8,257
Commitments and contingencies (Note 5)		
Stockholders' deficit:		
Common stock, no par value, authorized 5,000 shares in 1996 and 2,500 shares in 1995; issued and outstanding 536 shares in 1996 and 100 shares in 1995		
Additional paid-in capital	9,126	5,126
Accumulated deficit	(13,275)	(6,434)
Foreign currency translation adjustment	(16)	(2)
Total stockholders' deficit	(4,165)	(1,310)
Total liabilities and stockholders' deficit	$ 10,270	$ 6,947

See accompanying notes.

USFI, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31	
	1996	1995
	(IN THOUSANDS)	
Telecommunications revenue	$36,550	$27,643
Costs and expenses:		
Costs of telecommunications services (Note 6)	30,205	19,901
Selling, general and administrative	12,524	7,917
Depreciation and amortization (Note 3)	679	379
Total costs and expenses	43,408	28,197
Loss from operations	(6,858)	(554)
Other income	17	19
Loss before minority interest	(6,841)	(535)
Minority interest		19
Net loss	$(6,841)	$ (516)

See accompanying notes.

USFI, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

YEARS ENDED DECEMBER 31, 1996 AND 1995

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
		(IN THOUSANDS)		
Balance at January 1, 1995.....	$4,325	$ (5,918)		$(1,593)
Capital contributions.....	801			801
Net loss for 1995.....		(516)		(516)
Foreign currency translation.....			$ (2)	(2)
Balance at December 31, 1995.....	5,126	(6,434)	(2)	(1,310)
Capital contributions.....	4,000			4,000
Net loss for 1996.....		(6,841)		(6,841)
Foreign currency translation.....			(14)	(14)
Balance at December 31, 1996.....	$9,126	$(13,275)	$(16)	$(4,165)

See accompanying notes.

USFI, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31	
	1996	1995
	(IN THOUSANDS)	
OPERATING ACTIVITIES		
Net loss	$(6,841)	$ (516)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	679	379
Write-off of goodwill	113	
Provisions for losses on receivables	352	184
Minority interest		(19)
Changes in operating assets and liabilities:		
Increase in accounts receivable from customers and affiliates	(2,519)	(2,788)
(Increase) decrease in other current assets	(37)	28
Increase in deposits	(38)	(76)
Increase in accounts payable and accrued expenses	6,245	2,471
Increase (decrease) in reseller deposits and deferred revenue	47	(6)
Increase in due to affiliates	1,147	201
Net cash used in operating activities	(852)	(142)
INVESTING ACTIVITIES		
Purchase of interest in Mastercall (net of cash acquired)		(70)
Purchase of equipment	(1,380)	(1,654)
Increase in deferred costs	(29)	(67)
Net cash used in investing activities	(1,409)	(1,791)
FINANCING ACTIVITIES		
Capital contributions	2,742	801
Advances from affiliates		1,258
Repayment of capital lease obligation	(3)	(22)
Net cash provided by financing activities	2,739	2,037
Effect of exchange rate changes on cash	(14)	(2)
Increase in cash	464	102
Cash at beginning of year	420	318
Cash at end of year	$ 884	$ 420

See accompanying notes.

1. ORGANIZATION AND NATURE OF BUSINESS

USFI, Inc. (the "Company") which was incorporated in New York on February 12, 1993, provides least cost routing for international long distance telecommunication services, which primarily originate and terminate outside of the United States. Substantially, all billings for service are denominated in U.S. currency.

Customers are principally located in Western Europe, Japan and South Africa. No individual customer represents a significant percentage of revenues, however, the Company utilizes outside agents to sell its services in certain geographic areas, with agents in Germany and South Africa representing customers with revenues aggregating 18% and 15%, and 13% and 10%, respectively, of total 1996 and 1995 revenues. The Company performs a credit evaluation of all new customers and requires certain customers to provide collateral in the form of a cash deposit or letter of credit. At December 31, 1996 and 1995, the Company had letters of credit issued on its behalf from customers in the amount of approximately $327,000 and $525,000, respectively.

On May 15, 1995 the Company acquired a 51% interest in Mastercall, Ltd. ("Mastercall"), a joint venture that resells the Company's international telecommunications services in the United Kingdom, for a purchase price of approximately $148,000. The acquisition was accounted for using the purchase method of accounting and the results of operations have been included in the financial statements of the Company from the date of acquisition.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses since inception and has a working capital deficiency and a deficit in stockholders' equity as of December 31, 1996. All of these matters raise substantial doubt about the Company's ability to continue as a going concern. The Company plans on selling its assets and ceasing its operations (see Note 10) and, on September 11, 1997, the Company entered into a letter of intent to sell all of its assets, except for cash and accounts and notes receivable. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts or classifications of liabilities that may result from the outcome of this uncertainty.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. SIGNIFICANT ACCOUNT POLICIES

Depreciation

Furniture and equipment are recorded at cost and are depreciated over the estimated useful lives of three to five years, utilizing the straight-line method. Assets acquired pursuant to capital lease arrangements and leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the terms of the leases. Depreciation expense for the years ended December 31, 1996 and 1995 was $652,000 and $371,000, respectively.

Deferred Costs and Goodwill

Deferred costs include costs to obtain trademarks and certain organizational costs. Goodwill includes approximately $127,000 relating to the 1995 acquisition of Mastercall (see Note 1). Such deferred costs are amortized on the straight-line basis generally as follows:

ASSET	PERIOD OF AMORTIZATION
Trademarks	5 years
Organization costs	5 years
Goodwill	15 years

The carrying amount of goodwill is reviewed if facts and circumstances suggest that it may be impaired. Due to recurring losses of Mastercall, the Company evaluated the ongoing value of goodwill, as determined based on the estimated undiscounted cash flows of the entity over the remaining amortization period and determined that goodwill with a carrying value of $113,000 is impaired. As a result, the Company has recorded a charge in 1996 to write-off the full amount of goodwill associated with Mastercall, which is included in selling, general and administrative expenses.

Revenue Recognition

The Company recognizes revenue from services and the related costs at the time the services are rendered.

Income Tax

Income taxes are accounted for under the liability method in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and Mastercall. All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

Certain amounts in the 1995 financial statements have been reclassified to conform with the 1996 presentation.

4. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at December 31, 1996 and 1995:

	1996	1995
	(IN THOUSANDS)	
Furniture and equipment	$ 1,131	$ 892
Switching equipment	2,888	1,717
Leasehold improvements	60	89
	4,079	2,698
Less accumulated depreciation and amortization	1,377	724
	$ 2,702	$ 1,974

5. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office and switch site space under noncancellable operating leases. The future minimum annual rental commitments under leases having terms in excess of one year are as follows:

1997	$346,000
1998	399,000
1999	399,000
2000	213,000
2001	116,000

Rent expense for the years ended December 31, 1996 and 1995 was $284,000 and $256,000, respectively.

Litigation

During 1994, the Company was involved in a contract dispute which was presented to an arbitrator and, in August 1995, an award in the amount of $333,450 representing damages and administrative fees and costs was determined to be payable by the Company. The award amount was recorded as an expense in 1994 and was paid in 1996.

The Company is involved in litigation in the normal course of business. In the opinion of management, such litigation will not have a material effect on the Company's cash flows, financial condition or results of operations.

Incentive Plans

The Company maintains incentive plans which entitle certain key employees to participate in certain distributions, if any, by the Company of cash or property to two of the Company's principal stockholders. Participation commences when the amount of distributions paid exceeds certain stipulated amounts. No such distributions have been made or are expected.

6. MAJOR SUPPLIERS

During 1996 and 1995, MCI, World Com, Inc. (formerly IDB) and Cable and Wireless International, Inc. provided the Company with a majority of its international telecommunications network services. Charges for such services are included in cost of telecommunications services in the accompanying statement of operations.

7. RELATED PARTIES

In March 1995, the Company entered into an agreement with TelePassport Japan Co., Ltd. ("TelePassport Japan"), an affiliated joint venture formed in 1995, to provide international telecommunication services and to lease switching equipment to TelePassport Japan. Telecommunication revenue for 1996 and 1995 includes $3,400,000 and $371,000, respectively, for services provided to TelePassport Japan. The equipment under lease has a net book value of $140,000 and $186,000 at December 31, 1996 and 1995, respectively, and is included in property and equipment. The joint venture was terminated in 1997 and the equipment was transferred to an affiliate.

Included in due to affiliates at December 31, 1995 is a $1,258,000 note due to US Cable Corporation ("US Cable"), an affiliate of certain stockholders. During 1996, US Cable transferred the note to such stockholders who contributed the outstanding balance to capital.

Included in due to affiliates at December 31, 1996 and 1995 are amounts due to TelePassport Japan for carrier charges paid by TelePassport Japan on behalf of the Company and amounts due to US Cable for expenses paid on behalf of the Company.

8. EMPLOYEE BENEFIT PLAN

The Company sponsors a defined contribution plan that qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. All full-time employees meeting minimum service requirements are eligible to participate and may contribute up to 18% of their pre-tax earnings subject to certain Internal Revenue Code restrictions. The Company matches 50% of each employee's contribution up to an annual maximum of $500 per employee. Total Company contributions for 1996 and 1995 of $16,000 and $14,000, respectively, are included in selling, general and administrative expenses.

9. INCOME TAXES

The Company has elected to be taxed as an "S" Corporation for federal income tax purposes. For New York City income tax purposes, the Company is taxed as a "C" corporation and at December 31, 1996 the Company has available New York City net operating loss carryforwards of $8,488,000, which principally expire in the year 2011. At December 31, 1996, the Company had deferred city income tax assets of $1,132,000, which are primarily attributable to temporary differences which are not currently deductible for income tax purposes, including net operating loss carryforwards, accrued liabilities and certain other reserves. The Company has recorded a full valuation allowance against its deferred tax assets at December 31, 1996.

10. SUBSEQUENT EVENTS

On March 10, 1997, the Company acquired the remaining 49% interest in Mastercall for a purchase price of approximately $15,000.

During 1997, the Company and certain affiliates planned an initial public offering of common stock. The initial public offering was postponed in April 1997 and subsequently abandoned, and accordingly, the initial public offering was not completed. Costs incurred as of December 31, 1996 related to the initial public offering of $284,000 are included in 1996 selling, general and administrative expenses.

On September 11, 1997, the Company entered into a letter of intent to sell all of its assets, except for cash and accounts and notes receivable to Primus Telecommunications Group, Incorporated. Subsequent to the sale, the Company intends to cease operations.

USFI, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 1997
(IN THOUSANDS)

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,024
Restricted cash and cash equivalents	--
Short term investments	--
Accounts receivable	7,141
Prepaid expenses and other current assets	690
Total current assets	8,855
Property and equipment--net	3,940
Intangibles--net	82
Deferred income taxes	--
Other assets	188
Total assets	$13,065
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$11,862
Accrued expenses and other current liabilities	5,770
Deferred income taxes	--
Accrued Interest	--
Current portion of long-term obligations	--
Total current liabilities	17,632
Long-term obligations	--
Total liabilities	17,632
Commitments and contingencies	
Stockholders' equity (deficit)	(4,567)
Total liabilities and stockholders' equity	$13,065

See accompanying notes.

USFI, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996
Net revenue	$ 25,231	$ 27,764
Cost of revenue	19,508	22,475
Gross margin	5,723	5,289
Operating expenses:		
Selling, general and administrative	10,434	8,677
Depreciation and amortization	629	502
Total operating expenses	11,063	9,179
Loss from operations	(5,340)	(3,890)
Interest expense	--	--
Interest income	--	--
Other income (expense)	23	(12)
Loss before income taxes	(5,317)	(3,902)
Income taxes	--	--
Net loss	$ (5,317)	$ (3,902)

See accompanying notes.

USFI, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

NINE MONTHS ENDED SEPTEMBER 30, 1997
(IN THOUSANDS)

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
Balance at December 31, 1996.....	$ 9,126	$(13,275)	$(16)	$(4,165)
Capital contributions.....	4,918	--	--	4,918
Net loss for the nine months ended September 30, 1997.....	--	(5,317)	--	(5,317)
Foreign currency translation.....	--	--	(3)	(3)
Balance at September 30, 1997.....	$14,044	$(18,592)	$(19)	$(4,567)

See accompanying notes.

USFI, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)

	NINE MONTHS ENDED	
	1997	1996
Operating Activities		
Net loss	$ (5,317)	$ (3,902)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	626	502
Provisions for losses on receivables	96	320
Changes in operating assets and liabilities:		
Increase in accounts receivable from customers and affiliates	(914)	(2,601)
Increase in other current assets	(578)	(276)
Increase in deposits	(27)	(15)
Increase in accounts payable and accrued expenses	589	3,872
(Decrease) increase in reseller deposits and deferred revenue	(173)	62
(Decrease) increase in due to affiliates	(1,412)	723
Net cash used in operating activities	(7,110)	(1,315)
Investing Activities		
Purchase of equipment	(1,863)	(2,052)
Decrease in deferred costs	5	81
Net cash used in investing activities	(1,858)	(1,971)
Financing Activities		
Capital contributions	4,918	3,025
Advances from affiliates	4,193	--
Repayment of capital lease obligation	--	(3)
Net cash provided by financing activities	9,111	3,022
Effect of exchange rate changes on cash	(3)	3
Increase (decrease) in cash	140	(261)
Cash at beginning of period	884	420
Cash at end of period	$ 1,024	$ 159

See accompanying notes.

USFI, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(INFORMATION AS OF SEPTEMBER 30, 1997 AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1997 AND 1996)

1. ORGANIZATION AND NATURE OF BUSINESS

USFI, Inc. (the "Company") which was incorporated in New York on February 12, 1993, provides least cost routing for international long distance telecommunication services, which primarily originate and terminate outside of the United States. Substantially, all billings for service are denominated in U.S. currency.

On September 11, 1997, the Company entered into a letter of intent to sell most of its assets, except for cash and accounts and notes receivable to Primus Telecommunications Group, Inc. ("Primus"). (See Note 7.)

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses since inception and has a working capital deficiency and a deficit in stockholders' equity as of September 30, 1997. On October 20, 1997, the Company sold most of its assets (see Note 7) to Primus and began to terminate its business. All of these matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts or classifications of liabilities that may result from the outcome of this uncertainty.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Depreciation

Furniture and equipment are recorded at cost and are depreciated over the estimated useful lives of three to five years, utilizing the straight-line method. Assets acquired pursuant to capital lease arrangements and leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the terms of the leases. Depreciation expense for the nine months ended September 30, 1997 and 1996 was $626,000 and $496,000, respectively.

Deferred Costs

Deferred costs include costs to obtain trademarks and certain organizational costs. Such deferred costs are amortized on the straight-line basis generally as follows:

ASSET	PERIOD OF AMORTIZATION
Trademarks.....	5 years
Organization costs.....	5 years

Revenue Recognition

The Company recognizes revenue from services and the related costs at the time the services are rendered.

Income Tax

Income taxes are accounted for under the liability method in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and Mastercall. All significant intercompany accounts and transactions have been eliminated.

Interim Financial Statements

The accompanying unaudited consolidated interim financial statements as of September 30, 1997 and for each of the nine month periods ended September 30, 1997 and 1996 include all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's consolidated financial position and results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature. The results of the Company's operations for the nine months ended September 30, 1997 and 1996 are not necessarily indicative of the results of operations for a full fiscal year.

4. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in litigation in the normal course of business. In the opinion of management, such liabilities will not have a material effect on the Company's cash flow, financial condition or results of operations.

5. MAJOR SUPPLIERS

During the nine month period ended September 30, 1997, MCI, Cable and Wireless International, Inc. and Pacific Gateway Exchange provided the Company with a majority of its international telecommunications network services.

During the nine month period ended September 30, 1996, MCI, World Com, Inc. (formerly IDB) and Cable and Wireless International, Inc. provided the Company with a majority of its international telecommunications network services.

Charges for such services are included in cost of telecommunications services in the accompanying statements of operations.

6. RELATED PARTIES

In March 1995, the Company entered into an agreement with TelePassport Japan Co., Ltd. ("TelePassport Japan"), an affiliated joint venture formed in 1995, to provide international telecommunication services. Telecommunication revenue for the nine month period ended September 30, 1997 and 1996 include $200,000 and $1,941,000, respectively, for services provided to TelePassport Japan. The joint venture was terminated in 1997.

The Company continued to provide international telecommunication services in Japan to TelePassport Network KK ("Network KK"), an affiliated company. Telecommunication revenue for the nine month period ended September 30, 1997 includes $574,000 for service provided to Network KK.

Loans from affiliates at September 30, 1997 represents a note due to US Cable Corporation, an affiliate of certain stockholders which is secured by the assets of the Company and accrues interest at prime plus one percent.

7. SUBSEQUENT EVENTS

On October 20, 1997, the Company sold most of its assets to Primus for $5.5 million. Cash, accounts receivable and notes receivable were excluded from the assets sold. Subsequent to closing, the Company plans to terminate its business.

Subsequent to September 30, 1997, the Company entered into agreements with certain vendors to settle existing liabilities with such vendors at reduced amounts.

TELEPASSPORT L.L.C.

UNAUDITED BALANCE SHEET

AS OF SEPTEMBER 30, 1997
(IN THOUSANDS)

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 163
Restricted cash and cash equivalents	--
Short term investments	--
Accounts receivable	627
Prepaid expenses and other current assets	255
Total current assets	1,044
Property and equipment--net	663
Intangibles--net	157
Deferred income taxes	--
Other assets	214
Total assets	$2,078
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 375
Accrued expenses and other current liabilities	332
Deferred income taxes	--
Accrued Interest	--
Current portion of long-term obligations	--
Total current liabilities	707
Long-term obligations	841
Total liabilities	1,548
Commitments and contingencies	
Stockholders' equity (deficit)	530
Total liabilities and stockholders' equity	$2,078

TELEPASSPORT L.L.C.

UNAUDITED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(IN THOUSANDS)

Net revenue	$2,900
Cost of revenue	2,523
Gross margin	377
Operating expenses:	
Selling, general, and administrative	1,296
Depreciation and amortization	69
Total operating expenses	1,365
Loss from operations	(988)
Interest expense	(17)
Interest income	--
Other income (expense)	151
Loss before income taxes	(854)
Income taxes	--
Net loss	$ (854)

TELEPASSPORT L.L.C.

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(IN THOUSANDS)

Operating Activities	
Net loss	$ (854)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	69
Changes in operating assets and liabilities	(545)
Net cash used in operating activities	(1,330)
Investing Activities	
Purchase of equipment	(732)
Net cash used in investing activities	(732)
Financing Activities	
Capital contributions	1,384
Advances from affiliates	841
Net cash provided by financing activities	2,225
Effect of exchange rate changes on cash	--
Increase (decrease) in cash	163
Cash at beginning of period	--
Cash at end of period	$ 163

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
TresCom International, Inc.

We have audited the accompanying consolidated balance sheets of TresCom International, Inc. and its subsidiaries ("TresCom") as of December 31, 1997 and 1996 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of TresCom's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TresCom International, Inc. and subsidiaries at December 31, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Atlanta, Georgia
February 27, 1998

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1997	1996
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,481	$ 6,020
Accounts receivable, net of allowance for doubtful accounts of $8,149 and $7,588, respectively	31,743	29,063
Other current assets	2,406	3,441
Total current assets	35,630	38,524
Property and equipment, at cost:		
Transmission and communications equipment	29,720	24,691
Furniture, fixtures and other	9,620	5,600
	39,340	30,291
Less accumulated depreciation and amortization	(9,668)	(5,755)
	29,672	24,536
Other assets:		
Customer bases, net of accumulated amortization of $2,385 and $1,358, respectively	3,274	3,806
Excess of cost over net assets of businesses acquired, net of accumulated amortization of $3,508 and $2,368, respectively	38,826	34,260
Other	1,027	484
Total assets	$108,429	$101,610
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,237	$ 2,758
Accrued network costs	19,497	19,546
Other accrued expenses	6,365	5,395
Long-term obligations due within one year	1,098	817
Deferred revenue and other current liabilities	1,689	1,807
Total current liabilities	29,886	30,323
Long-term obligations (Notes 3 and 4)	19,593	3,965
Shareholders' equity:		
Preferred stock, $.01 par value per share; 1,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock, $.0419 par value per share; 50,000,000 shares authorized; 12,104,960 and 11,804,675 shares issued and outstanding, respectively	505	493
Deferred compensation	(551)	(808)
Additional paid-in capital	108,354	106,140
Accumulated deficit	(49,358)	(38,503)
Total shareholders' equity	58,950	67,322
Total liabilities and shareholders' equity	$108,429	$101,610

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	TWELVE MONTHS ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)		
Revenues	$ 157,641	$ 139,621	$ 102,641
Cost of services	124,365	106,928	74,679
Gross profit	33,276	32,693	27,962
Selling, general and administrative (Notes 2, 9 and 12)	36,386	30,808	32,437
Depreciation and amortization	6,599	4,928	3,961
Operating loss	(9,709)	(3,043)	(8,436)
Interest and other expenses, net	1,146	578	3,191
Loss before extraordinary item	(10,855)	(3,621)	(11,627)
Extraordinary loss on early extinguishment of debt	--	1,956	--
Net loss	$ (10,855)	$ (5,577)	$ (11,627)
Net loss applicable to common stock	$ (10,855)	$ (6,267)	$ (16,504)
Basic and diluted per share data:			
Loss before extraordinary item	$ (.91)	$ (.41)	$ (5.29)
Extraordinary item	--	(.18)	--
Net loss per share of common stock	$ (.91)	$ (.59)	$ (5.29)
Weighted average number of shares of common stock outstanding	11,890,047	10,671,096	3,119,590

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	PREFERRED STOCK				TRESCOM COMMON STOCK					
	SHARES	AMOUNT	ACCRUED UNDECLARED DIVIDENDS	STOCK SUBSCRIPTIONS	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	(IN THOUSANDS, EXCEPT SHARE DATA)									
Balance at December 31, 1994	283,594	$ 28,359	$ 1,652	$ 511	202,864	$ 9	$ 76	$ --	$(15,732)	
Issuance of Common Stock	--	--	--	--	2,183,799	91	824	--	--	
Issuance of Preferred Stock:										
Series A	1,467	147	--	--	--	--	--	--	--	
Series C	151,421	15,142	--	(511)	--	--	--	--	--	
Accrued dividends on Preferred Stock	--	--	4,877	--	--	--	--	--	(4,877)	
Grant of stock options	--	--	--	--	--	--	796	(796)	--	
Non-cash compensation	--	--	--	--	--	--	--	139	--	
Issuance of Common Stock Warrants	--	--	--	--	--	--	2,428	--	--	
Net loss	--	--	--	--	--	--	--	--	(11,627)	
Balance at December 31, 1995	436,482	43,648	6,529	--	2,386,663	100	4,124	(657)	(32,236)	
Conversion of Preferred Stock to Common Stock and accrued dividends	(436,482)	(43,648)	(7,219)	--	4,558,155	191	50,676	--	--	
Accrued dividends on Preferred Stock	--	--	690	--	--	--	--	--	(690)	
Initial public offering of Common Stock	--	--	--	--	4,545,455	190	50,537	--	--	
Costs associated with initial public offering of Common Stock	--	--	--	--	--	--	(2,160)	--	--	
Grant of stock options	--	--	--	--	--	--	1,701	(1,701)	--	
Non-cash compensation expense	--	--	--	--	--	--	--	1,264	--	
Exercise of stock options	--	--	--	--	141,988	6	54	--	--	
Forfeiture of stock options	--	--	--	--	--	--	(286)	286	--	
Net loss	--	--	--	--	--	--	--	--	(5,577)	
Common Stock issued in connection with acquisitions	--	--	--	--	172,414	6	1,494	--	--	
Balance at December 31, 1996	--	--	--	--	11,804,675	493	106,140	(808)	(38,503)	
Non-cash compensation expense	--	--	--	--	--	--	--	257	--	
Exercise of stock options	--	--	--	--	16,769	1	6	--	--	
Common stock issued in connection with acquisitions	--	--	--	--	283,516	11	2,208	--	--	
Net loss	--	--	--	--	--	--	--	--	(10,855)	
Balance at December 31, 1997	--	$ --	$ --	$ --	12,104,960	$505	$108,354	$ (551)	$(49,358)	

Balance at December 31, 1994	$ 14,875
Issuance of Common Stock	915
Issuance of Preferred Stock:	
Series A	147
Series C	14,631
Accrued dividends on Preferred Stock	--
Grant of stock options	--
Non-cash compensation	139
Issuance of Common Stock Warrants	2,428
Net loss	(11,627)
Balance at December 31, 1995	21,508
Conversion of Preferred Stock to Common Stock and accrued dividends	--
Accrued dividends on Preferred Stock	--
Initial public offering of Common Stock	50,727
Costs associated with initial public offering of Common Stock	(2,160)
Grant of stock options	--
Non-cash compensation expense	1,264
Exercise of stock options	60
Forfeiture of stock options	--
Net loss	(5,577)
Common Stock issued in connection with acquisitions	1,500
Balance at December 31, 1996	67,322
Non-cash compensation expense	257
Exercise of stock options	7
Common stock issued in connection with acquisitions	2,219
Net loss	(10,855)
Balance at December 31, 1997	$ 58,950

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	TWELVE MONTHS ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before extraordinary item	$ (10,855)	$ (3,621)	$ (11,627)
Extraordinary loss on early extinguishment of debt	--	(1,956)	--
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,599	4,928	3,961
Non-cash interest expense	--	431	607
Non-cash interest expense on note to shareholder	--	297	--
Non-cash compensation	257	1,264	139
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(2,118)	(11,770)	(5,511)
Other current assets	1,045	(2,139)	(943)
Accounts payable	(2,805)	564	(2,307)
Accrued network costs	(49)	7,911	1,180
Other accrued expenses	(772)	754	(1,942)
Deferred revenue and other current liabilities	(1,427)	1,513	--
Net cash used in operating activities	(10,125)	(1,824)	(16,443)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(6,914)	(8,086)	(5,637)
Expenditures for line installations	(577)	(144)	(418)
Cash paid for purchases of businesses, net	(1,201)	(522)	--
Net cash used in investing activities	(8,692)	(8,752)	(6,055)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of common stock	--	50,727	915
Costs relating to initial public offering	--	(2,160)	--
Proceeds from the issuance of preferred stock	--	--	14,778
Proceeds from debt	--	--	7,572
Proceeds from issuance of warrants associated with debt	--	--	2,428
Proceeds from revolving credit agreement, net	15,645	--	--
Payment of loan acquisition costs	(482)	(86)	(533)
Repayment of cash overdraft	--	--	(382)
Repayment of revolving credit facility	--	(24,173)	--
Repayment of sellers' note	--	(1,000)	--
Repayment of notes payable to stockholder	--	(8,476)	--
Repayment of debt	(15)	(18)	(27)
Proceeds from stock option exercise	7	60	--
Principal payments on capital lease obligations	(877)	(330)	(201)
Net cash provided by financing activities	14,278	14,544	24,550
Net change in cash and cash equivalents	(4,539)	3,968	2,052
Cash and cash equivalents at beginning of period	6,020	2,052	--
Cash and cash equivalents at end of period	$ 1,481	$ 6,020	$ 2,052
Interest paid	$ 806	$ 1,352	$ 2,257
Capital lease obligations incurred	$ 1,156	$ 4,310	$ --

See accompanying notes.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

1. BUSINESS

Organization and Basis of Presentation

TresCom International, Inc. ("TresCom") was incorporated in Florida on December 8, 1993 as TeraCom Communications, Inc. Effective June 30, 1994, TresCom changed its name to TresCom International, Inc.

TresCom is a facilities-based long-distance telecommunications carrier focused on international long- distance traffic. TresCom offers telecommunications services, including direct dial "1 plus" and toll-free long distance, calling and debit cards, international toll-free service, 24-hour bilingual operator services, intra-island local service in Puerto Rico, private lines, frame relay, international inbound service, international country to country calling services and international callthrough from selected markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TresCom and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

TresCom considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair market value.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Transmission and communications equipment	3 to 20 years
Furniture, fixtures and other	3 to 7 years

The costs of software and software upgrades purchased for internal use are capitalized. Significant capital projects are constantly being initiated as TresCom continues to expand its network. Beginning in 1996, a substantial amount of employee time was required to properly plan, install, test and certify the equipment associated with these projects. In connection with these projects, TresCom capitalized $1,229 and $1,450 in direct and indirect employee costs during 1997 and 1996, respectively.

Change in Accounting Estimate

During the first quarter of 1997, TresCom changed the estimated useful life of fiber optic undersea cables from 10 to 20 years to conform to the predominant industry standard. The change in depreciation expense associated with the revised estimated useful life of fiber optic undersea cables was approximately $120 for 1997.

Advertising

Pursuant to American Institute of Certified Public Accountants (AICPA) Statement of Position No. 93-7, "Reporting on Advertising Costs," TresCom expenses advertising costs as incurred except for direct-

response advertising costs, which are capitalized and amortized over the expected period of future benefit. Direct-response advertising programs were implemented during 1996 and consist of fees paid to various telemarketing entities and internal costs of performing telemarketing activities. The capitalized costs are amortized over a nine month period beginning in the month revenues associated with those costs are first generated.

At December 31, 1997 and 1996, advertising costs totaling $770 and $1,390, respectively, were recorded as other current assets. Advertising expense for the years ended December 31, 1997, 1996 and 1995 were $4,865, $2,047 and $1,359, respectively.

Other Assets

The excess of cost over net assets of businesses acquired represents the excess of the consideration paid over the fair value of the net assets acquired and is amortized on a straight-line basis over 35 years. Customer bases are recorded based on the estimated value of the customer bases acquired in the acquisition of businesses and are amortized on a straight-line basis over periods ranging from three to seven years.

Other assets are periodically reviewed by TresCom for impairments where the fair value is less than the carrying value.

Legal expenses and other direct costs incurred in connection with obtaining financing agreements are deferred and amortized over the life of the financing agreements. Such capitalized costs amounted to $482 and $86 during the years ended December 31, 1997 and 1996, respectively. Accumulated amortization of deferred financing costs was $133 and $10 at December 31, 1997 and 1996, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenues

Revenues are derived primarily from the provision of long-distance telecommunications services and are recognized when the services are provided. In 1997, TresCom recognized $543 of revenue from the sale of excess Indefeasible Rights of Use ("IRU") on undersea digital fiber optic transmission cables.

Cost of Services

Cost of services include payments to local exchange carriers ("LECs"), interexchange carriers, post, telegraph and telephone organizations ("PTTs") and telecommunications administrations ("TAs") primarily for access and transport charges.

Concentrations of Credit Risk and Major Customers

TresCom derives a majority of its operating revenues from wholesale customers as well as commercial customers in Florida, New York, St. Thomas and Puerto Rico. Financial instruments which potentially subject TresCom to concentrations of credit risk consist principally of accounts receivable. TresCom's allowance for doubtful accounts is based upon management's estimates and historical experience. In situations where TresCom deems appropriate, prepayment and/or cash deposits or letters of credit are required for the provision of services.

Income Taxes

TresCom accounts for income taxes under the liability method. Under the liability method, deferred income taxes are recorded to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

New Accounting Pronouncements

In 1996, TresCom adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"). The adoption of SFAS 121 did not have any effect on the financial statements. In 1996, TresCom also adopted the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") (See Note 5).

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" (see Note 13). Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement No. 128 requirements.

Comparative net loss per share data have been restated for prior periods. In connection therewith, common stock, options and warrants issued within one year prior to the original filing of TresCom's initial public offering (the "IPO") at prices below the IPO price, which had previously been considered outstanding for all periods presented even though antidilutive, have been reflected in the computations of basic and diluted net loss per share in accordance with Statement of Financial Accounting Standards No. 128 and Securities and Exchange Commission Staff Accounting Bulletin No. 98, issued February 3, 1998. Such common stock has been treated as outstanding only since issuance, and options and warrants have been excluded from the computations as they are considered antidilutive.

In June of 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income" and Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information" which are both effective for fiscal years beginning after December 15, 1997. Management believes that the adoption of SFAS 130 and SFAS 131 will not have a material adverse effect on TresCom's consolidated financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

3. LONG-TERM OBLIGATIONS

A summary of long-term obligations is as follows:

	DECEMBER 31,	
	1997	1996
Revolving Credit Agreement Interest payable monthly at rates based upon the lender's commercial lending rate plus .50% (8.75% at December 31, 1997), maturing in July 2002	$15,645	$ --
Loans payable to the Small Business Administration, bearing interest at 4%, due in monthly principal and interest payments of $3 through February 2015, collateralized by a security agreement covering certain assets	401	416
Capital leases bearing interest at rates ranging from 9% to 11% and payable in monthly installments totaling $129	4,645	4,366
	20,691	4,782
Less amounts due within one year	1,098	817
	$19,593	$3,965

In November 1994, a wholly-owned subsidiary of TresCom obtained from a bank a revolving credit facility (the "Bank Facility") with an aggregate commitment of $27,000, which expired on June 30, 1996. On February 16, 1996, TresCom repaid all outstanding amounts borrowed under the Bank Facility. Extraordinary expense of $432 was recognized to write-off the remaining deferred financing costs associated with the Bank Facility.

Under the terms of the Bank Facility, TresCom was required to maintain at least 50% of its debt on a fixed rate basis and, as a result, entered into an interest rate swap agreement and interest rate cap agreement (the "Instruments") with the lending bank to convert variable interest rate payments to fixed payments. The estimated fair value (i.e., the net present value of the amount TresCom was required to pay the counterpart over the remaining term of the agreement) of the Instruments, based upon the quoted market price provided by the financial institution was $562 at December 31, 1995. On September 18, 1996, when the net settlement value was $302, the Instruments were paid off in full.

In October and November 1995, TresCom borrowed $7,000 and $3,000, respectively, under one-year notes bearing interest at 12% compounded quarterly from a major shareholder of TresCom. In connection with these notes, TresCom issued a warrant to purchase 358,034 shares of common stock at an exercise price of $0.42 per share. The warrants are exercisable immediately and expire on October 2, 2007. Of the $10,000 in borrowings, approximately $2,400 has been allocated to the value of the warrants. On February 14, 1996, TresCom repaid the entire balance relating to the notes. Accordingly, extraordinary interest expense in the amount of $1,524 was recognized in the first quarter of 1996.

During the third quarter of 1996, TresCom established a relationship with a commercial bank to provide asset financing. TresCom utilized approximately $4,310 in the fourth quarter of 1996 for capital projects. An additional $1,156 was utilized in the second quarter of 1997.

During the fourth quarter of 1996, TresCom established a $5,000 line of credit with a commercial bank (the "Credit Facility") secured by certain accounts receivable. The Credit Facility, as amended on March 27, 1997, contained standard debt covenants relating to financial position and performance, as well as restrictions on

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

the declaration and payment of dividends. Through July 31, 1997, TresCom was either in compliance or received waivers with respect to all covenants under the Credit Facility.

On July 31, 1997, TresCom entered into a Revolving Credit and Security Agreement (the "Revolving Credit Agreement") secured by TresCom's accounts receivable and certain intangible assets. The maximum borrowing under this agreement is $25,000; however, the amount available to be borrowed is based upon TresCom's pledged accounts receivable and intangible assets.

On July 31, 1997, all borrowings under the Credit Facility were repaid in full with borrowings under the Revolving Credit Agreement and the Credit Facility was terminated. As of December 31, 1997, availability under the Revolving Credit Agreement was approximately $19,702, of which $15,645 (including approximately $600 of letters of credit) had been utilized. At December 31, 1997, TresCom was in compliance with all covenants under the Revolving Credit Agreement.

Principal payments on all debt obligations are:

1998	$ 17
1999	17
2000	18
2001	19
2002	20
Thereafter	310
Revolving Credit Agreement	15,645
Total	$16,046

4. LEASE OBLIGATIONS

TresCom occupies office facilities and leases certain equipment and software under noncancelable operating leases. Rental expense for the years ended December 31, 1997, 1996 and 1995 was $ 1,703, $1,421 and $1,341, respectively.

During the years ended December 31, 1997 and 1996, TresCom acquired communication equipment of approximately $1,156 and $4,310, respectively, under capital lease obligations. Asset balances for property acquired under capital leases consist of:

	DECEMBER 31,	
	1997	1996
Transmission and communication equipment	$5,871	$4,715
Furniture, fixtures and other	213	270
	6,084	4,985
Accumulated depreciation	(916)	(311)
	$5,168	$4,674

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Depreciation expense associated with assets acquired under capital leases is included with depreciation and amortization expense on the Statements of Operations. The present value of minimum capital lease payments are included in the balance sheet as a part of long-term obligations. Future minimum lease payments for all noncancelable leases at December 31, 1997 are:

	CAPITAL LEASES	OPERATING LEASES	TOTAL
1998	$1,637	$1,168	$2,805
1999	1,471	915	2,386
2000	1,419	731	2,150
2001	1,073	566	1,639
2002	90	507	597
Thereafter	--	138	138
Total future minimum lease payments	5,690	$4,025	$9,715
Less amounts representing interest	1,045		
Present value of net minimum lease payments	$4,645		

5. CAPITALIZATION

Preferred Stock

The Board of Directors of TresCom is authorized to issue up to one million shares of preferred stock, par value $.01 per share, in one or more series and to fix the powers, voting rights, designations and preferences of each series.

Common Stock

On February 13, 1996, TresCom sold 4,545,455 shares of its common stock at $12 per share in its IPO. The net proceeds of this sale were approximately $48,600. The net proceeds were used to retire debt and accrued interest of approximately $35,800.

Stock Option Plan

TresCom has a stock option plan under which 936,432 options to purchase shares of common stock may be granted to officers, key employees, consultants and directors. The plan allows the granting of incentive stock options, which may not have an exercise price below the greater of par value or the market value on the date of grant, and non-qualified stock options, which may not have an exercise price below par value. All options must be exercised no later than 10 years from the date of grant. No option may be granted under the plan after February 22, 2004.

Options generally vest as to 20% on the first anniversary of the vesting commencement date or grant date and as to an additional 20% on each anniversary thereafter. All options expire on the tenth anniversary of the grant date, unless sooner terminated under the terms of the stock option plan. In the event of certain changes in control of TresCom, all options become fully vested.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The following table summarizes all options activity for the years ended December 31, 1995, 1996 and 1997:

	NUMBER OF OPTIONS GRANTED	EXERCISABLE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding as of December 31, 1994	110,840		$0.42
Canceled	110,840		0.42
Granted	484,955		0.42
Forfeited	12,749		0.42
Outstanding as of December 31, 1995	472,206	19,826	0.42
Canceled	220,622		0.42
Granted	534,119		12.53
Forfeited	147,452		10.82
Exercised	141,988		0.42
Outstanding as of December 31, 1996	496,263	23,713	10.37
Canceled	2,000		7.50
Granted	447,000		7.76
Forfeited	61,790		9.48
Exercised	16,769		0.42
Outstanding as of December 31, 1997	862,704	103,733	$9.28

The following table summarizes options at December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE CONTRACTUAL LIFE (YEARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
$0.42	75,585	$ 0.42	7.66	24,309	$ 0.42
12.00--17.63	372,119	12.76	8.26	74,424	12.00
7.50--12.00	415,000	7.76	9.13	5,000	12.00

Non-cash compensation expense was recorded over the vesting period of the options. Accordingly, $257, $1,264 and $139 of non-cash compensation expense was recorded in the years ended December 31, 1997, 1996 and 1995, respectively.

TresCom follows the requirements of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" to account for its stock option plan and, accordingly, compensation cost is recognized in the consolidated statements of operations for the stock option plan to the extent the options are granted at prices below fair market value. TresCom adopted SFAS 123, which requires certain disclosures about stock-based employee compensation arrangements. SFAS 123 requires pro forma disclosure of the impact on net income and earnings per share if the fair value method defined in SFAS 123 had been used. The fair value for these options was estimated at the date of grant using a minimum value option valuation method for options granted prior to the IPO and a Black-Scholes option valuation model for options granted after the IPO with the following weighted-average assumptions: a risk-free interest rate of 6.1%; a dividend yield of 0%; a volatility factor of the expected market price of the TresCom common stock of 1.207 for options granted during 1997 and .729 for options granted during 1996 and 1995, and an expected life of five years.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because TresCom's stock options have characteristics significantly different from those of traded options, and because change in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The weighted average grant date fair value of options granted in 1997, 1996 and 1995 is $6.46, $7.88 and $10.50 per share, respectively. The options granted during 1995 had exercise prices below market value and the options granted during 1997 and 1996 had exercise prices at or above fair market value.

For purposes of pro-forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the options. The SFAS 123 pro-forma information is as follows:

	1997	1996	1995
Pro forma net loss	$(12,583)	$(5,713)	$(11,627)
Pro forma basic and diluted loss per share	(1.06)	(0.60)	(5.29)

6. INCOME TAXES

The significant components of TresCom's deferred tax assets and liabilities are:

	DECEMBER 31,		
	1997	1996	1995
Deferred tax assets			
Allowance for bad debts	$ 3,251	$ 2,975	$ 1,139
Net operating loss carry-forward	12,256	6,229	6,311
Accruals	218	566	279
Depreciation and amortization	--	101	873
Other	15	11	270
Valuation allowance	(14,053)	(8,479)	(8,793)
	1,687	1,403	79
Deferred tax liabilities			
Depreciation and amortization	(1,558)	--	--
Acquisition basis differences	(129)	(1,403)	(79)
	$ --	$ --	$ --

The net change in TresCom's valuation allowance was $5,574, $(314) and $3,056 for the years ended December 31, 1997, 1996 and 1995, respectively.

On July 17, 1989, the Industrial Development Commission of the U.S. Virgin Islands ("U.S.V.I.") granted STSJ tax benefits to cover long-distance telecommunications services in the U.S. Virgin Islands. These benefits include a 90% exemption from income taxes for a ten-year period effective January 1, 1989.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The reconciliation of income tax attributable to operations computed at the U.S. federal statutory rates to income tax expense is:

	DECEMBER 31,		
	1997	1996	1995
Tax at U.S. statutory rate	(34.0)%	(34.0)%	(34.0)%
State taxes, net of federal benefit	(3.6)	(2.0)	(2.0)
Amortization of excess of cost over net assets of businesses acquired	3.8	6.5	2.7
Foreign tax rate differences	2.0	7.1	3.7
Unrecognized benefit of net operating loss	31.8	22.4	29.6

At December 31, 1997, TresCom has U.S. and foreign net operating loss carryforwards for tax purposes of $24,335 and $12,354, respectively. These net operating loss carryforwards expire in the years 1997 through 2012.

7. RETIREMENT PLAN

TresCom maintains the TresCom 401(k) Savings and Retirement Plan for all U.S. and U.S.V.I. subsidiaries and the TresCom 165(e) Savings and Retirement Plan for the Puerto Rican subsidiary. Employees age 21 or older are eligible to participate six months after their date of hire and to elect to defer a percentage of his/her salary. TresCom has the discretion to make contributions to the TresCom 401(k) Savings and Retirement Plan and TresCom 165(e) Saving and Retirement Plan. In 1996, 25,000 shares of stock in TresCom were authorized as retirement plan contributions. In 1997 and 1996, 4,439 and 2,065 shares, respectively, were allocated to the TresCom 401(k) Savings and Retirement Plan and the TresCom 165(e) Savings and Retirement Plan for aggregate amounts of approximately $31 and $16, respectively.

8. COMMITMENTS AND CONTINGENCIES

TresCom is involved in various claims and is subject to possible actions arising out of the normal course of its business. Although the ultimate outcome of these claims cannot be ascertained at this time, it is the opinion of TresCom's management, based on knowledge of the facts and advice of counsel, that the resolution of such claims and actions will not have a material adverse effect on TresCom's financial condition or results of operations.

TresCom has commitments under various types of agreements for the purchase of property and equipment to continue expansion of its network. Portions of such agreements not completed at year end are not reflected in the consolidated financial statements. These commitments were approximately $1,000 at year end 1997.

9. SETTLEMENTS

In the past, TresCom incurred some significant charges as a result of disputes with carriers. These charges amounted to $4,100 and $900 in the first and second quarter of 1995, respectively. In addition, significant losses resulting from settlements with customers totaled $4,069 during the first quarter of 1995.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

10. FINANCIAL INSTRUMENTS

The carrying amounts reflected in the consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate the respective fair values due to the short-term nature of these items. The fair values for long-term obligations at December 31, are as follows:

	1997		1996	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Loans payable to the Small Business Administration	$401	$323	$416	$335

The fair values of all other long-term obligations approximate the carrying values and are therefore not disclosed.

11. RELATED PARTY TRANSACTIONS

During 1996, an affiliate of a major shareholder of TresCom owned approximately 20% of LCI International, Inc. ("LCI"). TresCom buys network services from and provides network services to LCI. At December 31, 1996, the net amount due to LCI was $1,935. During 1996, $7,140 of services were provided and $5,453 were used. During 1997, the affiliate of TresCom's major shareholder reduced their ownership stake to an insignificant percentage.

In December 1996, TresCom acquired 100% of the common stock of Intex Telecommunications, Inc. from LCI. The purchase price consideration was 394,095 shares of TresCom common stock.

12. NATURAL DISASTER

On September 16, 1995, Hurricane Marilyn damaged the island of St. Thomas where TresCom has significant operations. TresCom's Property and Business Interruption Insurance covered a significant portion of the damages to equipment and certain losses from operations. At September 30, 1995, TresCom estimated its exposure relating to the hurricane to be $2,500. Based on visits to the affected area, review of accounts receivable and actual settlements with customers, management revised its estimate of losses resulting from the hurricane to $1,717. Accordingly, the net loss for the quarter ended December 31, 1996 included this change in estimate of $783.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

13. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1997	1996	1995
Numerator:			
Loss before extraordinary item	$ (10,855)	$ (3,621)	$ (11,627)
Extraordinary loss on early extinguishment of debt	--	1,956	--
Net loss	(10,855)	(5,577)	(11,627)
Preferred stock dividends	--	690	4,877
Numerator for basic and diluted earnings per share--net loss applicable to common stock	$ (10,855)	$ (6,267)	$ (16,504)
Denominator:			
Denominator for basic and diluted earnings per share--weighted average shares	11,890,047	10,671,096	3,119,590
Basic and diluted per share data:			
Loss before extraordinary item	$ (0.91)	$ (0.41)	$ (5.29)
Extraordinary item	--	(0.18)	--
Net loss per share of common stock	$ (0.91)	$ (0.59)	$ (5.29)

The earnings per share amounts in the above table have been calculated in compliance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." For further information regarding earnings per share and capitalization of TresCom, see Notes 2 and 5.

14. SUBSEQUENT EVENTS

In February 1998, TresCom entered into a definitive Agreement and Plan of Merger with Primus Telecommunications Group, Inc. ("Primus") and Taurus Acquisition Corporation, a wholly-owned subsidiary of Primus ("Taurus"). Pursuant to the terms of the Agreement and Plan of Merger, as amended, it is contemplated that Taurus will merge with and into TresCom, that TresCom will be the surviving corporation and that Primus will acquire 100% of the issued and outstanding shares of TresCom common stock. The transaction is expected to be completed during the second quarter of 1998 and is subject to, among other things, the approval of both Primus's and TresCom's shareholders and certain regulatory authorities.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1998	DECEMBER 31, 1997
	(UNAUDITED)	
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	
ASSETS		
Current assets:		
Cash	$ 102	$ 1,481
Accounts and notes receivable, net of allowance for doubtful accounts of $7,918 and $8,149, respectively	26,956	31,743
Other current assets	2,492	2,406
Total current assets	29,550	35,630
Property and equipment, at cost:		
Transmission and communications equipment	30,517	29,720
Furniture, fixtures and other	10,272	9,620
	40,789	39,340
Less accumulated depreciation and amortization	(10,894)	(9,668)
	29,895	29,672
Other assets:		
Customer bases, net of accumulated amortization of $2,650 and $2,385, respectively	3,010	3,274
Excess of cost over net assets of businesses acquired, net of accumulated amortization of $3,830 and $3,508, respectively	38,596	38,826
Other	940	1,027
Total assets	$101,991	$108,429
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 907	$ 1,237
Accrued network costs	18,667	19,497
Other accrued expenses	4,733	6,365
Long-term obligations due within one year	1,299	1,098
Deferred revenue and other current liabilities	1,762	1,689
Total current liabilities	27,368	29,886
Long-term obligations	19,842	19,593
Shareholders' equity:		
Preferred stock, $.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $.0419 par value; 50,000,000 shares authorized; 12,161,844 shares issued and outstanding; 12,104,960 shares issued and outstanding	508	505
Deferred compensation	(391)	(551)
Additional paid-in capital	108,497	108,354
Accumulated deficit	(53,833)	(49,358)
Total shareholders' equity	54,781	58,950
Total liabilities and shareholders' equity	$101,991	$108,429

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Revenues	$ 38,137	$ 36,143
Cost of services	30,971	27,812
Gross profit	7,166	8,331
Selling, general and administrative	9,262	8,108
Depreciation and amortization	1,944	1,501
Operating loss	(4,040)	(1,278)
Interest expense (income), net	415	(2)
Other expense, net	20	--
Net loss	$ (4,475)	$ (1,276)
Basic and diluted net loss per share of common stock	$ (0.37)	$ (0.11)
Weighted average number of shares of common stock outstanding	12,146	11,816

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	COMMON STOCK					
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	(IN THOUSANDS, EXCEPT SHARE DATA)					
Balance at December 31, 1997	12,104,960	$505	$108,354	$(551)	$(49,358)	$58,950
Exercise of stock options	56,884	3	143	--	--	146
Non-cash compensation expense	--	--	--	160	--	160
Net loss	--	--	--	--	(4,475)	(4,475)
Balance at March 31, 1998	12,161,844	$508	$108,497	$(391)	$(53,833)	$54,781

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,475)	$ (1,276)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,944	1,501
Non-cash compensation	160	162
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	4,787	(1,770)
Other current assets	(117)	(355)
Accounts payable	(330)	(1,195)
Accrued network costs	(830)	2,263
Other accrued expenses	(1,632)	(1,142)
Deferred revenue and other current liabilities	(20)	(1,611)
Net cash used in operating activities	(513)	(3,423)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(840)	(1,080)
Expenditures for line installations	(13)	(72)
Net cash used in investing activities	(853)	(1,152)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	--	2,500
Proceeds from revolving credit agreement, net	162	--
Repayment of debt	(4)	(4)
Proceeds from stock option exercise	146	7
Principal payments on capital lease obligations	(317)	(176)
Net cash (used in) provided by financing activities	(13)	2,327
Net change in cash	(1,379)	(2,248)
Cash at beginning of period	1,481	6,020
Cash at end of period	$ 102	$ 3,772
Interest paid	$ 466	$ 163
Capital lease obligations incurred	$ 609	$ --

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. GENERAL

Organization and Basts of Presentation

TresCom International, Inc. (together with its subsidiaries collectively referred to as the "Company") is a facilities-based long-distance telecommunications carrier focused on international long-distance traffic. The Company offers telecommunications services, including direct dial "1 plus" and toll-free long distance, calling and debit cards, international toll-free service, 24-hour bilingual operator services, intra-island local service in Puerto Rico, private lines, frame relay, international inbound service, international country to country calling services and international callthrough from selected markets.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included to financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such regulations. In the opinion of management, the information contained herein reflects all adjustments necessary to make the financial position, results of operations and cash flows for the interim periods a fair representation. All such adjustments are of a normal recurring nature. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997. The results of operations for the interim periods shown are not necessarily indicative of results of operations to be expected for the entire fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference should be made to the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, specifically Note 2, for a summary of the Company's significant accounting policies.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

New Accounting Pronouncement

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" ("SFAS 128"). SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform with SFAS 128.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

3. LONG-TERM OBLIGATIONS

A summary of long-term obligations is as follows;

	MARCH 31, 1998	DECEMBER 31, 1997
Revolving Credit Agreement, interest payable monthly at rates based upon the lender's commercial lending rate plus 0.5% (9.0% at March 31, 1998), maturing in July 2002	$15,808	$15,645
Loans payable to the Small Business Administration, bearing interest at 4%, due in monthly principal and interest payments of $3 through February 2015, collateralized by a security agreement covering certain assets	396	401
Capital leases bearing interest at rates ranging from 9% to 11% and payable in monthly installments totaling $167	4,937	4,645
	21,141	20,691
Less amounts due within one year	1,299	1,098
	$19,842	$19,593

The Company has a $25,000 revolving credit and security agreement (the "Revolving Credit Agreement") with a commercial bank secured by the Company's accounts receivable. As of March 31, 1998, availability under the Revolving Credit Agreement was approximately $19,400 of which approximately $16,494 (including approximately $686 of letters of credit) had been utilized. As of March 31, 1998, the Company was in compliance with all covenants contained in the Revolving Credit Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Assets totaling $609 were acquired via a capital lease during the first quarter of 1998.

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Numerator:		
Numerator for basic and diluted earnings per share--net loss applicable to common stock	$(4,475)	$(1,276)
Denominator:		
Denominator for basic and diluted earnings per share--weighted average shares	12,146	11,816
Basic and diluted net loss per share of common stock	$ (0.37)	$ (0.11)

5. PROPOSED MERGER

In February 1998, the Company entered into a definitive Agreement and Plan of Merger, which was subsequently amended by Amendments No. 1 and 2, dated as of April 8, 1998 and as of April 16, 1998, respectively, with Primus Telecommunications Group, Incorporated ("Primus") and Taurus Acquisition Corporation, a wholly-owned subsidiary of Primus ("Taurus"). Pursuant to the terms of the Agreement and Plan of Merger, as amended, it is contemplated that Taurus will merge with and into the Company, that the Company will be the surviving corporation and that Primus will acquire 100% of the issued and outstanding shares of the Company's common stock. The transaction is expected to be completed during the second quarter of 1998 and is subject to, among other things, the approval of both Primus' and the Company's shareholders and certain regulatory authorities.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
TresCom International, Inc.

We have audited the consolidated financial statements of TresCom International, Inc. and its subsidiaries ("TresCom") as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, and have issued our report thereon dated February 27, 1998. Our audit also included the accompanying financial statement schedule of TresCom. This schedule is the responsibility of TresCom's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Atlanta, Georgia
February 27, 1998

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

TRESCOM INTERNATIONAL, INC.
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO COSTS AND EXPENSES	ADDITIONS: CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
Year ended December 31, 1997:					
Reserve and allowance deducted from asset accounts:					
Allowance for doubtful accounts.....	$7,588	$4,159	$500(1)	$4,098(3)	$8,149
Valuation allowance for deferred taxes...	8,479	5,574	--	--	14,053
Year ended December 31, 1996:					
Reserve and allowance deducted from asset accounts:					
Allowance for doubtful accounts.....	4,140	5,036	--	1,588(3)	7,588
Valuation allowance for deferred taxes...	8,793	--	--	314(2)	8,479
Year ended December 31, 1995:					
Reserve and allowance deducted from asset accounts:					
Allowance for doubtful accounts.....	3,761	1,791	700(4)	2,112(3)	4,140
Valuation allowance for deferred taxes...	5,737	3,056	--	--	8,793

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(1) In connection with acquisitions.

(2) Change in deferred taxes.

(3) Write-off of uncollectible accounts.

(4) Uncollectible accounts in U.S. Virgin Islands resulting from Hurricane Marilyn.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE NOTES OFFERED HEREBY NOR DOES IT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE NOTES TO ANY PERSON IN ANY JURISDICTION IN WHICH IT WOULD BE UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE HEREIN OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

TABLE OF CONTENTS

OFFER TO EXCHANGE ALL OUTSTANDING
9 7/8% SENIOR NOTES DUE 2008
($150,000,000 PRINCIPAL AMOUNT)
FOR 9 7/8% SENIOR NOTES DUE 2008

[LOGO OF PRIMUS TELECOMMUNICATIONS GROUP, INC.]

PROSPECTUS
July , 1998

All tendered Initial Notes, executed Letters of Transmittal and other related documents should be directed to the Exchange Agent. Questions and requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal and other related documents should be addressed to the Exchange Agent as follows:

BY MAIL, HAND OR OVERNIGHT DELIVERY:
First Union Customer Information Center
Reorganization Department, 3C3-NC 1153
1525 West W.T. Harris Boulevard
Charlotte, N.C. 28262

FACSIMILE TRANSMISSION:

(704) 590-7628

TO CONFIRM RECEIPT:
(704) 590-7408

(Originals of all documents submitted by facsimile should be sent promptly by hand, overnight courier or registered or certified mail)

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the DGCL permits each Delaware business corporation to indemnify its directors, officers, employees and agents against liability for each such person's acts taken in his or her capacity as a director, officer, employee or agent of the corporation if such actions were taken in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action, if he or she had no reasonable cause to believe his or her conduct was unlawful. Article X of Primus's Amended and Restated By-Laws provides that Primus, to the full extent permitted by Section 145 of the DGCL, shall indemnify all past and present directors or officers of Primus and may indemnify all past or present employees or other agents of Primus. To the extent that a director, officer, employee or agent of Primus has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in such Article X, or in defense of any claim, issue or matter therein, he or she shall be indemnified by Primus against actually and reasonably incurred expenses in connection therewith. Such expenses may be paid by Primus in advance of the final disposition of the action upon receipt of an undertaking to repay the advance if it is ultimately determined that such person is not entitled to indemnification.

As permitted by Section 102(b)(7) of the DGCL, Article 11 of Primus's Amended and Restated Certificate of Incorporation provides that no director of Primus shall be liable to Primus for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to Primus or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for the unlawful payment of dividends on or redemption of Primus's capital stock or (iv) for any transaction from which the director derived an improper personal benefit.

Primus has obtained a policy insuring it and its directors and officers against certain liabilities, including liabilities under the 1933 Act.

Pursuant to Section 5(h) of the Merger Agreement, Primus will provide each individual who served as a director or officer of TresCom at any time prior to the Effective Time of the TresCom Merger (the "Effective Time") with liability insurance for a period of six years after the Effective Time, having no less favorable coverage than any applicable insurance of TresCom in effect immediately prior to the Effective Time; provided, however, if the existing liability insurance expires, or is terminated or canceled by the insurance carrier during such six-year period, the Surviving Corporation will use its best efforts to obtain as much liability insurance as can be obtained for the remainder of such period for a premium not in excess (on an annualized basis) of 150% of the last annual premium paid prior to the date of the Merger Agreement.

ITEM 21. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
2.1	Agreement and Plan of Merger by and among Primus, TresCom and TAC, dated as of February 3, 1998; Incorporated by reference to Exhibit 2.1 of the Registration Statement on Form S-4, No. 333-51797 (the "Proxy Registration Statement"). The schedules to the Agreement and Plan of Merger have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such schedules shall be furnished supplementally to the Commission upon request.)
2.2	Asset Purchase Agreement by and among USFI, Inc. Primus Telecommunications, Inc., Primus and US Cable Corporation dated as of October 20, 1997; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Asset Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
2.3	Equity Purchase Agreement by and among Messrs. James D. Pearson, Stephen E. Myers, Michael C. Anderson, Primus Telecommunications, Inc., and Primus, dated as of October 20, 1997; Incorporated by reference to Exhibit 2.2 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Equity Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.
2.4	Amendment No. 1 to Agreement and Plan of Merger among Primus, TresCom and TAC, dated as of April 8, 1998; Incorporated by reference to Exhibit 2.1 of the Primus Current Report on Form 8-K dated April 10, 1998.
2.5	Amendment No. 2 to Agreement and Plan of Merger among Primus, TresCom and TAC, dated as of April 16, 1998; Incorporated by reference to Exhibit 2.1 of the Primus Current Report on Form 8-K dated April 23, 1998 (the "Form 8-K for Amendments"), as amended by the Primus Current Report on Form 8-K/A dated April 23, 1998.
3.1	Amended and Restated Certificate of Incorporation of Primus; Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-8, No. 333-56557 (the "S-8 Registration Statement").
3.2	Amended and Restated Bylaws of Primus; Incorporated by reference to Exhibit 3.2 of the IPO Registration Statement.
4.1	Specimen Certificate of Primus Common Stock; Incorporated by reference to Exhibit 4.1 of the IPO Registration Statement.
4.2	Form of Indenture of Primus; Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-1, No 333-30195 (the "1997 Senior Note Registration Statement").
4.3	Form of Warrant Agreement of Primus; Incorporated by reference to Exhibit 4.2 of the Senior Note Registration Statement.
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10.5	Voting Agreement between TresCom and John F. DePodesta, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.3 of the Form 8-K.
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10.9	Employment Agreement, dated June 1, 1994, between Primus and K. Paul Singh, Inc.; Incorporated by reference to Exhibit 10.5 of the IPO Registration Statement.
10.10	Primus 1995 Stock Option Plan; Incorporated by reference to Exhibit 10.6 of the IPO Registration Statement.
10.11	Primus 1995 Director Stock Option Plan; Incorporated by reference to Exhibit 10.7 of the IPO Registration Statement.
10.12	Registration Rights Agreement, dated July 31, 1996, among Primus, Quantum Industrial Partners LDC, S-C Phoenix Holdings, L.L.C., Winston Partners II LDC and Winston Partners LLC; Incorporated by reference to Exhibit 10.11 of the IPO Registration Statement.
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10.18	Primus 401(k) Plan; Incorporated by reference to Exhibit 4.4 of the Primus Registration Statement on Form S-8 (No. 333-35005).
10.19	Amendment No. 1 to Stockholder Agreement among Warburg, Pincus, K. Paul Singh, Primus, and TresCom, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.1 of the Form 8-K for Amendments.
10.20	Amendment No. 1 to Voting Agreement between Wesley T. O'Brien and Primus, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.2 of the Form 8-K for Amendments.
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EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
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10.27	Employment Agreement between the Company and Rudolph McGlashan. Incorporated by reference to Exhibit 10.4 to the TresCom Registration Statement on Form S-1, No. 33-99738, filed on November 22, 1995 (the "TresCom Form S-1").
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10.29	Warrant Agreement between the Company and Warburg, Pincus Investors, L.P. Incorporated by reference to Exhibit 10.6 to the TresCom Form S-1.
10.30	Form of Indemnification Agreement between the Company and its directors and executive officers Incorporated by reference to Exhibit 10.23 to the TresCom Form S-1.
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10.32	Revolving Credit Note, dated July 31, 1997, payable to PNC Bank, National Association and the other lenders a party to the Loan Agreement. Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
21.1	Subsidiaries of the Registrant.+
23.1	Consent of Deloitte & Touche LLP (included on page II-6 of this Registration Statement).
23.2	Consent of Ernst & Young LLP (included on page II-7 of this Registration Statement).
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23.4	Consent of Pepper Hamilton LLP (included in Exhibit 5.1).*
24.1	Power of Attorney (included on page II-9 of this Registration Statement).
25	Form T-1.*
99.1	Form of Letter of Transmittal.+
99.2	Form of Notice of Guaranteed Delivery.+

- --------
* To be Filed by Amendment.
+ Filed herewith

(B) FINANCIAL STATEMENT SCHEDULES.

All schedules have been omitted because they are not applicable, not required, or the required information is included in the Financial Statements or the notes thereto.

ITEM 22. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes: (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; (2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Primus Telecommunications Group, Incorporated on Form S-4 of our report dated February 12, 1998, except for Note 15 as to which the date is March 8, 1998, included herein and incorporated by reference from the Company's Joint Proxy Statement/Prospectus dated May 4, 1998, and to the reference to us under the headings "Selected Financial Data" and "Experts" in the Prospectus, which is part of this Registration Statement.

Deloitte & Touche LLP

Washington, DC
June 30, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated September 30, 1997 with respect to the consolidated financial statements of USFI, Inc. included in this Registration Statement on Form S-4 and related Prospectus of Primus Telecommunications Group, Inc. for the Exchange Offer of its 9 7/8% Senior Notes due 2008 and to the incorporation by reference therein of our reports dated September 30, 1997 and January 31, 1996, with respect to the consolidated financial statements of USFI, Inc. included in the Current Report on Form 8-K dated November 3, 1997, and the amendments to such Current Report dated January 5, 1998 and January 7, 1998, of Primus Telecommunications Group, Inc., filed with the Securities and Exchange Commission and incorporated by reference in the Joint Proxy Statement/Prospectus dated May 4, 1998 of Primus Telecommunications Group, Inc.

Ernst & Young LLP

Hackensack, New Jersey
July 2, 1998

EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated February 27, 1998, with respect to the consolidated financial statements and schedule of TresCom International, Inc. included in the Registration Statement (Form S-4 No. 333-) and related Prospectus of Primus Telecommunications Group, Incorporated for Exchange Offer of its 9 7/8% Senior Notes due 2008 and incorporated by reference in the Joint Proxy Statement/Prospectus dated May 4, 1998 of Primus Telecommunications Group, Incorporated.

Ernst & Young LLP

Atlanta, Georgia
July 1, 1998

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in McLean, Virginia on July 2, 1998.

Primus Telecommunications Group, Incorporated

By: /s/ K. Paul Singh
K. PAUL SINGH President, Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below on this Registration Statement hereby constitutes and appoints K. Paul Singh and Neil L. Hazard and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities (until revoked in writing), to sign any and all amendments (including post-effective amendments thereto) to this Form S-4 Registration Statement of Primus Telecommunications Group, Incorporated and to file the same, with all Exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he might or could do in person thereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ K. Paul Singh K. PAUL SINGH	Chairman, President and Chief Executive Officer (principal executive officer and Director	July 2, 1998
/s/ Neil L. Hazard NEIL L. HAZARD	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	July 2, 1998
/s/ John F, DePodesta JOHN F. DEPODESTA	Executive Vice President and Director	July 2, 1998

SIGNATURE	TITLE	DATE
/s/ Herman Fialkov HERMAN FIALKOV	Director	July 2, 1998
/s/ David E. Hershberg DAVID E. HERSHBERG	Director	July 2, 1998
/s/ John Puente JOHN PUENTE	Director	July 2, 1998
/s/ Douglas M. Karp DOUGLAS M. KARP	Director	July 2, 1998

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
2.1	Agreement and Plan of Merger by and among Primus, TresCom and TAC, dated as of February 3, 1998; Incorporated by reference to Exhibit 2.1 of the Registration Statement on Form S-4, No. 333-51797 (the "Proxy Registration Statement"). The schedules to the Agreement and Plan of Merger have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such schedules shall be furnished supplementally to the Commission upon request.)
2.2	Asset Purchase Agreement by and among USFI, Inc. Primus Telecommunications, Inc., Primus and US Cable Corporation dated as of October 20, 1997; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Asset Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
2.3	Equity Purchase Agreement by and among Messrs. James D. Pearson, Stephen E. Myers, Michael C. Anderson, Primus Telecommunications, Inc., and Primus, dated as of October 20, 1997; Incorporated by reference to Exhibit 2.2 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Equity Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.
2.4	Amendment No. 1 to Agreement and Plan of Merger among Primus, TresCom and TAC, dated as of April 8, 1998; Incorporated by reference to Exhibit 2.1 of the Primus Current Report on Form 8-K dated April 10, 1998.
2.5	Amendment No. 2 to Agreement and Plan of Merger among Primus, TresCom and TAC, dated as of April 16, 1998; Incorporated by reference to Exhibit 2.1 of the Primus Current Report on Form 8-K dated April 23, 1998 (the "Form 8-K for Amendments"), as amended by the Primus Current Report on Form 8-K/A dated April 23, 1998.
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99.2	Form of Notice of Guaranteed Delivery.+

- --------
* To be Filed by Amendment.
+ Filed herewith

EXHIBIT 4.4

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED,

Issuer

to

FIRST UNION NATIONAL BANK,

Trustee

_____

INDENTURE

Dated as of May 19, 1998

_____

$150,000,000

9 7/8 % Senior Notes Due 2008

9 7/8 Series B Senior Notes Due 2008

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939 AND INDENTURE, DATED AS OF MAY 19, 1998

TRUST INDENTURE ACT SECTION	INDENTURE SECTION
(S) 310(a)(1)	607
(a)(2)	607
(b)	608
(S) 312(c)	701
(S) 314(a)	703
(a)(4)	1008(a)
(c)(1)	102
(c)(2)	102
(e)	102
(S) 315(b)	601
(S) 316(a)(last sentence)	101 ("Outstanding")
(a)(1)(A)	502, 512
(a)(1)(B)	513
(b)	508
(c)	104(d)
(S) 317(a)(1)	503
(a)(2)	504
(b)	1003
(S) 318(a)	111

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

TABLE OF CONTENTS

Note: This table of contents shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE, dated as of May 19, 1998 between PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 1700 Old Meadow Road, McLean, Virginia 22102, and FIRST UNION NATIONAL BANK, a national banking association, duly organized and existing under the laws of the United States, as Trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of 9 7/8% Senior Notes Due 2008 (the "Initial Notes") and 9 7/8% Series B Senior Notes Due 2008 (the "Exchange Notes" and, together with the Initial Notes, the "Notes"), of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

Upon the issuance of the Exchange Notes, if any, or the effectiveness of the Shelf Registration Statement (as defined herein), this Indenture will be subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

All things necessary have been done to make the Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company and to make this Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein, and the terms "cash transaction" and "self-liquidating paper", as used in TIA Section 311, shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or assumed in connection with an Asset Acquisition by the Company or a Restricted Subsidiary and not incurred in connection with, or in anticipation of, such Person becoming a Restricted Subsidiary or such Asset Acquisition; provided that Indebtedness of such Person which is redeemed, defeased, retired or otherwise repaid at the time of or immediately upon the consummation of the transactions by which such Person becomes a Restricted Subsidiary or such Asset Acquisition shall not be Indebtedness.

"Act", when used with respect to any Holder, has the meaning specified in Section 105.

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies

of such Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of the Indenture "Affiliate" shall be deemed to include Mr. K. Paul Singh.

"Agent Member" has the meaning specified in Section 306.

"Asset Acquisition" means (i) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries or (ii) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary of the Company) of (i) all or substantially all of the Capital Stock of any Restricted Subsidiary of the Company or (ii) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transactions) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person other than the Company or any of its Restricted Subsidiaries of (i) all or any of the Capital Stock of any Subsidiary, (ii) all or substantially all of the property and assets of an operating unit or business of the Company or any of its Restricted Subsidiaries or (iii) any other property and assets of the Company or any of its Restricted Subsidiaries outside the ordinary course of business of the Company or such Restricted Subsidiary and, in each case, that is not governed by the provisions of this Indenture applicable to mergers, consolidations and sales of assets of the Company and which, in the case of any of clause (i), (ii) or (iii) above, whether in one transaction or a series of related transactions, (a) have a Fair Market Value in excess of $1.0 million or (b) are for net proceeds in excess of $1.0 million; provided that (x) sales or other dispositions of inventory,
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receivables and other current assets in the ordinary course of business and (y) sales or other dispositions of assets for consideration at least equal to the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of the assets sold or disposed of, to the extent that the consideration received would constitute property or assets of the kind described in clause (i)(B) of the second paragraph of Section 1017, shall not be included within the meaning of "Asset Sale."

"Average Life" means, at any date of determination with respect to any debt security, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such debt security and (b) the amount of such principal payment by (ii) the sum of all such principal payments.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York or Richmond, Virginia are authorized or obligated by law or executive order to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether now outstanding or issued after the date of this Indenture, including, without limitation, all Common Stock and Preferred Stock.

"Capitalized Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person; and " Capitalized Lease Obligation" means the discounted present value of the rental obligations under such lease.

"Change of Control" means such time as (i) a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the total voting power of the then outstanding Voting Stock of the Company on a fully diluted basis; (ii) individuals who at the beginning of any period of two consecutive calendar years constituted the Board of Directors (together with any directors who are members of the Board of Directors on the date hereof and any new directors whose election by the Board of Directors or whose nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the members of the Board of Directors then still in office who either were members of the Board of Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of such board of directors then in office; (iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any such "person" or "group" (other than to the Company or a Restricted Subsidiary); (iv) the merger or consolidation of the Company with or into another corporation or the merger of another corporation with or into the Company with the effect that immediately after such transaction any such "person" or "group" of persons or entities shall have become the beneficial owner of securities of the surviving corporation of such merger or consolidation representing a majority of the total voting power of the then outstanding Voting Stock of the surviving corporation; or (v) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Offer" has the meaning specified in Section 1010.

"Change of Control Payment" has the meaning specified in Section 1010.

"Change of Control Payment Date" has the meaning specified in Section 1010.

"Closing Date" means the date on which the Notes are originally issued under this Indenture.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's common stock, whether now outstanding or issued after the date of this Indenture, including, without limitation, all series and classes of such common stock.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture, until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman, its President, any Vice President, its Treasurer or an Assistant Treasurer, and delivered to the Trustee.

"Consolidated Cash Flow" means, for any period, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) income taxes, to the extent such amount was deducted in calculating Consolidated Net Income (other than income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or sales of assets), (iv) depreciation expense, to the extent such amount was deducted in calculating Consolidated Net Income, (v) amortization expense, to the extent such amount was deducted in calculating Consolidated Net Income, and (vi) all other non-cash items reducing Consolidated Net Income (excluding any non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period), less all non-cash items increasing Consolidated Net Income, all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP.

"Consolidated Fixed Charges" means, for any period, Consolidated Interest Expense plus dividends declared and payable on Preferred Stock.

"Consolidated Interest Expense" means, for any period, the aggregate amount of interest in respect of Indebtedness (including capitalized interest, amortization of original issue discount on any Indebtedness and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method of accounting; all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing; the net costs associated with Interest Rate Agreements; and interest on Indebtedness that is Guaranteed or secured by the Company or any of its Restricted Subsidiaries) and all but the principal component of rentals in respect of Capitalized Lease Obligations paid, accrued or scheduled to be paid or to be accrued by the Company and its Restricted Subsidiaries during such period.

"Consolidated Net Income" means, for any period, the aggregate consolidated net income (or loss) of the Company and its Restricted Subsidiaries for such period determined in conformity with GAAP; provided that the following
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items shall be excluded in computing Consolidated Net Income (without duplication): (i) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (C) of the first paragraph of Section 1012, the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries; (ii) any gains or losses (on an after-tax basis) attributable to Asset Sales; (iii) except for purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (C) of the first paragraph of Section 1012, any amount paid or accrued as dividends on Preferred Stock of the Company or Preferred Stock of any Restricted Subsidiary owned by Persons other than the Company and any of its Restricted Subsidiaries; (iv) all extraordinary gains and extraordinary losses; and (v) the net income (or loss) of any Person (other than net income (or loss) attributable to a Restricted Subsidiary) in which any Person (other than the Company or any of its Restricted Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of its Restricted Subsidiaries by such other Person during such period.

"Corporate Trust Office" means the principal corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this Indenture is located at 800 East Main Street, Richmond, Virginia 23219, Attention: Corporate Trust, except that with respect to presentation of Notes for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate agency business shall be conducted.

"Corporation" includes corporations, associations, companies and business trusts.

"Covenant defeasance" has the meaning specified in Section 1303.

"Credit Facilities" means, with respect to the Company, one or more debt facilities or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders

or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"Currency Agreement" means any foreign exchange contract, currency swap agreement and any other arrangement and agreement designed to provide protection against fluctuations in currency values.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 309.

"defeasance" has the meaning specified in Section 1302.

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

"Eligible Accounts Receivable" means the accounts receivables (net of any reserves and allowances for doubtful accounts in accordance with GAAP) of any Person that are not more than 60 days past their due date and that were entered into in the ordinary course of business on normal payment terms as shown on the most recent consolidated balance sheet of such Person filed with the Commission, all in accordance with GAAP.

"Eligible Institution" means a commercial banking institution that has combined capital and surplus of not less than $500 million or its equivalent in foreign currency, whose debt is rated "A-3" or higher or "A-" or higher according to Moody's Investors Service, Inc. or Standard & Poor's Ratings Group (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act) respectively, at the time as of which any investment or rollover therein is made.

"Employment Agreement" means the employment agreement between the Company and Mr. K. Paul Singh, dated June 1994.

"Event of Default" has the meaning specified in Section 501.

"Excess Proceeds" has the meaning specified in Section 1017.

"Excess Proceeds Offer" has the meaning specified in Section 1017.

"Excess Proceeds Payment" has the meaning specified in Section 1017.

"Excess Proceeds Payment Date" has the meaning specified in Section 1017.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Notes" has the meaning stated in the first recital of this Indenture and refers to any Exchange Notes containing terms substantially identical to the Initial Notes (except that such Exchange Notes shall be registered under the Securities Act and will not contain (i) transfer restrictions or (ii) certain provisions relating to the increase in the interest rate of such Exchange Notes) that are issued and exchanged for the Initial Notes pursuant to the Registration Rights Agreement and this Indenture.

"Exchange Offer" means the offer by the Company to the Holders of the Initial Notes to exchange all of the Initial Notes for Exchange Notes, as provided in the Registration Rights Agreement.

"Exchange Offer Registration Statement" means the Exchange Offer Registration Statement as defined in the Registration Rights Agreement.

"Existing Indebtedness" means Indebtedness outstanding on the date of the Indenture.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer.

"Federal Bankruptcy Code" means the Bankruptcy Act of Title 11 of the United States Code, as amended from time to time.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Global Notes" has the meaning set forth in Section 201.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of)

such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include
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endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means a Person in whose name a Note is registered in the Note Register.

"Incur" means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness, including an Incurrence of Indebtedness by reason of the acquisition of more than 50% of the Capital Stock of any Person; provided that
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neither the accrual of interest nor the accretion of original issue discount shall be considered an Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services, except Trade Payables, (v) all obligations of such Person as lessee under Capitalized Leases, (vi) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be
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the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness, (vii) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person, (viii) the maximum fixed redemption or repurchase price of Redeemable Stock of such Person at the time of determination and (ix) to the extent not otherwise included in this definition, obligations under Currency Agreements and Interest Rate Agreements. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, provided (i) that the amount outstanding at any time of
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any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP and (ii) that Indebtedness shall not include any liability for federal, state, local or other taxes.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Initial Notes" has the meaning stated in the first recital of this Indenture.

"Initial Purchasers" means Lehman Brothers Inc., BT Alex. Brown Incorporated and Donaldson, Lufkin and Jenrette Securities Corporation.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes.

"Interest Rate Agreement" means interest rate swap agreements, interest rate cap agreements, interest rate insurance, and other arrangements and agreements designed to provide protection against fluctuations in interest rates.

"Investment" in any Person means any direct or indirect advance, loan or other extension of credit (including, without limitation, by way of Guarantee or similar arrangement; but excluding advances to customers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable on the balance sheet of the Company or its Restricted Subsidiaries) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other similar instruments issued by, such Person. For purposes of the definition of "Unrestricted Subsidiary" and Sections 1012 and 1014, (i) "Investment" shall include (a) the Fair Market Value of the assets (net of liabilities) of any Restricted Subsidiary of the Company at the time that such Restricted Subsidiary of the Company is designated an Unrestricted Subsidiary and shall exclude the Fair Market Value of the assets (net of liabilities) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company and (b) the Fair Market Value, in the case of a sale of Capital Stock in accordance with Section 1014 such that a Person no longer constitutes a Restricted Subsidiary, of the remaining assets (net of liabilities) of such Person after such sale, and shall exclude the Fair Market Value of the assets (net of liabilities) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined by the Board of Directors in good faith.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest).

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"Marketable Securities" means: (i) Government Securities which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein; (ii) any time deposit account, money market deposit and certificate of deposit maturing not more than 180 days after the date of acquisition issued by, or time deposit of, an Eligible Institution; (iii) commercial paper maturing not more than 90 days after the date of acquisition issued by a corporation (other than an Affiliate of the Company) with a rating, at the time as of which any investment therein is made, of "P-1" or higher according to Moody's Investors Service, Inc., or "A-1" or higher according to Standard & Poor's Rating Group (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act)); (iv) any banker's acceptance or money market deposit accounts issued or offered by an Eligible Institution; (v) repurchase obligations with a term of not more than seven days for Government Securities entered into with an Eligible Institution; and (vi) any fund 95% of the assets of which consist of investments of the types described in clauses (i) through (v) above.

"Maturity", when used with respect to any Notes, means the date on which the principal of such Notes or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, notice of redemption or otherwise.

"Net Cash Proceeds" means, (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary of the Company) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of (i) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale, (ii) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole, (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) is secured by a Lien on the property or assets sold or (B) is required to be paid as a result of such sale and (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary of the Company as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents (except to the extent such obligations are financed or sold with recourse to

the Company or any Restricted Subsidiary of the Company) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorney's fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Registration Opinion and Supporting Evidence" has the meaning specified in Section 307.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 305.

"Notes" has the meaning stated in the first recital of this Indenture and more particularly means any Notes authenticated and delivered under this Indenture. For all purposes of this Indenture, the term "Notes" shall include any Exchange Notes to be issued and exchanged for any Initial Notes pursuant to the Registration Rights Agreement and this Indenture and, for purposes of this Indenture, all Initial Notes and Exchange Notes shall vote together as one series of Notes under this Indenture.

"Officer's Certificate" means a certificate signed by the Chairman, the President, a Vice President, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Offshore Global Notes" has the meaning set forth in Section 201.

"Offshore Physical Notes" has the meaning set forth in Section 201.

"Offshore Notes Exchange Date" has the meaning set forth in Section 202.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, including an employee of the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; provided that,

if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes, except to the extent provided in Sections 1302 and 1303, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Thirteen; and

(iv) Notes which have been paid pursuant to Section 308 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands the Notes are valid obligations of the Company whose determination shall be conclusive and evidenced by a Board Resolution.

provided, however, that in determining whether the Holders of the requisite
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principal amount of Outstanding Notes have given any request, demand, authorization, direction, consent, notice or waiver hereunder, and for the purpose of making the calculations required by TIA Section 313, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of (and premium, if any) or interest on any Notes on behalf of the Company.

"Payment Account" has the meaning set forth in Section 402.

"Permitted Business" means the business of (i) transmitting, or providing services relating to the transmission of, voice, video or data through owned or leased transmission facilities, (ii) constructing, creating, developing or marketing communications related network equipment, software and other devices for use in a telecommunications business or (iii) evaluating, participating or pursuing any other activity or opportunity that is primarily related to those identified in clause (i) or (ii) above; provided that the
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determination of what constitutes a Permitted Business shall be made in good faith by the Board of Directors of the Company whose determination shall be conclusive and evidenced by a Board Resolution.

"Permitted Investment" means (i) an Investment in a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be

merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary; (ii) any Investment in Marketable Securities; (iii) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP; (iv) loans or advances to employees made in the ordinary course of business in accordance with past practice of the Company or its Restricted Subsidiaries and that do not in the aggregate exceed $1.0 million at any time outstanding; (v) stock, obligations or securities received in satisfaction of judgments; (vi) Investments in any Person received as consideration for Asset Sales to the extent permitted under Section 1017; and (vii) Investments in any Person at any one time outstanding (measured on the date each such Investment was made without giving effect to subsequent changes in value) in an aggregate amount not to exceed 10.0% of the Company's total consolidated assets.

"Permitted Liens" means (i) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (ii) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (iv) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money); (v) easements, rights-of-way, municipal and zoning ordinances and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of the Company or any of its Restricted Subsidiaries; (vi) Liens (including extensions and renewals thereof) upon real or personal property purchased or leased after the Closing Date; provided that (a) such Lien is created solely for the purpose of securing
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Indebtedness Incurred in compliance with Section 1011 (1) to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of the item of property or assets subject thereto and such Lien is created prior to, at the time of or within six months after the later of the acquisition, the completion of construction or the commencement of full operation of such property or (2) to refinance any Indebtedness previously so secured, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost and (c) any such Lien shall not extend to or cover any property or assets other than such item of property or assets and any improvements on such item; (vii) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole; (viii) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets; (ix) any interest or title of a lessor in the property subject to any Capitalized Lease or operating lease;

(x) Liens arising from filing Uniform Commercial Code financing statements regarding leases; (xi) Liens on property of, or on shares of stock or Indebtedness of, any corporation existing at the time such corporation becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired and were not created in contemplation of such transaction; (xii) Liens in favor of the Company or any Restricted Subsidiary; (xiii) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary of the Company that does not give rise to an Event of Default; (xiv) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof; (xv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (xvi) Liens encumbering customary initial deposits and margin deposits and other Liens that are either within the general parameters customary in the industry or incurred in the ordinary course of business, in each case, securing Indebtedness under Interest Rate Agreements and Currency Agreements; (xvii) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business in accordance with the past practices of the Company and its Restricted Subsidiaries prior to the Closing Date; (xviii) Liens existing on the Closing Date or securing the Notes or any Guarantee of the Notes; (xix) Liens granted after the Closing Date on any assets or Capital Stock of the Company or its Restricted Subsidiaries created in favor of the Holders; (xx) Liens securing Indebtedness which is incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (iv) of paragraph (b) of Section 1011; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced; (xxi) Liens on the property or assets of a Restricted Subsidiary securing Indebtedness of such Subsidiary which Indebtedness is permitted under this Indenture; and (xxii) Liens securing Indebtedness under Credit Facilities incurred in compliance with clauses (i) and (ii) of paragraph (b) of Section 1011.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Physical Notes" has the meaning set forth in Section 201.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 308 in exchange for a mutilated security or in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such

Person's preferred or preference stock, whether now outstanding or issued after the date of the Indenture, including, without limitation, all series and classes of such preferred or preference stock.

"Private Placement Legend" has the meaning specified in Section 202.

"Pro Forma Consolidated Cash Flow" means, for any period, the Consolidated Cash Flow of the Company for such period calculated on a pro forma basis to give effect to any Asset Disposition or Asset Acquisition not in the ordinary course of business (including acquisitions of other Persons by merger, consolidation or purchase of Capital Stock) during such period as if such Asset Disposition or Asset Acquisition had taken place on the first day of such period.

"Proportionate Share" means, as of any date of calculation, an amount equal to (i) the outstanding principal amount of Notes as of such date, divided by (ii) the sum of the outstanding principal amount of Notes as of such date plus the outstanding principal amount as of such date of all other Indebtedness (other than Subordinated Indebtedness) of the Issuer the terms of which obligate the Issuer to make a purchase offer in connection with the relevant Excess Proceeds or the Asset Sale giving rise thereto.

"Public Equity Offering" means an underwritten primary public offering of Common Stock of the Company pursuant to an effective registration statement under the Securities Act.

"Purchase Money Obligations" means, with respect to each Person, obligations, other than those under Capitalized Leases, Incurred or assumed in the ordinary course of business in connection with the purchase of property to be used in the business of such Person.

"Qualified Institutional Buyers" or " QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Stock.

"Redeemable Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (i) required to be redeemed prior to the Stated Maturity of the Notes, (ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital
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Stock that would not constitute Redeemable Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in Sections 1017 and 1010 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such

provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to Section 1017 and Section 1010.

"Redemption Date", when used with respect to any Note to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Note to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registration Rights Agreement" means the Registration Rights Agreement between the Company, Primus Telecommunications Incorporated, Primus Telecommunications (Australia) Pty. Ltd. and the Initial Purchasers dated as of May 19, 1998, concerning the registration and exchange of the Notes.

"Registration Statement" means the Registration Statement as defined in the Registration Rights Agreement.

"Regular Record Date" for the interest payable on any Interest Payment Date means the May 1 or November 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act and any successor provision.

"Resale Restriction Termination Date" has the meaning specified in Section 202.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers and having direct responsibility for the administration of this Indenture or the Pledge Agreement, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Payments" has the meaning specified in Section 1012.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Rule 144A" means Rule 144A under the Securities Act and any successor provision.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Significant Subsidiary" means, at any date of determination, any Subsidiary of the Company that, together with its Subsidiaries, (i) for the most recent fiscal year of the Company, accounted for more than 10% of the consolidated revenues of the Company or (ii) as of the end of such fiscal year, was the owner of more than 10% of the consolidated assets of the Company, all as set forth on the most recently available consolidated financial statements of the Company for such fiscal year.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 309.

"Stated Maturity" means, (i) with respect to any debt security, the date specified in such debt security as the fixed date on which the final installment of principal of such debt security is due and payable and (ii) with respect to any scheduled installment of principal of or interest on any debt security, the date specified in such debt security as the fixed date on which such installment is due and payable.

"Strategic Subordinated Indebtedness" means Indebtedness of the Company Incurred to finance the acquisition of a Person engaged in a business that is related, ancillary or complementary to the business conducted by the Company or any of its Restricted Subsidiaries, which Indebtedness by its terms, or by the terms of any agreement or instrument pursuant to which such Indebtedness is Incurred, (i) is expressly made subordinate in right of payment to the Notes and (ii) provides that no payment of principal, premium or interest on, or any other payment with respect to, such Indebtedness may be made prior to the payment in full of all of the Company's obligations under the Notes; provided that such Indebtedness may provide for and be repaid at any time from
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the proceeds of a capital contribution, the sale of Common Stock (other than Redeemable Stock) of the Company, or other Strategic Subordinated Indebtedness Incurred, after the Incurrence of such Indebtedness.

"Subordinated Indebtedness" means Indebtedness of the Company subordinated in right of payment to the Notes.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"Trade Payables" means any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by the Company or any of its Restricted

Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods and services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was executed, except as provided in Section 905.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect in New York State.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Restricted Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary; provided that (A) either (I) the
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Subsidiary to be so designated has total assets of $1,000 or less or (II) if such Subsidiary has assets greater than $1,000, that such designation would be permitted under Section 1012, and (B) such Subsidiary is not liable, directly or indirectly, with respect to any Indebtedness other than Unrestricted Subsidiary Indebtedness. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; provided that immediately after
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giving effect to such designation (x) the Company could Incur $1.00 of additional Indebtedness under the first paragraph of Section 1011 and (y) no Default or Event of Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"Unrestricted Subsidiary Indebtedness" means Indebtedness of any Unrestricted Subsidiary (i) as to which neither the Company nor any Restricted Subsidiary is directly or indirectly liable (by virtue of the Company or any such Restricted Subsidiary being the primary obligor on, guarantor of, or otherwise liable in any respect to, such Indebtedness), and (ii) which, upon the occurrence of a default with respect thereto, does not result in, or permit any holder of any Indebtedness of the Company or any Restricted Subsidiary to declare, a default on such Indebtedness of the Company or any Restricted Subsidiary or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"U.S. Global Note" has the meaning set forth in Section 201.

"U.S. Government Obligations" has the meaning specified in Section 1304.

"U.S. Physical Notes" has the meaning set forth in Section 201.

"U.S. Subsidiary" means any corporation or other entity incorporated or organized under the laws of the United States or any state thereof.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" means with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned", with respect to any Subsidiary, means a Subsidiary of the Company if all of the outstanding Capital Stock in such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) is owned by the Company or one or more Wholly Owned Subsidiaries of the Company.

SECTION 102. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the Trust Indenture Act, the provision is incorporated by reference in and made a part of this Indenture. The following Trust Indenture Act terms used in this Indenture have the following meanings:

"indenture notes" means the Notes;

"indenture note holder" means a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture notes means the Company or any other obligor on the Notes.

All other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, defined by reference in the Trust Indenture Act to another statute or defined by a rule of the Commission and not otherwise defined herein shall have the meanings assigned to them therein.

SECTION 103. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 1008(a)) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 104. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual

matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 105. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner that the Trustee deems sufficient.

(c) The principal amount and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Note Register.

(d) If the Company shall solicit from the Holders of Notes any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding TIA Section 316(c), such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given

before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Notes shall be computed as of such record date; provided that no
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such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 106. Notices, Etc., to Trustee, Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust, 800 East Main Street, 2nd Floor, Richmond, Virginia 23219, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 107. Notice to Holders; Waiver.

Where this Indenture provides for notice of any event to Holders by the Company or the Trustee, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice. Where this

Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event to Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice for every purpose hereunder.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, any Paying Agent, any Notes Registrar and their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

This Indenture and the Notes shall be governed by and construed in accordance with the law of the State of New York. Upon the issuance of Exchange Notes, if any, or the effectiveness of the Shelf Registration Statement, this Indenture will be subject to the provisions of the Trust Indenture Act that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions. Each of the parties hereto submits to the jurisdiction of the U.S. federal and any New York state court located in the Borough of Manhattan, City and State of New York with respect to any actions brought against it as defendant in any suit, action or proceeding

arising out of or relative to this Indenture or the Notes and waives any rights to which it may be entitled on account of place of residence or domicile.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date or Stated Maturity or Maturity of any Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of principal (or premium, if any) or interest need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date or sinking fund payment date, or at the Stated Maturity or Maturity; provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

SECTION 114. Currency Indemnity.

U.S. dollars are the sole currency of account and payment for all sums payable by the Company under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any Holder of a Note in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Note, the Company shall indemnify the recipient against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Section 114, it will be sufficient for the Holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

ARTICLE TWO

NOTE FORMS

SECTION 201. Forms Generally.

The Notes and the Trustee's certificate of authentication shall be in substantially the form annexed hereto as Exhibit A. The Notes may have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such notations, legends or endorsements as may be required by law, or to comply with the rules of any securities exchange or agreements to which the Company is subject or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of the Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. The Company shall approve the form of the Notes and any notation, legend or endorsement on the Notes.

The terms and provisions contained in the form of the Notes annexed hereto as Exhibit A shall constitute, and are hereby expressly made, a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Initial Notes offered and sold in reliance on Rule 144A shall be issued initially in the form of one or more permanent global Notes in registered form, substantially in the form set forth in Exhibit A and contain each of the legends set forth in Section 202 (the "U.S. Global Note"), registered in the name of the Depositary or the nominee of the Depositary, deposited with the Trustee, as custodian for the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the U.S. Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary or its nominee, as hereinafter provided.

Initial Notes offered and sold in offshore transactions in reliance on Regulation S shall be issued initially in the form of a single permanent global Note in registered form, substantially in the form set forth in Exhibit A (the "Offshore Global Note"), registered in the name of the Depositary or the nominee of the Depositary, deposited with the Trustee, as custodian for the Depositary or its nominee, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Offshore Global Note may from time to time be increased or decreased by adjustments made in the records of the Trustee, as custodian for the Depositary or its nominee, as herein provided. Initial Notes issued pursuant to Section 305 in exchange for or upon transfer of beneficial interests in the U.S. Global Note or the Offshore Global Note shall be in the form of U.S. Physical Notes or in the form of permanent certificated Notes substantially in the form set forth in Exhibit A (the "Offshore Physical Notes"), respectively as hereinafter provided.

Initial Notes offered and sold other than as described in the preceding two paragraphs shall be issued in the form of permanent certificated Notes in registered form substantially in the form set forth in Exhibit A and contain the Private Placement Legend as set forth in Section 202(a)(i) (the "U.S. Physical Notes").

The Offshore Physical Notes and U.S. Physical Notes are sometimes collectively herein referred to as the "Physical Notes". The U.S. Global Note and the Offshore Global Notes are sometimes collectively referred to as the "Global Notes."

The definitive Notes shall be printed, lithographed or engraved on steel-engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Notes, as evidenced by their execution of such Notes.

Exchange Notes shall be substantially in the form set forth in Exhibit A.

SECTION 202. Restrictive Legends.

(a) Unless and until (x) an Initial Note is sold pursuant to an effective Shelf Registration Statement or (y) an Initial Note is exchanged for an Exchange Note in an Exchange Offer pursuant to an effective Exchange Offer Registration Statement, in each case pursuant to the Registration Rights Agreement, (A) each such U.S. Global Note and each U.S. Physical Note shall bear the following legends (the "Private Placement Legend") on the face thereof and (B) the Offshore Physical Notes and the Offshore Global Note shall bear the Private Placement Legend on the face thereof until at least 41 days after the date hereof (the "Offshore Notes Exchange Date") and receipt by the Trustee of a certificate substantially in the form of Exhibit B hereto:

(i) THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED

BY RULE 144(k) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A INSIDE THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO RULE 904 OF REGULATION S OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY, THE TRUSTEE, AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(ii) THE NOTE REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE PROVISIONS OF A REGISTRATION RIGHTS AGREEMENT BY AND BETWEEN THE COMPANY AND THE HOLDERS NAMED THEREIN. THE COMPANY WILL FURNISH A COPY OF SUCH AGREEMENT TO THE RECORD HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

(b) Each Global Note, whether or not an Initial Note, shall also bear the following legend on the face thereof:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 306 AND 307 OF THE INDENTURE.

ARTICLE THREE

THE NOTES

SECTION 301. Title and Terms.

The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is limited to $150,000,000, except for Notes authenticated and delivered upon

registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 303, 304, 305, 308, 906, 1010, 1017 or 1108.

The Initial Notes shall be known as the "9 7/8% Senior Notes Due 2008" and the Exchange Notes shall be known as the "9 7/8% Series B Senior Notes Due 2008," in each case, of the Company. The Stated Maturity of the Notes shall be May 15, 2008, and the Notes shall bear interest at the rate of 97/8% per annum from May 19, 1998, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on November 15, 1998 and semi-annually thereafter on May 15 and November 15 in each year and at said Stated Maturity, until the principal thereof is paid or duly provided for.

The principal of (and premium and Liquidated Damages, if any) and interest on the Notes shall be payable at the office or agency of the Company maintained for such purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose; provided, however, that, at the option of the Company, interest may be paid by check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Note Register.

The Notes shall be redeemable as provided in Article Eleven.

SECTION 302. Denominations.

The Notes shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Notes shall be executed on behalf of the Company by its Chairman, its President or a Vice President, and attested by its Secretary, an Assistant Secretary or any Vice President. The signature of any of these officers on the Notes may be manual or facsimile signatures of the present or any future such authorized officer and may be imprinted or otherwise reproduced on the Notes.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Initial Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Initial Notes directing the Trustee to authenticate the Notes and certifying that all conditions precedent to the issuance of Notes contained herein have been fully complied with, and the Trustee in accordance with such Company Order shall authenticate and deliver such Initial Notes. On Company Order, the Trustee shall authenticate for original issue Exchange Notes in an aggregate principal amount not to exceed $150,000,000; provided that such Exchange Notes shall be issuable only upon the valid surrender for cancellation of Initial Notes of a like aggregate principal amount in accordance with an Exchange Offer pursuant to the Registration Rights Agreement and a Company Order for the authentication of such securities certifying that all conditions precedent to the issuance have been complied with (including the effectiveness of a registration statement related thereto). In each case, the Trustee shall be entitled to receive an Officer's Certificate and an Opinion of Counsel of the Company that it may reasonably request in connection with such authentication of Notes. Such order shall specify the amount of Notes to be authenticated and the date on which the original issue of Initial Notes or Exchange Notes is to be authenticated.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for in Exhibit A, duly executed by the Trustee by manual signature of an authorized officer, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

In case the Company, pursuant to Article Eight, shall be consolidated or merged with or into any other Person or shall convey, transfer, lease or otherwise dispose of its properties and assets substantially as an entirety to any Person, and the successor Person resulting from such consolidation, or surviving such merger, or into which the Company shall have been merged, or the Person which shall have received a conveyance, transfer, lease or other disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article Eight, any of the Notes authenticated or delivered prior to such consolidation, merger, conveyance, transfer, lease or other disposition may, from time to time, at the request of the successor Person, be exchanged for other Notes executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Notes surrendered for such exchange and of like principal amount; and the Trustee, upon Company Request of the successor Person, shall authenticate and deliver Notes as specified in such request for the purpose of such exchange. If Notes shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section in exchange or substitution for or upon registration of transfer of any Notes, such successor Person, at the option of the Holders but without expense to them, shall provide for the exchange of all Notes at the time Outstanding for Notes authenticated and delivered in such new name.

SECTION 304. Temporary Notes.

Pending the preparation of definitive Notes, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Notes may determine, as conclusively evidenced by their execution of such Notes.

If temporary Notes are issued, the Company will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Company designated for such purpose pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes.

SECTION 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Note Register shall be in written form or any other form capable of being converted into written form within a reasonable time. At all reasonable times, the Note Register shall be open to inspection by the Trustee. The Trustee is hereby initially appointed as security registrar (the "Note Registrar") for the purpose of registering Notes and transfers of Notes as herein provided.

Upon surrender for registration of transfer of any Note at the office or agency of the Company designated pursuant to Section 1002, the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination or denominations of a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for other Notes of any authorized denomination and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive; provided that no exchange of

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Initial Notes for Exchange Notes shall occur until an Exchange Offer Registration Statement shall have been declared effective by the Commission, the Trustee shall have received an Officer's

Certificate confirming that the Exchange Offer Registration Statement has been declared effective by the Commission and that the Initial Notes to be exchanged for the Exchange Notes shall be canceled by the Trustee.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed and be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Note Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange or redemption of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 304, 906, 1010, 1017 or 1108 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before the selection of Notes to be redeemed under Section 1104 and ending at the close of business on the day of such mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

SECTION 306. Book-Entry Provisions for Global Notes.

(a) Each Global Note initially shall (i) be registered in the name of the Depositary for such Global Note or the nominee of such Depositary, (ii) be delivered to the Trustee as custodian for such Depositary and (iii) bear legends as set forth in Section 202.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Note, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or shall impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Note.

(b) Transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to the Depositary, its successors or their respective nominees, except (i) as otherwise set forth in Section 307 and (ii) U.S. Physical Notes or Offshore Physical Notes shall be transferred to all beneficial owners in exchange for their beneficial interests in the U.S. Global Note or the Offshore Global Note, respectively, in the event that the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the applicable Global Note or the Depositary ceases to be a "Clearing Agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days. Interests of beneficial owners in a Global Note may be transferred in accordance with the rules and procedures of the Depositary and the provisions of Section 307. In connection with the transfer of an entire Global Note to beneficial owners pursuant to clause (ii) of this paragraph (b), the applicable Global Note shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the applicable Global Note, an equal aggregate principal amount at maturity of U.S. Physical Notes (in the case of the U.S. Global Note) or Offshore Physical Notes (in the case of the Offshore Global Note), as the case may be, of authorized denominations.

(c) Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(d) Any U.S. Physical Note delivered in exchange for an interest in the U.S. Global Note pursuant to paragraph (b) of this Section shall, unless such change is made on or after the Resale Restriction Termination Date and except as otherwise provided in Section 307, bear the Private Placement Legend.

(e) The registered holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

SECTION 307. Transfer Provisions.

Unless and until (i) an Initial Note is sold pursuant to an effective Registration Statement, or (ii) an Initial Note is exchanged for an Exchange Note in the Exchange Offer pursuant to an effective Registration Statement, in each case, pursuant to the Registration Rights Agreement, the following provisions shall apply:

(a) General. The provisions of this Section 307 shall apply to all
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transfers involving any Physical Note and any beneficial interest in any Global Note.

(b) Certain Definitions. As used in this Section 307 only, "delivery" of a certificate by a transferee or transferor means the delivery to the Note Registrar by such transferee or transferor of the applicable certificate duly completed; "holding" includes both possession of a Physical Note and ownership of a beneficial interest in a Global Note, as the context requires; "transferring" a Global Note means transferring that portion of the principal amount of the transferor's beneficial interest therein that the transferor has notified the Note Registrar that it has agreed to transfer; and "transferring" a Physical Note means transferring that portion of the principal amount thereof that the transferor has notified the Note Registrar that it has agreed to transfer.

As used in this Indenture, "Accredited Investor Certificate" means a certificate substantially in the form set forth in Exhibit C; "Regulation S Certificate" means a certificate substantially in the form set forth in Exhibit D; "Rule 144A Certificate" means a certificate substantially in the form set forth in Exhibit E; and "Non-Registration Opinion and Supporting Evidence" means a written opinion of counsel reasonably acceptable to the Company to the effect that, and such other certification or information as the Company may reasonably require to confirm that, the proposed transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(c) [Intentionally Omitted]

(d) Deemed Delivery of a Rule 144A Certificate in Certain Circumstances. A Rule 144A Certificate, if not actually delivered, will be deemed delivered if (A) (i) the transferor advises the Company and the Trustee in writing that the relevant offer and sale were made in accordance with the provisions of Rule 144A (or, in the case of a transfer of a Physical Note, the transferor checks the box provided on the Physical Note to that effect) and (ii) the transferee advises the Company and the Trustee in writing that (x) it and, if applicable, each account for which it is acting in connection with the relevant transfer, is a qualified institutional buyer within the meaning of Rule 144A, (y) it is aware that the transfer of Notes to it is being made in reliance on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A, and (z) if at any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, prior to the proposed date of transfer the transferee has been given the opportunity to obtain from the Company the information referred to in Rule 144A(d)(4), and has either declined such opportunity or has received such information (or, in the case of a transfer of a Physical Note, the transferee signs the certification provided on the Physical Note to that effect); or (B) the transferor holds the U.S. Global Note and is transferring to a transferee that will take delivery in the form of the U.S. Global Note.

(e) Procedures and Requirements.

1. If the proposed transfer occurs prior to the Offshore Note Exchange Date, and the proposed transferor holds:

(A) a U.S. Physical Note which is surrendered to the Note Registrar, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the Note Registrar shall (x) register such transfer in the name of such transferee and record the date thereof in its books and records, (y) cancel such surrendered U.S. Physical Note and (z) deliver a new U.S. Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the principal amount being transferred of such surrendered U.S. Physical Note;

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the Note Registrar shall (x) cancel such surrendered U.S. Physical Note, (y) record an increase in the principal amount of the U.S. Global Note equal to the principal amount being transferred of such surrendered U.S. Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer; or

(iii) delivers a Regulation S Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the Note Registrar shall (x) cancel such surrendered U.S. Physical Note, (y) record an increase in the principal amount of the Offshore Global Note equal to the principal amount being transferred of such surrendered U.S. Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

In any of the cases described in this Section 307(e)(1)(A), the Note Registrar shall deliver to the transferor a new U.S. Physical Note in principal amount equal to

the principal amount not being transferred of such surrendered U.S. Physical Note, as applicable.

(B) the U.S. Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the U.S. Global Note in an amount equal to the beneficial interest therein being transferred, (y) deliver a new U.S. Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer;

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the transfer shall be effected in accordance with the procedures of the Depositary therefor; or

(iii) delivers a Regulation S Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the U.S. Global Note in an amount equal to the beneficial interest therein being transferred, (y) record an increase in the principal amount of the Offshore Global Note equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

(C) the Offshore Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Trust, a Non-Registration Opinion and Supporting Evidence delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) deliver a new U.S. Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the Note Registrar shall (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) record an increase in the principal amount of the U.S. Global Note equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer; or

(iii) delivers a Regulation S Certificate and the proposed transferee is or is acting through an Agent member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the transfer shall be effected in accordance with the procedures of the Depositary therefor; provided, however, that until
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the Offshore Note Exchange Date occurs, beneficial interests in the Offshore Global Note may be held only in or through accounts maintained at the Depositary by Euroclear or Cedel (or by Agent Members acting for the account thereof), and no person shall be entitled to effect any transfer or exchange that would result in any such interest being held otherwise than in or through such an account.

2. If the proposed transfer occurs on or after the Offshore Note Exchange Date and the proposed transferor holds:

(A) a U.S. Physical Note which is surrendered to the Note Registrar, and the proposed transferee or transferor, as applicable:

(i) delivers and Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the procedures set forth in Section 307(e)(1)(A)(i) shall apply.

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the procedures set forth in Section 307(e)(1)(A)(ii) shall apply; or

(iii) delivers a Regulation S Certificate, then the Note Registrar shall cancel such surrendered U.S. Physical Note and at the direction of the transferee, either:

(x) register such transfer in the name of such transferee, record the date thereof in its books and records and deliver a new Offshore Physical Note to such transferee in principal amount equal to the principal amount being transferred of such surrendered U.S. Physical Note, or

(y) if the proposed transferee is or is acting through an Agent Member, record an increase in the principal amount of the Offshore Global Note equal to the principal amount being transferred of such surrendered U.S. Physical Note and notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

In any of the cases described in this Section 307(e)(2)(A)(i), (ii) or (iii)(x), the Note Registrar shall deliver to the transferor a new U.S. Physical Note in principal amount equal to the principal amount not being transferred of such surrendered U.S. Physical Note, as applicable.

(B) the U.S. Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered

pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the procedures set forth in Section 307(e)(1)(B)(i) shall apply; or

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the procedures set forth in Section 307(e)(1)(B)(ii) shall apply; or

(iii) delivers a Regulation S Certificate, then the Note Registrar shall (x) record a decrease in the principal amount of the U.S. Global Note in an amount equal to the beneficial interest therein being transferred, (y) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer and (z) at the direction of the transferee, either:

(x) register such transfer in the name of such transferee, record the date thereof in its books and records and deliver a new Offshore Physical Note to such transferee in principal amount equal to the amount of such decrease, or

(y) if the proposed transferee is or is acting through an Agent Member, record an increase in the principal amount of the Offshore Global Note equal to the amount of such decrease.

(C) an Offshore Physical Note which is surrendered to the Note Registrar, and the proposed transferee or transferor or, as applicable:

(i) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests delivery in the form of the U.S. Global Note, then the Note Registrar shall (x) cancel such surrendered Offshore Physical Note, (y) record an increase in the principal amount of the U.S. Global Note equal to the principal amount being transferred of such surrendered Offshore Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer;

(ii) where the proposed transferee is or is acting through an Agent Member, requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the Note Registrar shall (x) cancel such surrendered Offshore Physical Note, (y) record an increase in the principal amount of the Offshore Global Note equal to the principal amount being transferred of such surrendered Offshore Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer; or

(iii) does not make a request covered by Section 307(e)(2)(C)(i) or Section 307(e)(2)(C)(ii), then the Note Registrar shall (x) register such transfer in the name of such transferee and record the date thereof in its books and records, (y) cancel such surrendered Offshore Physical Note and (z) deliver a new Offshore Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the principal amount being transferred of such surrendered Offshore Physical Note.

In any of the cases described in this Section 307(e)(2)(C), the Note Registrar shall deliver to the transferor a new U.S. Physical Note in principal amount equal to the principal amount not being transferred of such surrendered U.S. Physical Note, as applicable.

(D) the Offshore Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests delivery in the form of the U.S. Global Note, then the Note Registrar shall (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) record an increase in the principal amount of the U.S. Global Note equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer;

(ii) where the proposed transferee is or is acting through an Agent Member, requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the transfer shall be effected in accordance with the procedures of the Depositary therefor; or

(iii) does not make a request covered by Section 307(e)(2)(D)(i) or Section 307(e)(2)(D)(ii), then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) deliver a new Offshore Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

(f) Execution, Authentication and Delivery of Physical Notes. In any case in which the Note Registrar is required to deliver a Physical Note to a transferee or transferor, the Company shall execute, and the Trustee shall authenticate and make available for delivery, such Physical Note.

(g) Certain Additional Terms Applicable to Physical Notes. Any transferee entitled to receive a Physical Note may request that the principal amount thereof be evidenced by one or more Physical Notes in any authorized denomination or denominations the Note Registrar shall comply with such request if all other transfer restrictions are satisfied.

(h) Transfers Not Covered by Section 307(e). The Note Registrar shall effect and record, upon receipt of a written request from the Company so to do, a transfer not otherwise permitted by Section 307(e), such recording to be done in accordance with the otherwise applicable provisions of Section 307(e), upon the furnishing by the proposed transferor or transferee of a Non-Registration Opinion and Supporting Evidence.

(i) General. By its acceptance of any Note bearing the Private Placement Legend, each Holder of such Note acknowledges the restrictions on transfer of such Note set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Note only as provided in the Indenture. The Note Registrar shall not register a transfer of any Note unless such transfer complies with the restrictions with respect thereto set forth in this Indenture. The Note Registrar shall not be required to determine (but may rely upon a determination made by the Company) the sufficiency or accuracy of any such certifications, legal opinions, other information or document.

(j) Private Placement Legend. Upon the transfer, exchange or replacement of Notes not bearing the Private Placement Legend, the Note Registrar shall deliver Notes that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Notes bearing the Private Placement Legend, the Note Registrar shall deliver only Notes that bear the Private Placement Legend unless (i) the circumstances exist contemplated by the fourth paragraph of Section 201 (with respect to an Offshore Physical Note) or the requested

transfer is at least two years after the original issue date of the Initial Note (with respect to any Physical Note), (ii) there is delivered to the Note Registrar an Opinion of Counsel reasonably satisfactory to the Company and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Act or (iii) such Notes are exchanged for Exchange Notes pursuant to an Exchange Offer.

SECTION 308. Mutilated, Destroyed, Lost and Stolen Notes.

If (i) any mutilated Note is surrendered to the Trustee, or (ii) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Note, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of written notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver, in exchange for any such mutilated Note or in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section 308, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and shall require the payment of a sum sufficient to pay any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 308 in lieu of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 308 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 309. Payment of Interest; Interest Rights Preserved.

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 1002;

provided, however, that each installment of interest may at the Company's option
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be paid by (i) mailing a check for such interest, payable to or upon the written order of the Person entitled thereto pursuant to Section 310, to the address of such Person as it appears in the Note Register or (ii) transferring the interest payment to an account located in the United States maintained by the payee.

Any interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date shall forthwith cease to be payable to the Holder on the Regular Record Date by virtue of having been such Holder, and such defaulted interest and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes (such defaulted interest and interest thereon herein collectively called "Defaulted Interest") may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Company, with the written consent of the Trustee, shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given in the manner provided for in Section 106, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

SECTION 310. Persons Deemed Owners.

Prior to the due presentment of a Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of (and premium, if any) and (subject to Sections 305 and 309) interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 311. Cancellation.

All Notes surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to, and promptly cancelled by, the Trustee. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold, and all Notes so delivered shall be promptly cancelled by the Trustee. If the Company shall so acquire any of the Notes, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are surrendered to the Trustee for cancellation. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Notes held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures and certification of their disposal delivered to the Company unless by Company Order the Company shall direct that cancelled Notes be returned to it after being appropriately designated as cancelled.

SECTION 312. Computation of Interest.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 313. CUSIP Numbers.

The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption or other notices to Holders as a convenience to Holders; provided that any such notice may state that no representation in made as to the correctness of such numbers either as printed on the Notes or as contained in the notice of redemption and that reliance may be placed only on the other identification numbers and

other identifying information printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Notes expressly provided for herein or pursuant hereto) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture when

(1) either

(a) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 308 and (ii) Notes for whose payment money has theretofore been deposited in trust with the Trustee or any Paying Agent or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(b) all such Notes not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest and Liquidated Damages, if any, to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or

Redemption Date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at Stated Maturity or redemption, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 606 and, if money shall have been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

On or prior to the effective date of this Indenture, the Trustee shall establish a segregated, non-interest bearing corporate trust account (the "Payment Account") maintained by the Trustee for the benefit of the Holders in which all amounts paid to the Trustee for the benefit of the Holders in respect of the Notes will be held (except for amount designated to be deposited into the Pledge Account) and from which the Trustee (if the Trustee is the Paying Agent) shall make payments to the Holders in accordance with this Indenture and the Notes. Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 and otherwise pursuant to this Indenture shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of interest on any Note when due and payable and continuance of such default for a period of 30 days as to any Interest Payment Date thereafter; or

(2) default in the payment of principal of (or premium, if any, on) any Note at its Stated Maturity, upon acceleration, redemption or otherwise; or

(3) default in the payment of principal or interest on any Note required to be purchased pursuant to an Excess Proceeds Offer as set forth in Section 1017 or pursuant to a Change of Control Offer as set forth in Section 1010; or

(4) failure to perform or comply with the provisions in Section 801; or

(5) default in the performance or breach of any covenant or agreement of the Company in this Indenture or under the Notes (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of 30 consecutive days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Notes a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(6) there occurs with respect to any issue or issues of Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of $10.0 million or more in the aggregate for all such issues of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (I) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled by the earlier of (x) the expiration of any applicable grace period or (y) the thirtieth day after such default and/or (II) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended by the earlier of (x) the expiration of any applicable grace period or (y) the thirtieth day after such default; or

(7) any final judgment or order (not covered by insurance) for the payment of money in excess of $10.0 million in the aggregate for all such final judgments or orders (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against the Company or any Restricted Subsidiary and shall not be paid or discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed $10.0 million during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(8) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of the Company or any of its Significant Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Significant Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Significant Subsidiaries or (C) the winding up or liquidation of the affairs of the Company or any of its Significant Subsidiaries and, in each case, such decree or order shall remain unstayed and in effect for a period of 30 consecutive days; or

(9) the Company or any of its Significant Subsidiaries (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Significant Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Significant Subsidiaries or (C) effects any general assignment for the benefit of creditors.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default specified in Section 501(8) or 501(9)) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Notes Outstanding may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued but unpaid interest on all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration of acceleration, such principal of, premium, if any, and accrued interest shall become immediately due and payable. If an Event of Default specified in Section 501(8) or 501(9) occurs and is continuing, then the principal amount of all the Notes shall ipso facto become and be immediately due and payable without any
declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration has been made, the Holders of a majority in principal amount of the Notes Outstanding, by written notice to the Company and the Trustee, may waive all past defaults and rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay,

(A) all overdue interest and Liquidated Damages on all Outstanding Notes,

(B) all unpaid principal of (and premium, if any, on) any Outstanding Notes which has become due otherwise than by such declaration of acceleration, and interest on such unpaid principal at the rate borne by the Notes,

(C) to the extent that payment of such interest is lawful, interest on overdue interest at the rate borne by the Notes, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 606;

(2) all Events of Default, other than the non-payment of amounts of principal of (or premium, if any, on) and accrued and unpaid interest and Liquidated Damages, if any, on the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513; and

(3) the recission, in the Opinion of Counsel, would not conflict with any judgment or decrees of a court of competent jurisdiction.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Notwithstanding the preceding paragraph, in the event of a declaration of acceleration in respect of the Notes because of an Event of Default specified in Section 501(6) shall have occurred and be continuing, such declaration of acceleration shall be automatically annulled if the Indebtedness that is the subject of such Event of Default has been discharged or the holders thereof have rescinded their declaration of acceleration in respect of such Indebtedness, and written notice of such discharge or rescission, as the case may be, shall have been given to the Trustee by the Company and countersigned by the holders of such Indebtedness or a trustee, fiduciary or agent for such holders, within 60 days after such declaration of acceleration in respect of the Notes, and no other Event of Default has occurred during such 60-day period which has not been cured or waived during such period.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(a) default is made in the payment of any installment of interest and Liquidated Damages, if any, on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of the principal of (or premium, if any, on) any Note at the Maturity thereof,

the Company will pay to the Trustee for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal (and premium and Liquidated Damages, if any) and interest, and interest on any overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installment of interest and Liquidated Damages, if any, at the rate borne by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, fees expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 606.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, interest or Liquidated Damages, if any) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium and Liquidated Damages, if any) and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 606) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any, or Liquidated Damages, if any) or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 606;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium and Liquidated Damages, if any) and interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal (and premium and Liquidated Damages, if any) and interest, respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 507. Limitation on Suits.

Except to enforce the right to receive payment of principal or, premium, if any, or interest or Liquidated Damages, if any, when due, no Holder of any Notes shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) such Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the Outstanding Notes do not give the Trustee a direction that is inconsistent with the request;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment, as provided herein (including, if applicable, Article Thirteen) and in such Note of the principal of (and premium and Liquidated Damages, if any) and (subject to Section 309) interest on such Note on the respective Stated Maturities expressed in such Note (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 308, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of not less than a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee need not take any action which might involve it in personal liability or which, in the good faith determination of the Trustee, may be unjustly prejudicial to the Holders not consenting.

SECTION 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except a default

(1) in respect of the payment of the principal of (or premium or Liquidated Damages, if any) or interest on any Note, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 514. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. Notice of Defaults.

Within 90 days after the occurrence of any Default hereunder, the Trustee shall transmit in the manner and to the extent provided in TIA Section 313(c), notice of such Default hereunder actually known to the corporate trust officer having responsibility for the administration of this Indenture on behalf of the Trustee, unless such Default shall have been cured or waived;

provided, however, that, except in the case of a Default in the payment of the principal of (or premium, if any) or interest on any Note, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders; and provided further that in the case of any Default of the character specified in Section 501(6), no such notice to Holders shall be given until at least 30 days after the corporate trust officer having responsibility for the administration of this Indenture on behalf of Trustee has actual knowledge of the occurrence thereof.

In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

SECTION 602. Certain Rights of Trustee.

Subject to the provisions of TIA Sections 315(a) through 315(d):

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(4) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(8) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(9) the Trustee shall have no duty to inquire as to the performance of the Company's covenants herein.

The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 603. Trustee Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, except for the Trustees certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Notes and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. The Trustee shall not be accountable for the use or application by the Company of Notes or the proceeds thereof.

SECTION 604. May Hold Notes.

The Trustee, any Paying Agent, any Note Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Note Registrar or such other agent.

SECTION 605. Money Held in Trust.

Money held by the Trustee in trust hereunder shall be segregated from other funds. The Trustee shall be under no liability for interest on any money received by it hereunder.

SECTION 606. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents, accountants, experts and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence or bad faith; and

(3) to indemnify the Trustee and each of its officers, directors, employees, attorneys-in-fact and agents for, and to hold it harmless against, any claim, demand, loss, liability or expense (including but not limited to reasonable compensation, disbursements and expenses of the Trustee's agents and counsel) incurred without gross negligence or bad faith on its part, arising out of or in connection with the offering and sale of the Notes, or the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder and enforcing this indemnification provision.

The obligations of the Company under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest on particular Notes.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(8) or (9), the expenses (including the reasonable charges and expenses of its counsel) of and the compensation for such services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the resignation or removal of the Trustee or the termination of this Indenture.

SECTION 607. Corporate Trustee Required; Eligibility.

There shall be at all times a Trustee hereunder which shall be eligible to act as Trustee under TIA Section 310(a)(1) and shall have a combined capital and surplus of at least $50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of Federal, State, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 607, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 608. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 609.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 609 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of not less than a majority in principal amount of the Outstanding Notes, delivered in writing to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of TIA Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 607 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public

officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee, or (ii) subject to TIA Section 315(e), any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Holders of Notes in the manner provided for in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 609. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 610. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes. In case at that time any of the Notes shall not have been authenticated, any successor Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor Trustee. In all such cases such certificates shall have the full force and effect which this Indenture provides for the certificate of authentication of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Notes in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE SEVEN

HOLDERS LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Disclosure of Names and Addresses of Holders.

Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that none of the Company or the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312(b).

SECTION 702. Reports by Trustee.

Within 60 days after May 15 of each year commencing with the first May 15 after the first issuance of Notes, the Trustee shall transmit to the Holders, in the manner and to the extent provided in TIA Section 313(c), a brief report dated as of such May 15 if required by TIA Section 313(a).

SECTION 703. Reports by Company.

The Company shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Holders, in the manner and to the extent provided in TIA Section 313(c), within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person or permit any Person to merge with or into the Company and the Company will not permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Company or the

Company and its Restricted Subsidiaries, taken as a whole, to any other Person or Persons, unless:

(1) either (A), the Company shall be the continuing Person, or (B) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (i) shall be a corporation, partnership or trust organized and validly existing under the laws of the United States of America or any jurisdiction thereof and (ii) shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the Company's obligation for the due and punctual payment of the principal of (and premium and Liquidated Damages, if any) and interest on all Notes and the performance and observance of every covenant of the Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Company or a Restricted Subsidary in connection with or as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis the Company, or any Person becoming the successor obligor of the Notes, as the case may be, could Incur at least $1.00 of Indebtedness under paragraph (a) of Section 1011; and

(4) the Company or such Person shall have delivered to the Trustee an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) above) and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, and such supplemental indenture complies with this Article and that all conditions precedent provided for herein relating to such transaction have been complied with; provided, however, that clause (3) above does not apply
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if, in the good faith determination of the Board of Directors of the Company, whose determination shall be conclusive and evidenced by a Board Resolution, the principal purpose of such transaction is to change the state of incorporation of the Company; and provided further that any such
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transaction shall not have as one of its purposes the evasion of the foregoing limitations.

SECTION 802. Successor Substituted.
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Upon any consolidation of the Company with or merger of the Company with or into any other corporation or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor

Person had been named as the Company herein, and in the event of any such conveyance or transfer, the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this Indenture or any successor Person which shall theretofore become such in the manner described in Section 801), except in the case of a lease, shall be discharged of all obligations and covenants under this Indenture and the Notes and may be dissolved and liquidated.

SECTION 803. Notes to Be Secured in Certain Events.

If, upon any such consolidation of the Company with or merger of the Company into any other corporation, or upon any conveyance, lease or transfer of the property of the Company substantially as an entirety to any other Person, any property or assets of the Company would thereupon become subject to any Lien, then unless such Lien could be created pursuant to Section 1016 without equally and ratably securing the Notes, the Company, prior to or simultaneously with such consolidation, merger, conveyance, lease or transfer, will as to such property or assets, secure the Notes Outstanding (together with, if the Company shall so determine any other Indebtedness of the Company now existing or hereinafter created which is not subordinate in right of payment to the Notes) equally and ratably with (or prior to) the Indebtedness which upon such consolidation, merger, conveyance, lease or transfer is to become secured as to such property or assets by such Lien, or will cause such Notes to be so secured.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company contained herein and in the Notes; or

(2) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee pursuant to the requirements of Section 609; or

(5) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; provided that such action shall not adversely affect the interests of the Holders in any material respect; or

(6) to secure the Notes pursuant to the requirements of Section 803 or Section 1016 or otherwise.

SECTION 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby:

(1) change the Stated Maturity of the principal of or any installment of interest on any Note, or reduce the principal amount thereof (or premium or Liquidated Damages, if any) or the rate of interest thereon or change the coin or currency in which any Note or any premium or the interest thereon is payable or extend the time for the payment of interest on any Note, or impair the right of any Holder of the Notes to receive payment of, principal of and interest on Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of redemption, on or after the Redemption Date) of any Note, or

(2) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture, or

(3) waive a default in the payment of principal of (or premium, if any) or accrued and unpaid interest or Liquidated Damages, if any, on the Notes, or

(4) modify any provision of any Guarantees in a manner adverse to the Holders, or

(5) modify any of the provisions of this Section or Sections 513 and Section 1021, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustees own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to the Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906. Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and upon Company Order authenticated and delivered by the Trustee in exchange for Outstanding Notes.

SECTION 907. Notice of Supplemental Indentures.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 902, the Company shall give notice thereof to the Holders of each Outstanding Note affected, in the manner provided for in Section 106, setting forth in general terms the substance of such supplemental indenture.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal, Premium, if Any, and Interest.

The Company covenants and agrees for the benefit of the Holders that it will duly and punctually pay the principal of (and premium, if any) and interest on the Notes in accordance with the terms of the Notes and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in The City of New York, an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Corporate Trust Office of the Trustee shall be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; provided, however, that no such designation
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or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency.

SECTION 1003. Money for Note Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (or premium or Liquidated Damages, if any) or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal of (or premium or Liquidated Damages, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Notes, it will, on or before each due date of the principal of (or premium or Liquidated Damages, if any) or interest

on any Notes, deposit with a Paying Agent a sum sufficient to pay the principal (and premium and Liquidated Damages, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium, Liquidated Damages or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of such action or any failure so to act.

The Company will cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium and Liquidated Damages, if any) or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal (and premium and Liquidated Damages, if any) or interest on the Notes; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (or premium or Liquidated Damages, if any) or interest on any Note and remaining unclaimed for two years after such principal, premium, Liquidated Damages or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or
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such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date

specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. Corporate Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence, rights (charter and statutory) and franchises of the Company and each Subsidiary; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 1005. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary and (b) all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1006. Maintenance of Properties.

The Company will cause all properties owned by the Company or any Subsidiary or used or held for use in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 1007. Insurance.

The Company will at all times keep all of its and its Subsidiaries properties which are of an insurable nature insured with insurers, believed by the Company to be responsible, against loss or damage to the extent that property of similar character is usually so insured by corporations similarly situated and owning like properties.

SECTION 1008. Statement by Officers As to Default.

(a) The Company will deliver to the Trustee, within 90 days after the end of each fiscal year, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 1008(a), such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) When any Default has occurred and is continuing under this Indenture, or if the trustee for or the holder of any other evidence of Indebtedness of the Company or any Subsidiary gives any notice or takes any other action with respect to a claimed default (other than with respect to Indebtedness in the principal amount of less than $1,000,000) shall deliver to the Trustee by registered or certified mail or by telegram, telex or facsimile transmission an officers certificate specifying such event, notice or other action within five Business Days of its occurrence.

(c) When any Registration Default (as defined in the Registration Rights Agreement) occurs, the Company shall promptly deliver to the Trustee by registered or certified mail or by telegram, telex or facsimile transmission an Officer's Certificate specifying the nature of such Registration Default. In addition, the Company shall deliver to the Trustee on each Interest Payment Date during the continuance of a Registration Default and on the Interest Payment Date following the cure of a Registration Default, an Officer's Certificate specifying the amount of Liquidated Damages which have accrued and which are then owing under the Registration Rights Agreement.

SECTION 1009. Provision of Financial Statements.

(a) The Company will file on a timely basis with the Commission, to the extent such filings are accepted by the Commission and whether or not the Company has a class of securities registered under the Exchange Act, the annual reports, quarterly reports and other documents that the Company would be required to file if it were subject to Section 13 or 15 of the Exchange Act. All such annual reports shall include the geographic segment financial information contemplated by Item 101(d) of Regulation S-K under the Securities Act/SFAS 14, and all such quarterly reports shall provide the same type of interim financial information that, as of the date of this Indenture, currently is the Company's practice to provide.

(b) The Company will also be required (i) to file with the Trustee, and provide to each Holder, without cost to such Holder, copies of such reports and documents within 15 days after the date on which the Company files such reports and documents with the Commission or the date on which the Company would be required to file such reports and documents if the Company were so required, and (ii) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, to supply at the Company's cost copies of such reports and documents to any prospective Holder promptly upon request.

SECTION 1010. Repurchase of Notes upon a Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder shall have the right to require the Company to repurchase all or any part of its Notes at a purchase price in cash pursuant to the offer described below (the "Change of Control Offer") equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (subject to the right of holders of record to receive interest on the relevant interest payment date) (the "Change of Control Payment") in accordance with the procedures set forth in paragraphs (c) and (d) of this Section.

(b) [Reserved]

(c) Within 30 days following any Change of Control, the Company shall give to each Holder of the Notes and the Trustee in the manner provided in Section 106 a notice stating:

(i) that a Change of Control has occurred, that the Change of Control Offer is being made pursuant to this Section 1010 and that all Notes validly tendered will be accepted for payment;

(ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date");

(iii) that any Note not tendered will continue to accrue interest pursuant to its terms;

(iv) that, unless the Company defaults in the payment of the Change of Control Payment, any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date;

(v) that Holders electing to have any Note or portion thereof purchased pursuant to the Change of Control Offer will be required to surrender such Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of such Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day immediately preceding the Change of Control Payment Date;

(vi) that Holders be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note
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issued shall be in a principal amount of $1,000 or integral multiples thereof.

(d) [Reserved].

(e) On the Change of Control Payment Date, the Company shall:

(i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Offer;

(ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and

(iii) deliver, or cause to be delivered, to the Trustee, all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail, to the Holders of Notes so accepted, payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount of any unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a
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principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. For purposes of this Section 1010, the Trustee shall act as Paying Agent.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in the event that a Change of Control occurs and the Company is required to repurchase the Notes under this Section 1010.

SECTION 1011. Limitation on Indebtedness.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (other than the Notes); provided,
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however, that the Company may Incur Indebtedness if immediately thereafter the
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ratio of (i) the aggregate principal amount (or accreted value, as the case may be) of Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis outstanding as of the Transaction Date to (ii) the Pro Forma Consolidated Cash Flow for the preceding two full fiscal quarters multiplied by two, determined on a pro forma basis as if any such Indebtedness that had been Incurred and the proceeds thereof had been applied at the beginning of such two fiscal quarters, would be greater than zero and less than 6.0 to 1.

(b) Notwithstanding the foregoing, the Company and (except for Indebtedness under subsections (v), (vii) and (xi) below) any Restricted Subsidiary may Incur each and all of the following:

(i) Indebtedness of the Company or any Restricted Subsidiary under one or more Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of (a) $50 million and (b) 65% of Eligible Accounts Receivable, subject to any permanent reductions required by any other terms of the Indenture;

(ii) Indebtedness (including Guarantees) Incurred by the Company or a Restricted Subsidiary after the Closing Date to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of equipment used in the telecommunications business or ownership rights with respect to indefeasible rights of use or minimum investment units (or similar ownership interests) in domestic or transnational fiber optic cable or other transmission facilities, in each case purchased or leased by the Company (including acquisitions by way of Capitalized Leases and acquisitions of the Capital Stock of a Person that becomes a Restricted Subsidiary to the extent of the Fair Market Value of such equipment, ownership rights or minimum investment units so acquired);

(iii) Indebtedness of any Restricted Subsidiary to the Company or Indebtedness of the Company or any Restricted Subsidiary to any other Restricted Subsidiary; provided that any subsequent issuance or transfer of
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any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness not permitted by this clause (iii) (other than to the Company or another Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness, and provided further that
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Indebtedness of the Company to a Restricted Subsidiary must be subordinated in right of payment to the Notes;

(iv) Indebtedness of the Company or a Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness of the Company or a Restricted Subsidiary, other than Indebtedness Incurred under clauses (i), (iii), (vi), (viii), (ix) and (xii) of this paragraph, and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, and reasonable fees and expenses); provided that such new
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Indebtedness shall only be permitted under this clause (iv) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes, such new Indebtedness, by its terms or by the
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terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made pari passu
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with, or subordinate in right of payment to, the remaining Notes, (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of

payment to the Notes at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes and (C) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; and provided further that in no event may Indebtedness of the
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Company be refinanced by means of any Indebtedness of any Restricted Subsidiary pursuant to this clause (iv);

(v) Indebtedness of the Company not to exceed, at any one time outstanding, 2.00 times (A) the Net Cash Proceeds received by the Company after the Closing Date from the issuance and sale of its Common Stock (other than Redeemable Stock) to a Person that is not a Subsidiary of the Company, to the extent such Net Cash Proceeds have not been used pursuant to clause (C)(2) of the first paragraph or clauses (iii), (iv) and (vii) of the second paragraph of Section 1012 to make a Restricted Payment and (B) the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of property (other than cash and cash equivalents) used in a Permitted Business or common equity interests in a Person (the property and assets of such Person consisting primarily of telecommunications assets) that becomes a Restricted Subsidiary (such Fair Market Value being that of the common equity interests received pursuant to the transaction resulting in such Person becoming a Restricted Subsidiary), and, in each case, received by the Company after the Closing Date from the issuance or sale of its Common Stock (other than Redeemable Stock) to a Person that is not a Subsidiary of the Company to the extent such sale of Common Stock has not been used pursuant to clauses (iii), (iv) and (vii) of the second paragraph of Section 1012; provided that such Indebtedness does not mature prior to
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the Stated Maturity of the Notes and the Average Life of such Indebtedness is longer than that of the Notes;

(vi) Indebtedness of the Company or any Restricted Subsidiary (A) in respect of performance, surety or appeal bonds or letters of credit supporting trade payables, in each case provided in the ordinary course of business; (B) under Currency Agreements and Interest Rate Agreements; provided that such agreements (a) are designed solely to protect the
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Company or any Restricted Subsidiary against fluctuation in foreign currency exchange rates or interest rates and (b) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder; and (C) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any of its Restricted Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary of the Company (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), in a principal amount not to exceed

the gross proceeds actually received by the Company or any Restricted Subsidiary in connection with such disposition;

(vii) Indebtedness of the Company, to the extent that the net proceeds thereof are promptly (A) used to repurchase Notes tendered in a Change of Control Offer or (B) deposited to defease all of the Notes as set forth in Article Thirteen;

(viii) Indebtedness of a Restricted Subsidiary represented by a Guarantee of the Notes and any other Indebtedness of the Company permitted by and made in accordance with Section 1018;

(ix) Indebtedness of the Company or any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (ix), does not exceed $200 million at any one time outstanding;

(x) Acquired Indebtedness;

(xi) Strategic Subordinated Indebtedness; and

(xii) Indebtedness of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within three
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business days of Incurrence.

(c) Notwithstanding any other provision of this Section 1011, the maximum amount of this Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this Section 1011 shall not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

(d) For purposes of determining any particular amount of Indebtedness under this Section 1011, Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included. For purposes of determining compliance with this Section 1011, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the above clauses, the Company, in its sole discretion, shall classify and from time to time may reclassify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of such clauses.

SECTION 1012. Limitation on Restricted Payments.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, (i) (A) declare or pay any dividend or make any distribution in respect of the Company's Capital Stock to the holders thereof (other than dividends or distributions payable solely in shares of Capital Stock (other than Redeemable Stock) of the Company or in options, warrants or other rights to acquire such shares of Capital Stock) or (B) declare or pay any dividend or make any distribution in respect of the Capital Stock of any Restricted Subsidiary to any Person other than dividends and distributions payable to the Company or any Restricted Subsidiary or to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis, (ii) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Person or any shares of Capital Stock of any Restricted Subsidiary (including options, warrants and other rights to acquire such shares of Capital Stock) held by any Affiliate of the Company (other than a Wholly Owned Restricted Subsidiary) or any holder (or any Affiliate thereof) of 5% or more of the Company's Capital Stock, (iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of Subordinated Indebtedness, or (iv) make any Investment, other than a Permitted Investment, in any Person (such payments or any other actions described in clauses (i) through (iv) being collectively "Restricted Payments") if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default or Event of Default shall have occurred and be continuing;

(B) the Company could not Incur at least $1.00 of Indebtedness under paragraph (a) of Section 1011; or

(C) the aggregate amount expended for all Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) after the date of the Indenture shall exceed the sum of (1) the remainder of (a) 100% of the aggregate amount of the Consolidated Cash Flow (determined by excluding income resulting from transfers of assets received by the Company or a Restricted Subsidiary from an Unrestricted Subsidiary) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date minus (b) the product of 1.75 times cumulative Consolidated Fixed Charges accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date plus (2) the aggregate Net Cash Proceeds
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received by the Company after the Closing Date from the issuance and sale of its Capital Stock (other than Redeemable Stock) to a Person who is not a Subsidiary of the Company (except to the extent such Net Cash Proceeds are used to incur new Indebtedness outstanding pursuant to clause (v) of paragraph (b) of Section 1011) plus (3) the aggregate Net Cash
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Proceeds received after the date of the Indenture by the Company from the issuance or sale of debt securities that have been converted into or exchanged for Capital Stock of the Company (other than Redeemable Stock) together with the aggregate cash received by the Company at the time of such conversion or exchange plus (4) without duplication of any amount included in the calculation of Consolidated Cash Flow, in the case of repayment of, or return of capital in respect of, any Investment constituting a Restricted Payment made after the Closing Date and reducing the amount of Restricted Payments otherwise permitted under this clause (C), an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case less the cost of the disposition of such Investment.

The foregoing provision shall not be violated by reason of:

(i) the payment of any dividend within 60 days after the date of declaration thereof if, at said date of declaration, such payment would comply with the foregoing paragraph;

(ii) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the Notes including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred under clause (iv) of paragraph (b) of Section 1011;

(iii) the repurchase, redemption or other acquisition of Capital Stock of the Company in exchange for, or out of the proceeds of a substantially concurrent offering of, shares of Capital Stock (other than Redeemable Stock) of the Company (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of Section 1011);

(iv) the acquisition of Indebtedness of the Company which is subordinated in right of payment to the Notes in exchange for, or out of the proceeds of, a substantially concurrent offering of, shares of the Capital Stock of the Company (other than Redeemable Stock) (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of Section 1011);

(v) payments or distributions, to dissenting stockholders pursuant to applicable law, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of this Indenture applicable to mergers, consolidations and transfers of all or substantially all of the property and assets of the Company;

(vi) cash payments in lieu of the issuance of fractional shares issued in connection with the exercise of any Common Stock warrants;

(vii) Investments in Permitted Businesses acquired in exchange for Common Stock (other than Redeemable Stock) of the Company or the Net Cash Proceeds from the issuance and sale of such Common Stock (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of Section 1011); provided that such proceeds are so used within 270 days of the receipt thereof;

(viii) the purchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof, together with accrued interest, if any, thereof in the event of a Change of Control in accordance with provisions similar to Section 1011; provided that prior to such purchase the Company has made the Change of Control offer as provided in such covenant with respect to the Notes and has purchased all Notes validly tendered for payment in connection with such Change of Control Offer; and

(ix) other Restricted Payments not to exceed $5.0 million; provided that, except in the case of clause (i), no Default or Event of Default shall have occurred and be continuing or occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to the immediately preceding paragraph (other than a Restricted Payment referred to in clause (ii) thereof, and an exchange of Capital Stock for Capital Stock, Indebtedness or an Investment referred to in clause (iii), (iv) or (vii) thereof) and the Net Cash Proceeds from any issuance of Capital Stock referred to in clauses (iii), (iv) and (vii) shall be included in calculating whether the conditions of clause (C) of the first paragraph of Section 1012 have been met with respect to any subsequent Restricted Payments. In the event the proceeds of an issuance of Capital Stock of the Company are used for the redemption, repurchase or other acquisition of the Notes or Indebtedness that is pari passu with the Notes, then the Net Cash Proceeds of such issuance shall be included in clause (C) of the first paragraph of this Section 1012 only to the extent such proceeds are not used for such redemption, repurchase or other acquisition of Indebtedness.

SECTION 1013. Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

So long as any of the Notes are Outstanding, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary, (ii) pay any Indebtedness owed to the Company or any other Restricted Subsidiary, (iii) make loans or advances to the Company or any other Restricted Subsidiary, or (iv) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

The foregoing provisions shall not restrict any encumbrances or restrictions:

(i) existing on the Closing Date in the Indenture or any other agreements in effect on the Closing Date, and any extensions, refinancings, renewals or replacements of such agreements; provided that the encumbrances and restrictions in any such extensions, refinancings, renewals or replacements are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(ii) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if the encumbrance or restriction applies only in the event of a payment default or default with respect to a financial covenant contained in such Indebtedness or agreement and such encumbrance or restriction is not materially more disadvantageous to the Holders of the Notes than is customary in comparable financings (as determined by the Company) and the Company determines that any such encumbrance or restriction will not materially affect the Company's ability to make principal or interest payments on the Notes;

(iii) existing under or by reason of applicable law;

(iv) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired;

(v) in the case of clause (iv) of the first paragraph of this Section 1013, (A) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is, or is subject to, a lease, purchase mortgage obligation, license, conveyance or contract or similar property or asset, (B) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (C) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary; or

(vi) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary. Nothing contained in this Section 1013 shall prevent the Company or any Restricted Subsidiary from (1) creating, incurring, assuming or suffering to exist any Liens otherwise permitted in Section 1016 or (2) restricting the sale or other disposition of property or assets of the Company or any of its Restricted Subsidiaries that secure Indebtedness of the Company or any of its Restricted Subsidiaries.

SECTION 1014. Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries.

The Company will not sell, transfer, convey or otherwise dispose of and will not permit any Restricted Subsidiary, directly or indirectly, to issue, transfer, convey, sell, lease or otherwise dispose of any shares of Capital Stock (including options, warrants or other rights to purchase shares of such Capital Stock) of such or any other Restricted Subsidiary to any Person except (i) to the Company or a Restricted Subsidiary, (ii) issuances of director's qualifying shares or sales to foreign nationals of shares of Capital Stock of non-U.S. Restricted Subsidiaries to the extent required by law and (iii) issuances and sales of Capital Stock of Restricted Subsidiaries if (A) the Net Cash Proceeds from such issuance, transfer, conveyance, sale, lease or other disposition are applied in accordance with the provisions of Section 1017, (B) immediately after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, and (C) any Investment in such Person remaining after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition would have been permitted to be made under Section 1012 if made on the date of such issuance, transfer, conveyance, sale, lease or other disposition (valued as provided in the definition of "Investment").

SECTION 1015. Limitation on Transactions with Shareholders and Affiliates.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of the Company or with any Affiliate of the Company or any Restricted Subsidiary, unless:

(i) such transaction or series of transactions is on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with a Person that is not such a holder or an Affiliate,

(ii) if such transaction or series of transactions involves aggregate consideration in excess of $5.0 million, then such transaction or series of transactions is approved by a majority of the Board of Directors of the Company, including the approval of a majority of the independent, disinterested directors, and is evidenced by a resolution of the Board of Directors of the Company, and

(iii) if such transaction or series of transactions involves aggregate consideration in excess of $25.0 million, then the Company or such Restricted Subsidiary will deliver to the Trustee a written opinion as to the fairness to the Company or such Restricted Subsidiary of such transaction from a financial point of view from a nationally recognized investment banking firm (or, if an investment banking firm is generally not qualified to give such an opinion, by a nationally recognized appraisal firm or accounting firm). Any such transaction or series of transactions shall be conclusively deemed to be on terms no less favorable to the

Company or such Restricted Subsidiary than those that could be obtained in an arm's-length transaction if such transaction or transactions are approved by a majority of the Board of Directors of the Company, including a majority of the independent disinterested directors, and are evidenced by a resolution of the Board of Directors of the Company.

The foregoing limitation does not limit, and will not apply to (i) any transaction between the Company and any of its Restricted Subsidiaries or between Restricted Subsidiaries; (ii) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company; (iii) any Restricted Payments not prohibited by Section 1012; (iv) transactions provided for in the Employment Agreement as in effect on the Closing Date; and (v) loans and advances to employees of the Company or any Restricted Subsidiary not exceeding at any one time outstanding $2.0 million in the aggregate, in the ordinary course of business and in accordance with past practice.

SECTION 1016. Limitation on Liens.

Under the terms of the Indenture, the Company will not, and will not permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any of its assets or properties of any character (including, without limitation, licenses and trademarks), or any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, without making effective provision for all of the Notes and all other amounts due under the Indenture to be directly secured equally and ratably with (or prior to) the obligation or liability secured by such Lien.

SECTION 1017. Limitation on Asset Sales.

The Company will not, and will, not permit any Restricted Subsidiary to, make any Asset Sale unless (i) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of such sale or other disposition at least equal to the Fair Market Value of the assets sold or disposed of as determined by the good-faith judgment of the Board of Directors, which determination, in each case where such fair market value is greater than $5.0 million, shall be evidenced by a Board Resolution and (ii) at least 75% of the consideration received for such sale or other disposition consists of cash or cash equivalents or the assumption of unsubordinated Indebtedness.

The Company shall, or shall cause the relevant Restricted Subsidiary to, within 360 days after the date of receipt of the Net Cash Proceeds from an Asset Sale, (i) (A) apply an amount equal to such Net Cash Proceeds to permanently repay unsubordinated Indebtedness of the Company or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Company or any of its Restricted Subsidiaries or (B) invest an equal amount, or the amount not so applied pursuant to clause (A) in long-term property or assets of a nature or type or that are used in a business (or in a company having property and assets of a nature or type, or engaged in a business) similar or related to the nature or type of the property and assets of, or the business of, the Company and its Restricted Subsidiaries existing on the date of such investment (as determined in good faith

by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) and (ii) apply (no later than the end of the 360-day period referred to above) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (i)) as provided in the following paragraphs of this Section 1017. The amount of such Net Cash Proceeds required to be applied (or to be committed to be applied) during such 360-day period in the manner as set forth in clause (i) of the preceding sentence and not applied as so required by the end of such period shall constitute "Excess Proceeds."

If, as of the first day of any calendar month, the aggregate amount of Excess Proceeds not theretofore subject to an Excess Proceeds Offer (as defined below) totals at least $10.0 million, the Company must, not later than the 30th Business Day thereafter, make an offer (an "Excess Proceeds Offer") to purchase from the Holders on a pro rata basis an aggregate principal amount of Notes equal to the Proportionate Share of the Excess Proceeds on such date, at a purchase price equal to 100% of the principal amount of the Notes, plus, in each case, accrued and unpaid interest to the date of purchase (the "Excess Proceeds Payment").

The Company shall commence an Excess Proceeds Offer by mailing a notice to the Trustee and each Holder stating:

(i) that the Excess Proceeds Offer is being made pursuant to this Section 1017 and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Excess Proceeds Payment Date");

(iii) that any Note not tendered will continue to accrue interest pursuant to its terms;

(iv) that, unless the Company defaults in the payment of the Excess Proceeds Payment, any Note accepted for payment pursuant to the Excess Proceeds Offer shall cease to accrue interest on and after the Excess Proceeds Payment Date;

(v) that Holders electing to have a Note purchased pursuant to the Excess Proceeds Offer will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Excess Proceeds Payment Date;

(vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Excess Proceeds Payment Date, a telegram, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase

and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On the Excess Proceeds Payment Date, the Company shall

(i) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to the Excess Proceeds Offer up to the Proportionate Share of such Excess Proceeds;

(ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and

(iii) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall upon Company Order, promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Excess Proceeds Offer as soon as practicable after the Excess Proceeds Payment Date. For purposes of this Section 1017, the Trustee shall act as the Paying Agent.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that such Excess Proceeds are received by the Company under this Section 1017 and the Company is required to repurchase Notes as described above.

SECTION 1018. Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries.

The Company will not permit any Restricted Subsidiary, directly or indirectly, to guarantee, assume or in any other manner become liable with respect to any Indebtedness of the Company, other than Indebtedness under Credit Facilities incurred under clauses (i) and (ii) of Section 1011, unless (i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes on terms substantially similar to the guarantee of such Indebtedness, except that if such Indebtedness is by its express terms subordinated in right of payment to the Notes, any such assumption, Guarantee or

other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Restricted Subsidiary's assumption, Guarantee of other liability with respect to the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes and (ii) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights or reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee.

Notwithstanding the foregoing, any Guarantee by a Restricted Subsidiary may provide by its terms that it will be automatically and unconditionally released and discharged upon (i) any sale, exchange or transfer, to any Person not an Affiliate of the Company, of all of the Company's and each Restricted Subsidiary's Capital Stock in, or all or substantially all of the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture) or (ii) the release or discharge of the guarantee which resulted in the creation of such Guarantee, except a discharge or release by or as a result of payment under such guarantee.

SECTION 1019. Business of the Company.

The Company will not, and will not permit any Restricted Subsidiary to, be principally engaged in any business or activity other than a Permitted Business.

SECTION 1020. Limitation on Investments in Unrestricted

Subsidiaries.
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The Company will not make, and will not permit any of its Restricted Subsidiaries to make, any Investments in Unrestricted Subsidiaries if, at the time thereof, the aggregate amount of such Investments would exceed the amount of Restricted Payments then permitted to be made pursuant to Section 1012. Any Investments in Unrestricted Subsidiaries permitted to be made pursuant to this covenant (i) will be treated as the making of a Restricted Payment in calculating the amount of Restricted Payments made by the Company or a Subsidiary and (ii) may be made in cash or property (if made in property, the Fair Market Value thereof as determined by the Board of Directors of the Company (whose determination shall be conclusive and evidenced by a Board Resolution) shall be deemed to be the amount of such Investment for the purpose of clause (i)).

SECTION 1021. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 803 or Sections 1007 through 1020, inclusive, if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Notes, by Act of such Holders, waive such compliance in such instance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN

REDEMPTION OF NOTES

SECTION 1101. Right of Redemption.

(a) The Notes may be redeemed, at the election of the Company, as a whole or from time to time in part, at any time after May 15, 2003, subject to the conditions and at the Redemption Prices specified in the form of Note, together with accrued interest to the Redemption Date.

(b) Notwithstanding the foregoing, prior to May 15, 2001, the Company may redeem up to 25% of the originally issued aggregate principal amount of the Notes on one or more occasions with the Net Cash Proceeds of one or more Public Equity Offerings at a redemption price equal to 109.875% of the aggregate principal amount thereof, plus accrued interest, if any, and Liquidated Damages, if any, thereon to the Redemption Date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on an Interest Payment Date); provided that, immediately after giving effect to such redemption, at least 75% of the originally issued aggregate principal amount of the Notes remains Outstanding; and provided further that notice of such redemptions shall be given within 60 days of the date of closing of any such Public Equity Offering.

SECTION 1102. Applicability of Article.

Redemption of Notes at the election of the Company or otherwise, as permitted or required by any provision of this Indenture, shall be made in accordance with such provision and this Article.

SECTION 1103. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Notes pursuant to Section 1101 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Notes to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Notes to be redeemed pursuant to Section 1104.

SECTION 1104. Selection by Trustee of Notes to Be Redeemed.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Notes not previously called for redemption, in compliance with the requirements of the principal

national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Notes; provided, however, that no such partial redemption shall reduce the
portion of the principal amount of a Note not redeemed to less than $1,000.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

SECTION 1105. Notice of Redemption.

Notice of redemption shall be given in the manner provided for in Section 106 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price and the amount of accrued interest to the Redemption Date payable as provided in Section 1107, if any,

(3) if less than all Outstanding Notes are to be redeemed, the identification (and, in the case of a partial redemption, the principal amounts) of the particular Notes to be redeemed,

(4) in case any Note is to be redeemed in part only, the notice which relates to such Note shall state that on and after the Redemption Date, upon surrender of such Note, the Holder will receive, without charge, a new Note or Notes of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date the Redemption Price (and accrued interest and Liquidated Damages, if any, to the Redemption Date payable as provided in Section 1107) will become due and payable upon each such Note, or the portion thereof, to be redeemed, and that interest thereon will cease to accrue on and after said date,

(6) the place or places where such Notes are to be surrendered for payment of the Redemption Price and accrued interest and Liquidated Damages, if any.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1106. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and Liquidated Damages, if any, and accrued interest on, all the Notes which are to be redeemed on that date.

SECTION 1107. Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified (together with Liquidated Damages and accrued interest, if any, to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the Redemption Price, together with Liquidated Damages and accrued interest, if any, to the Redemption Date; provided, however, that
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installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes, or one or more Predecessor Notes, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 309.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes.

SECTION 1108. Notes Redeemed in Part.

Any Note which is to be redeemed only in part (pursuant to the provisions of this Article) shall be surrendered at the office or agency of the Company maintained for such purpose pursuant to Section 1002 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall upon Company Order authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

ARTICLE TWELVE

[This Article Has Been Intentionally Omitted]

ARTICLE THIRTEEN

DEFEASANCE AND COVENANT DEFEASANCE

SECTION 1301. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may, at its option by Board Resolution, at any time, with respect to the Notes, elect to have either Section 1302 or Section 1303 be applied to all Outstanding Notes upon compliance with the conditions set forth below in this Article Thirteen.

SECTION 1302. Defeasance and Discharge.

Upon the Company's exercise under Section 1301 of the option applicable to this Section 1302, the Company shall be deemed to have been discharged from its obligations with respect to all Outstanding Notes on the date the conditions set forth in Section 1304 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Notes, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 1305 and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all its other obligations under such Notes and this Indenture insofar as such Notes are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of Outstanding Notes to receive, solely from the trust fund described in Section 1304 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any, on) and interest and Liquidated Damages, if any, on such Notes when such payments are due, (B) the Company's obligations with respect to such Notes under Sections 304, 305, 308, 1002 and 1003, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (D) this Article Thirteen. Subject to compliance with this Article Thirteen, the Company may exercise its option under this Section 1302 notwithstanding the prior exercise of its option under Section 1303 with respect to the Notes.

SECTION 1303. Covenant Defeasance.

Upon the Company's exercise under Section 1301 of the option applicable to this Section 1303, the Company shall be released from its obligations under any covenant contained in Section 801(3) and Section 803 and in Sections 1007 through 1021 with respect to the Outstanding

Notes on and after the date the conditions set forth below are satisfied (hereinafter, "covenant defeasance"), and the Notes shall thereafter be deemed not to be "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to the Outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 501(5), but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby.

SECTION 1304. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 1302 or Section 1303 to the Outstanding Notes:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 607 who shall agree to comply with the provisions of this Article Thirteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Notes, (A) cash in United States dollars, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (i) the principal of (and premium, if any), interest and Liquidated Damages, if any, on the Outstanding Notes on the Stated Maturity (or Redemption Date, if applicable) of such principal (and premium, if any) or installment of interest and Liquidated Damages, if any, and (ii) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Notes on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Notes; provided that the Trustee shall
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have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to said payments with respect to the Notes. Before such a deposit, the Company may give to the Trustee, in accordance with Section 1103 hereof, a notice of its election to redeem all of the Outstanding Notes at a future date in accordance with Article Eleven hereof, which notice shall be irrevocable. Such irrevocable redemption notice, if given, shall be given effect in applying the foregoing. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America

the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended), as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized
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to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(2) No Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit or, insofar as paragraphs (8) and (9) of Section 501 hereof are concerned, at any time during the period ending on the 123rd day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(3) [Reserved]

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than this Indenture) to which the Company is a party or by which it is bound.

(5) In the case of an election under Section 1302, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since May 14, 1998, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(6) In the case of an election under Section 1303, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(7) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to

either the defeasance under Section 1302 or the covenant defeasance under Section 1303 (as the case may be) have been complied with.

SECTION 1305. Deposited Money and U.S. Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 1305, the "Trustee") pursuant to Section 1304 in respect of the Outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal (and premium and Liquidated Damages, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Governmental Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Notes.

Anything in this Article Thirteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance, as applicable, in accordance with this Article.

SECTION 1306. Reinstatement.

If the Trustee or any Paying Agent is unable to apply any money in accordance with Section 1305 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 1302 or 1303, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1305; provided, however, that if the Company makes any payment of principal of (or premium or Liquidated Damages, if any) or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

This Indenture may be signed in any number of counterparts each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

PRIMUS TELECOMMUNICATIONS
GROUP, INCORPORATED

By: /s/ K. Paul Singh

Name: K. Paul Singh
Title: President & Chief Executive Officer

Attest:

By: /s/ John F. DePodesta

Name: John F. DePodesta
Title: Executive Vice President

FIRST UNION NATIONAL BANK

By /s/ Dante M. Monakil

Name: Dante M. Monakil
Title: Vice President

Attest:

By: /s/ William F. Michie, III

Name: William F. Michie, III
Title: Corporate Trust Officer

[FORM OF FACE OF NOTE]

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

9 7/8% [Series B] Senior Note Due 2008

[CUSIP] [CINS] _____

No. _____ $ _____

Primus Telecommunications Group, Incorporated, a Delaware corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ United States dollars on May 15, 2008, at the office or agency of the Company referred to below, and to pay interest thereon on November 15, 1998 and semi-annually thereafter, on May 15 and November 15 in each year, from May 19, 1998 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 97/8% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the May 1 or November 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such defaulted interest, and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

[The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated as of May 19, 1998 (the "Registration Rights Agreement"), between the Company, Primus Telecommunications Incorporated, Primus Telecommunications (Australia) Pty. Ltd. and the Initial Purchasers named therein. In the event that either (i) the Company fails to file with the Commission any of the Registration Statements required by the Registration Rights Agreement on or before the date specified therein for such filing, (ii) any of such Registration Statements is not declared effective by the Commission on or prior to the date specified for such effectiveness in the Registration Rights Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not

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* Include only for Exchange Notes.

been consummated within 30 days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by the Registration Rights Agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose without being succeeded within five Business Days by a post-effective amendment to such Registration Statement that cures such failure and that is declared effective within such five Business Day period (each such event referred to in clauses (i) through (iv) above, a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages will be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities (as defined in the Registration Rights Agreement), the accrual of Liquidated Damages with respect to such Transfer Restricted Notes will cease.]**

Payment of the principal of (and premium and Liquidated Damages, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that
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payment of interest may be made at the option of the Company (i) by check mailed to the address of the Person entitled thereto as such address shall appear on the Note Register or (ii) by transfer to an account maintained by the payee located in the United States.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

** To be included in Initial Notes.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By_____

Attest:

_____
Authorized Signature

TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

Dated:

This is one of the Notes referred to in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By_____
Authorized Officer

[FORM OF REVERSE SIDE OF NOTE]

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

9 7/8% Senior Notes Due 2008

This Note is one of a duly authorized issue of notes of the Company designated as its 9 7/8% Senior Notes Due 2008 (herein called the "Notes"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to $150,000,000, which may be issued under an indenture (herein called the "Indenture") dated as of May 19, 1998 between the Company and First Union National Bank, trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

The Notes are subject to redemption upon not less than 30 nor more than 60 days prior notice, in whole or in part, at any time or from time to time on or after May 15, 2003 and prior to Maturity, at the election of the Company, at Redemption Prices (expressed in percentages of principal amount thereof), plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the Redemption Date (subject to the right of Holders of record on the relevant Record Date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date), if redeemed during the 12-month period beginning May 15, of the years indicated:

	Redemption
2003	104.938%
2004	103.208%
2005	101.604%
2006 (and thereafter)	100.000%

Notwithstanding the foregoing, prior to May 15, 2001, the Company may on any one or more occasions redeem up to 25% of the originally issued principal amount of Notes at a redemption price of 109.875% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, with the Net Cash Proceeds of one or more Public Equity Offerings; provided (i) that
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at least 75% of the originally issued principal amount of Notes remains outstanding immediately after the occurrence of such redemption and (ii) that notice of such redemption is mailed within 60 days of the closing of each such Public Equity Offering.

Upon the occurrence of a Change of Control, the Holder of this Note may require the Company, subject to certain limitations provided in the Indenture, to repurchase all or any party of this Note at a purchase price in cash in an amount equal to 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any.

Under certain circumstances, in the event the Net Cash Proceeds received by the Company from an Asset Sale, which proceeds are not used to (i) (A) apply an amount equal to such Net Cash Proceeds to permanently repay unsubordinated Indebtedness of the Company or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Company or any of its Restricted Subsidiaries or (B) invest an equal amount, or the amount not so applied pursuant to clause (A), in long-term property or assets of a nature or type or that are used in a business (or in a company having property and assets of a nature or type, or engaged in a business) similar or related to the nature or type of the property and assets of, or the business of, the Company and its Restricted Subsidiaries existing on the date of such investment (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) and (ii) apply (no later than the end of the 360-day period immediately following the date of receipt of the Net Cash Proceeds from an Asset Sale) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (i)) in accordance with the Indenture, and which proceeds equal or exceed a specified amount, the Company shall be required to make an offer to all Holders to purchase the maximum principal amount of Notes, in an integral multiple of $1,000, that may be purchased out of such amount at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued, unpaid interest and Liquidated Damages, if any, to the date of purchase, in accordance with the Indenture. Holders of Notes that are subject to any offer to purchase shall receive an Excess Proceeds Offer from the Company prior to any related Excess Proceeds Payment Date.

In the case of any redemption or repurchase of Notes, interest installments and Liquidated Damages, if any, whose Stated Maturity is on or prior to the Redemption Date or Excess Proceeds Payment Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date or Excess Proceeds Payment Date, as the case may be.

In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Note and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the

Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herewith or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest and Liquidated Damages, if any, on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on a national securities exchange, on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Notes.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable on the Note Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for such purpose The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered on the Note Register as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

THIS NOTE SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.
- ----------

_____
(Please print or typewrite name and address including zip code of assignee)

_____
the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____its attorney to transfer such Note on the books of the Company with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED ON
ALL NOTES OTHER THAN EXCHANGE NOTES
AND OFFSHORE PHYSICAL NOTES]

In connection with any transfer of this Note occurring prior to the date which is the earlier of the (i) date of an effective Registration Statement or (ii) two years after the later of the original issuance of this Note or the last date on which this Note was held by a Affiliate of the Company, the undersigned confirms that without utilizing any general solicitation or general advertising:

[Check One]

[] (a) this Note is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder,

or
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[] (b) this Note is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If neither of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 305 of the Indenture shall have been satisfied.

Date:_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee***:_____

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and that each is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that each is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:_____ _____

NOTICE: To be executed by an executive officer

_____

*** Guarantor must be a member of the Securities Transfer Agents Medallion Program ("STAMP"), the New York Stock Exchange Medallion Signature Program ("MSP") or the Stock Exchange Medallion Program ("SEMP").

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Company pursuant to Section 1010 or 1017 of the Indenture, check the Box: [_]

If you wish to have a portion of this Note purchased by the Trust pursuant to Section 1010 or 1017 of the Indenture, state the amount (in original principal amount) below:

$_____.

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee***:_____

_____

*** Guarantor must be a member of the Securities Transfer Agents Medallion Program ("STAMP"), the New York Stock Exchange Medallion Signature Program ("MSP") or the Stock Exchange Medallion Program ("SEMP").

EXHIBIT 10.22

$150,000,000

PRIMUS TELECOMMUNICATIONS
GROUP, INCORPORATED

9 7/8% SENIOR NOTES DUE 2008

PURCHASE AGREEMENT

Lehman Brothers Inc.
As Representative of the Initial
Purchasers named in Schedule I,
Three World Financial Center
New York, New York 10285

May 14, 1998

Ladies and Gentlemen:

Primus Telecommunications Group, Incorporated, a Delaware corporation (the "Company") , proposes to sell to you (the "Representative") and the other purchasers named in Schedule I hereto (collectively, the "Initial Purchasers") $150,000,000 aggregate principal amount of the Company's 9 7/8% Senior Notes due 2008 (the "Notes"). The Notes will be issued pursuant to an Indenture to be dated as of May 19, 1998 (the "Indenture"), between the Company and First Union National Bank, as trustee (the "Trustee"). This is to confirm the agreement concerning the purchase of the Notes from the Company by the Initial Purchasers. Capitalized terms used but not defined in this Agreement shall have the meaning given to such terms in the Indenture.

The Company has entered into an Agreement and Plan of Merger dated as of February 3, 1998 (the "TresCom Merger Agreement") to acquire all of the outstanding shares of TresCom International Inc. ("TresCom") in exchange for shares of common stock, par value $.01 per share of the Company (the "TresCom Merger"). The TresCom Merger is subject to the satisfaction or waiver of certain conditions and, accordingly, there can be no assurance that the TresCom Merger will be completed on the terms and conditions set forth in the TresCom Merger Agreement, or at all. As used herein, the term "subsidiary" of any company means any other entity at least 51% of the ownership interests of which are owned, directly or indirectly, by such Company.

The Notes will be offered without being registered under the Securities Act of 1933, a s amended (the "Securities Act"), in reliance on exemptions therefrom.

The Initial Purchasers and their direct and indirect transferees will be entitled to the benefits of a Registration Rights Agreement, to be dated the Closing Da te (as defined herein) (the "Registration Rights Agreement") among the Company and the Initial Purchasers, to be substantially in the form attached hereto as Exhibit G.

In connection with the sale of the Notes, the Company has prepared a preliminary offering memorandum (the "Preliminary Memorandum") and will prepare a final offering memorandum (the "Memorandum") setting forth or including a description of the terms of the Notes, the terms of the offering, a description of the Company and any material developments relating to the Company occurring after the date of the most recent financial statements included therein.

1. Representations, Warranties and Agreements of the Company. The Company represents and warrants to, and agrees with the Initial Purchasers that, as of the date hereof:

(a) The Memorandum at the date hereof, does not, and at the Closing Date, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this Section l(a) do not apply to statements or omissions in the Memorandum based upon information furnished to the Company in writing by or on behalf of the Initial Purchasers expressly for use therein.

(b) Assuming the accuracy of the representations and warranties of the Initial Purchasers contained in Sections 3 and 6 of this Agreement, it is not required by applicable law or regulation in connection with the offer, sale and delivery of the Notes to you in the manner contemplated by this Agreement and the Memorandum to register the Notes under the Securities Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

(c) (i) The Company, and each of the subsidiaries of the Company has been duly organized and is validly existing and in good standing under the laws of their respective jurisdictions of organization, is duly qualified to do business and is in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified would not reasonably be expected to have a material adverse effect on the business or property of the Company and the subsidiaries of the Company

taken as a whole, and each has all power and authority necessary to own or hold its respective properties and to conduct the business in which it is engaged; and none of the subsidiaries of the Company (other than Primus Telecommunications, Inc. and Primus Telecommunications (Australia) Pty. Ltd. (collectively, the "Significant Subsidiaries")) is a "significant subsidiary,"
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as such term is defined in Rule 405 of the Rules and Regulations (as defined below) and (ii) TresCom, and each of the subsidiaries of TresCom, has been duly organized and is validly existing and in good standing under the laws of their respective jurisdiction of organization, is duly qualified to do business and is in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified would not reasonably be expected to result in a material adverse effect on the business or property of the combined entity consisting of both (i) the Company and its subsidiaries and (ii) TresCom and its subsidiaries, taken as a whole, and each has all power and authority necessary to own or hold its respective properties and to conduct the business in which it is engaged.

(d) The Company has an authorized capitalization as set forth in the Memorandum, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable; all of the issued shares of capital stock of each subsidiary of the Company (the "Equity Interests") have been duly and validly authorized and
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issued and are fully paid and non-assessable and the Equity Interests (except for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (except for those described in the Memorandum).

(e) The Indenture has been duly authorized and, when duly executed by the proper officers of the Company (assuming due execution and delivery by the Trustee) and delivered by the Company, will constitute a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except (i) where the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to rights of creditors and other obligees generally, (ii) where the remedy of specific performance and other forms of equitable relief may be subject to certain equitable defenses and principles and to the discretion of the court before which the proceedings may be brought and (iii) for the waiver of rights and defenses contained in Sections 111 and 514 of the Indenture.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The Registration Rights Agreement has been duly authorized by the Company, and when duly executed by the proper officers of the Company (assuming due

execution and delivery by the Initial Purchasers) and delivered by the Company, will constitute a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except (i) where the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to rights of creditors and other obligees generally, (ii) where the remedy of specific performance and other forms of equitable relief may be subject to certain equitable defenses and principles and to the discretion of the court before which the proceedings may be brought and (iii) where rights to indemnity and contribution thereunder may be limited by applicable law and public policy.

(h) The Notes have been duly authorized and, when executed by the Company, authenticated by the Trustee and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will be (x) valid and binding obligations of the Company enforceable in accordance with their terms, except (i) where the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to rights of creditors and other obligees generally, (ii) where the remedy of specific performance and other forms of equitable relief may be subject to certain equitable defenses and principles and to the discretion of the court before which the proceedings may be brought, and (iii) for the waiver of rights and defenses contained in Sections 111 and 514 of the Indenture and (y) entitled to the benefits of the Indenture and the Registration Rights Agreement.

(i) The execution, delivery and performance by the Company of this Agreement, the Registration Rights Agreement, the Indenture and the Notes, and the consummation by the Company of the transactions contemplated in this Agreement (the "Transactions"), (i) will not conflict with or result
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in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of the subsidiaries of the Company is a party or by which the Company or any of the subsidiaries of the Company is bound or to which any of the properties or assets of the Company or any of the subsidiaries of the Company is subject, (ii) will not result in any violation of the provisions of the charter or by-laws of the Company or any of the subsidiaries of the Company, (iii) will not result in any violation of any statute or order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company, any of the subsidiaries of the Company or any of their properties or assets and (iv) except for such consents, approvals, authorizations, registrations or qualifications as may be required under applicable state securities laws in connection with the purchase and distribution of the Notes by the Initial Purchasers, will not require any consent, approval, authorization or order of, or filing or registration with, any court or governmental agency or body; provided, however, that the Company shall not be in

breach of this representation where, with respect to clauses (i), (iii) and (iv) of this paragraph, such conflicts, breaches, violations, defaults or failures to obtain any consent, approval, authorization or order to make such filing or registration would not have a material adverse effect on the consolidated financial position, stockholders' equity, results of operations, or the business of the Company and the subsidiaries of the Company taken as a whole (a "Material Adverse Effect").

(j) The execution, delivery and performance by TresCom of the Merger Agreement, (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which TresCom or any of the subsidiaries of TresCom is a party or by which TresCom or any of the subsidiaries of TresCom is bound or to which any of the properties or assets of TresCom or any of the subsidiaries of TresCom is subject, (ii) will not result in any violation of the provisions of the charter or by-laws of TresCom or any of the "significant subsidiaries" (as defined in Rule 405 of the Rules and Regulations) of TresCom and (iii) will not result in any violation of any statute or order, rule or regulation of any court or governmental agency or body having jurisdiction over TresCom, any of the subsidiaries of TresCom or any of their properties or assets; provided, however, that the Company shall not be in breach of this representation where, with respect to clauses (i) and (iii) of this paragraph, such conflicts, breaches, violations, defaults or failures to obtain any consent, approval, authorization or order to make such filing or registration would not have a material adverse effect on the consolidated financial position, stockholders' equity, results of operations, or the business of the combined entity consisting of the Company and its subsidiaries and TresCom and its subsidiaries, taken as a whole (a "Combined Material Adverse
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Effect").

(k) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest quarterly financial statements included in the Memorandum, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Memorandum; and, since such date, there has not been any change in the capital stock or long-term debt of the Company or any of the subsidiaries of the Company, or any Material Adverse Effect, or any development involving a prospective Material Adverse Effect, otherwise than as set forth or contemplated in the Memorandum.

(l) The financial statements (including the related notes and supporting schedules) included in the Memorandum present fairly the financial condition and results of operations of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved

(except that the unaudited financial statements may exclude supporting schedules and are subject to normal year-end adjustments).

(m) Deloitte & Touche LLP, who have certified certain financial statements of the Company, whose report is included in the Memorandum and who have delivered the initial letter referred to in Section 8(m) hereof, are independent public accountants as required by the Securities Act and the rules and regulations promulgated thereunder (the "Rules and Regulations") during the periods covered by the financial statements on which they reported contained in the Memorandum.

(n) Ernst & Young LLP, who have certified certain financial statements of USFI, Inc., whose report is included in the Memorandum and who have delivered the initial letter referred to in Section 8(m) hereof, are independent public accountants as required by the Securities Act and the Rules and Regulations during the periods covered by the financial statements on which they reported contained in the Memorandum.

(o) Ernst & Young LLP, who have certified certain financial statements of TresCom whose report is included in the Memorandum and who have delivered the initial letter referred to in Section 8(m) hereof, are independent public accountants as required by the Securities Act and the Rules and Regulations during the periods covered by the financial statements on which they reported contained in the Memorandum.

(p) Each of the Company and TresCom and each of the subsidiaries of the Company and TresCom owns or possesses adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, license applications and licenses ("Intellectual Property") which are necessary for the conduct of their respective businesses and has no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any Intellectual Property or related rights of others, except where (i) the failure to own or possess adequate rights to use such Intellectual Property or (ii) such conflicts, if any, would not have a Material Adverse Effect, in the case of failures or conflicts connected with the Company or its subsidiaries, or a Combined Material Adverse Effect, in the case of failures or conflicts connected with TresCom or its subsidiaries.

(q) Each of the Company and TresCom and each of the subsidiaries of the Company and TresCom has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by it, in each case free and clear of all liens, encumbrances and defects, except such liens, encumbrances or defects as are described in, or in information incorporated by reference in, the Memorandum or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company or

TresCom and each of the subsidiaries of the Company or TresCom, as applicable. All real property and buildings held under lease by the Company or TresCom and each of the subsidiaries of the Company or TresCom are held by the Company or TresCom, respectively, under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company or TresCom and each of the subsidiaries of the Company or TresCom.

(r) There are no legal or governmental proceedings pending to which the Company or TresCom or any of the subsidiaries of the Company or TresCom is a party or of which any property or asset of the Company or TresCom or any of the subsidiaries of the Company or TresCom is the subject which, if determined adversely to the Company or TresCom or any of the subsidiaries of the Company or TresCom, could reasonably be expected to have a Material Adverse Effect, in the case of proceedings involving the company or any of its subsidiaries, or a Combined Material Adverse Effect, in the case of proceedings involving TresCom or any of its subsidiaries; and to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others that are required to be disclosed in the Memorandum which are not so disclosed.

(s) No relationship, direct or indirect, exists between or among the Company, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company, on the other hand, which would be required to be disclosed in a Registration Statement filed with the Commission under the Securities Act of 1933, as amended, which is not disclosed in the Memorandum.

(t) Since the date as of which information is given in the Memorandum through the date hereof, and except as may otherwise be disclosed in, or in information incorporated by reference in, the Memorandum, the Company has not (i) issued or granted any securities, other than in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stock purchase plan, (ii) incurred any liability or obligation, direct or contingent, other than liabilities and obligations which were incurred in the ordinary course of business, (iii) entered into any transaction not in the ordinary course of business or (iv) declared or paid any dividend on capital stock.

(u) Neither the Company, or TresCom, nor any of the subsidiaries of the Company or TresCom, (i) is in violation of its charter or by-laws, (ii) is in default in any material respect, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any time period, covenant or condition contained in any material indenture, mortgage, deed of trust, loan

agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject, including, without limitation, operating agreements, except where it would not reasonably be expected to have a Material Adverse Effect, in the case of violations or defaults involving the Company and its subsidiaries, or a Combined Material Adverse Effect, in the case of violations or defaults involving TresCom and its subsidiaries, or (iii) is in violation in any material respect of any law, ordinance, governmental rule, regulation or court decree to which it or its properties or assets may be subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its properties or assets or to the conduct of its business, except where it would not reasonably be expected to have a Material Adverse Effect, in the case as violations or failures by the Company or any of its subsidiaries, or a Combined Material Adverse Effect, in the case of violations or failures by TresCom or any of its subsidiaries.

(v) Neither the Company, or TresCom, or any of the subsidiaries of the Company or TresCom, nor, to the best knowledge of the Company, any director, officer, agent, employee or other person associated with or acting on behalf of the Company or TresCom or any of the subsidiaries of the Company or TresCom, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(w) None of the Company or any subsidiary of the Company is an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amen ded, and the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder (the
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"Investment Company Act").

(x) None of the Company or any of the affiliates of the Company (each, as defined in Rule 501(b) of Regulation D under the Securities Act, an "Affiliate") has directly, or through any agent (other than the Initial
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Purchasers in connection with this Agreement), (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which is or will be integrated with the sale of the Notes in a manner that would require the registration under the Securities Act of the Notes or (ii) engaged or will engage in any form of general solicitation or general advertising in connection with the offering, including, without limitation, making offers or sales of the Notes in the United States of the Notes (as those terms are used in Regulation D under the Securities Act), or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

(y) None of the Company, the Affiliates or any person acting on its or their behalf (other than the Initial Purchasers in connection with this Agreement) has engaged or will engage in any directed selling efforts (as that term is defined in Regulation S under the Securities Act ("Regulation S")) with respect to the Notes and each of the Company and its Affiliates and any person acting on its or their behalf (other than the Initial Purchasers in connection with this Agreement) has complied and will comply with the offering restrictions requirement of Regulation S.

(z) The Company has complied and will comply with all of the provisions of Florida H.B. 1771, codified as Section 517.075 of the Florida Statutes, and all regulations promulgated thereunder relating to issuers doing business in Cuba.

(aa) To the best of the knowledge of the Company, the representations, warranties and agreements set forth in Section 3(g) of the TresCom Merger Agreement are true and correct as of the date hereof.

2. Purchase of the Notes by the Initial Purchasers (a) On the basis of the representations and warranties herein contained, and subject to the terms and conditions hereinafter set forth, the Company agrees to sell to the Initial Purchasers and the Initial Purchasers agree, severally and not jointly, to purchase from the Company, the respective principal amount of the Notes set forth in Schedule I hereto opposite their names at a purchase price of 100% of the principal amount of such Notes.

(b) The Company shall not be obligated to deliver any of the Notes, except upon payment for all of the Notes to be purchased as hereinafter provided.

3. Sale and Resale of the Notes by the Initial Purchasers and Representations and Warranties of the Initial Purchasers. (a) You have advised the Company that you propose to offer the Notes for resale upon the terms and conditions set forth in this Agreement and in the Memorandum. You hereby represent and warrant to, and agree with, the Company that you (i) are purchasing the Notes pursuant to a private sale exempt from registration under the Securities Act without the intent to distribute the Notes in violation of the Securities Act, (ii) will not solicit offers for, or offer or sell, the Notes by means of any form of general solicitation or general advertising or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and (iii) will solicit offers for the Notes only from, and will offer, sell or deliver the Notes, as part of their initial offering, only to (A) in the case of offers inside the United States, persons whom you reasonably believe to be qualified institutional buyers ("Qualified Institutional Buyers") as defined in Rule 144A under the Securities Act, as such rule may be amended from time to time ("Rule 144A") or, if any such person is buying for one or more institutional accounts for which such person is acting as fiduciary or agent, only when such person has represented to you that each such account is a Qualified Institutional Buyer, to whom notice has been given that such sale or delivery is being made in reliance on

Rule 144A, in each case, in transactions under Rule 144A, and (B) in the case of offers outside the United States, to persons other than U.S. persons (as defined in Regulation S) in accordance with Rule 903 of Regulation S.

(b) In connection with the transactions described in subsection (a)(iii)(B) of this Section 3, you have offered and sold the Notes, and will offer and sell the Notes, (i) as part of your distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "Restricted Period"), only in accordance with Rule 903 of Regulation S. Accordingly, the Initial Purchasers represent and agree that, with respect to the transactions described in subsection (a)(iii)(B) of this Section 3, neither they, nor any of their Affiliates, nor any person acting on their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and that they have complied and will comply with the offering restrictions of Regulation S. They agree that, at or prior to the confirmation of sale of the Notes pursuant to subsection (a)(iii)(B) of this Section 3, they shall have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from the Initial Purchasers during the Restricted Period, a confirmation or notice to substantially the following effect:

> The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of U.S. Persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the time of delivery of the Notes, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. The terms used above have the meaning given to them by Regulation S.

(c) (i) You have not offered or sold and will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers or Securities Regulations 1996 (the "Regulations"); (ii) you have complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by you in relation to the Notes in, from or otherwise involving the United Kingdom; and (iii) you have only issued or passed on and will only issue or pass on in the United Kingdom any document received by you in connection with the issuance of the Notes to a person who is of a kind described in Section 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

4. Delivery of and Payment for the Notes. (a) Payment of the purchase price for, and delivery of, the Notes shall be made at the offices of Shearman & Sterling, New York, New York or at such other place as shall be agreed upon by the Company and you, at 9:30 a.m.

(New York time), on May 19, 1998 or at such other time or date as you and the Company shall determine (such date and time of payment and delivery being herein called the "Closing Date").

(b) On the Closing Date, payment for the Notes shall be made in immediately available funds by wire transfer to such account as the Company shall specify prior to the Closing Date or by such means as the parties hereto shall agree prior to the Closing Date against delivery to you of the certificates evidencing the Notes. Upon delivery, the Notes shall be registered in such names and in such denominations as you shall request in writing not less than two full business days prior to the Closing Date. The certificates evidencing the Notes shall be delivered to you on the Closing Date for the respective accounts of the Initial Purchasers, with any transfer taxes payable in connection with the transfer of the Notes to the Initial Purchasers duly paid, against payment of the purchase price therefor. For the purpose of expediting the checking and packaging of certificates evidencing the Notes, the Company agrees to make such certificates available for inspection not later than 2:00 P.M. on the business day prior to the Closing Date.

5. Further Agreements of the Company. The Company further agrees:

(a) To furnish to you, without charge, during the period referred to in paragraph (c) below, as many copies of the Memorandum and any supplements and amendments thereto as you may reasonably request.

(b) Prior to making any amendment or supplement to the Memorandum, the Company shall furnish a draft copy thereof to the Initial Purchasers and counsel to the Initial Purchasers and will not effect any such amendment or supplement to which the Initial Purchasers shall reasonably object by notice to the Company after a reasonable period of review, which shall not in any case be longer than [two] business days after receipt of such draft copy.

(c) If, at any time prior to completion of the distribution of the Notes by you to purchasers, any event shall occur or condition exist as a result of which it is necessary, in the opinion of counsel for you or counsel for the Company, to amend or supplement the Memorandum in order that the Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances existing at the time it is delivered to a purchaser, or if it is necessary to amend or supplement the Memorandum to comply with applicable law, to promptly prepare such amendment or supplement as may be necessary to correct such untrue statement or omission or so that the Memorandum, as so amended or supplemented, will comply with applicable law and to furnish you such number of copies as you may reasonably request.

(d) So long as the Notes are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to furnish to holders of the Notes and prospective purchasers of Notes designated by such holders, upon request of such holders or such prospective purchasers, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(e) For a period of five years following the date of the Memorandum to furnish to the Initial Purchasers copies of all public reports and all reports and financial statements furnished by the Company to the principal national securities exchange upon which the Notes may be listed pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder.

(f) Promptly from time to time to take such action as the Initial Purchasers may reasonably request to qualify the Notes for offering and sale under the securities laws of such jurisdictions as the Initial Purchasers may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Notes; provided, however, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those suits arising out of the offering or sale of the Notes, in any jurisdiction where it is not now so subject. In each jurisdiction in which the Notes have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement. The Company will also supply the Initial Purchasers with such information as is necessary for the determination of the legality of the Notes for investment under the laws of such jurisdictions as the Initial Purchasers may reasonably request.

(g) Not to offer, sell, contract to sell or otherwise dispose of any additional securities of the Company substantially similar to the Notes (but not including the Exchange Notes (as defined in the Registration Rights Agreement)) or any securities convertible into or exchangeable for or that represent the right to receive any such similar securities, other than either the Notes to be sold hereunder or securities issued upon conversion, exchange or exercise of securities outstanding on the date of this Agreement, without the consent of Lehman Brothers (which consent will not be unreasonably withheld) during the period beginning from the date of this Agreement and continuing for 180 days following the Closing Date.

(h) To use its best efforts to permit the Notes to be designated Private Offerings, Resales and Trading through Automated Linkages Market ("PORTAL") securities in accordance with the rules and regulations adopted by the National Association of Securities Dealers, Inc. relating to trading in the PORTAL Market and to permit the Notes to be eligible for clearance and settlement through The Depository Trust Company ("DTC").

(i) Except following the effectiveness of the Registration Statement (as defined in the Registration Rights Agreement), not to, and will cause its respective Affiliates not to, solicit any offer to buy or offer to sell the Notes by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

(j) Not to, and will cause its respective Affiliates not to, sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) in a transaction that could be integrated with the sale of the Notes in a manner that would require the registration under the Securities Act of the Notes.

(k) To use reasonable best efforts to ensure that none of the Company or any subsidiary of the Company shall become an "investment company" within the meaning of such term under the Investment Company Act.

(l) None of the Company, the Affiliates of the Company or any person acting on its or their behalf (other than the Initial Purchasers in connection with this Agreement) will engage in any directed selling efforts (as that term is defined in Regulation S) with respect to the Notes, and each of the Company and the Affiliates of the Company and each person acting on its or their behalf (other than the Initial Purchasers in connection with this Agreement) will comply with the offering restrictions of Regulation S.

6. Offering of Notes; Restrictions on Transfer. (a) Each Initial Purchaser, severally and not jointly, represents and warrants that such Initial Purchaser is a Qualified Institutional Buyer. Each Initial Purchaser, severally and not jointly, agrees with the Company that (i) it will not solicit offers for, or offer to sell, such Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and (ii) it will solicit offers for such Notes only from, and will offer such Notes only to, persons that it reasonably believes to be (A) in the case of offers inside the United States, Qualified Institutional Buyers, and (B) in the case of offers outside the United States, persons other than U.S. persons ("foreign purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) that, in each case, in purchasing such Notes are deemed to have

represented and agreed as provided in the Memorandum in the section entitled "Notice to Investors."

(b) Each Initial Purchaser, severally and not jointly, represents, warrants and agrees with respect to offers and sales outside the United States that:

(i) it understands that no action has been or will be taken in any jurisdiction by the Company that would permit a public offering of the Notes, or possession or distribution of either the Preliminary Memorandum or the Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required;

(ii) such Initial Purchaser will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes either the Preliminary Memorandum or the Memorandum or any such other material, in all cases at its own expense;

(iii) the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act;

(iv) such Initial Purchaser has offered the Notes and will offer and sell the Notes (A) as part of their distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, only in accordance with Rule 903 of Regulation S or another exemption from the registration requirements of the Securities Act. Accordingly, neither such Initial Purchaser, its Affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and any such Initial Purchaser, its Affiliates and any such persons has complied and will comply with the requirements of Regulation S;

(v) such Initial Purchaser has (A) not offered or sold and will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Regulations; (B) complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (C) only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of the Notes to a person who is of a kind described in

Section 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on; and

(vi) such Initial Purchaser has not and will solicit offers for, or offer or sell, the Notes by means of any form of general solicitation or general advertising (as those terms are defined in Regulation D) including, without limitation, by any form of electronic media.

Terms used in this Section 6 have the meanings given to them by Regulation S.

7. Expenses. The Company agrees to pay all expenses incident to the performance of its obligations under this Agreement, including: (i) the costs incident to the authorization, issuance, sale and delivery of the Notes and any taxes payable in that connection; (ii) the costs incident to the preparation of the Memorandum and any amendments or supplements thereto; (iii) the fees and disbursements of the Company's counsel and accountants and the Trustee and its counsel; (iv) the qualification of such Notes under securities or Blue Sky laws, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection therewith and in connection with the preparation of any Blue Sky or legal investment memoranda; (v) the printing and delivery to the Initial Purchasers in quantities as herein above stated of copies of the Memorandum and any amendments or supplements thereto; (vi) the fees and expenses, if any, incurred in connection with the admission of such Notes for trading in PORTAL or any other appropriate market system; and (vii) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section 7; provided, however, that, except as provided in this Section 7 and Section 12, the Initial Purchasers shall pay their own costs and expenses, including without limitation the costs and expenses of their counsel, and any costs incident to the performance of their obligations hereunder for which provision is not otherwise made, and any transfer taxes on the Notes which they may sell.

8. Conditions to the Initial Purchasers' Obligations. The obligations of the Initial Purchasers hereunder are subject to the accuracy, when made and on the Closing Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its respective obligations hereunder, and to each of the following additional terms and conditions:

(a) The Initial Purchasers shall not have discovered and disclosed to the Company on or prior to the Closing Date that the Memorandum or any amendment or supplement thereto contains any untrue statement of a fact which, in the opinion of Shearman & Sterling, counsel for the Initial Purchasers, is material or omits to state any fact which, in the opinion of such counsel, is material and is required to be stated therein

or is necessary to make the statements therein in light of the circumstances in which they were made not misleading.

(b) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Registration Rights Agreement, the Indenture, the Notes, the Memorandum and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be satisfactory in all respects to counsel for the Initial Purchasers, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(c) Pepper Hamilton LLP shall have furnished to the Initial Purchasers its written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers, to the effect set forth in Exhibit A hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(d) Swidler & Berlin, Chartered shall have furnished to the Initial Purchasers its written opinion, as special U.S. telecommunications counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, to the effect set forth in Exhibit B hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(e) Rakisons Solicitors shall have furnished to the Initial Purchasers its written opinion, as British regulatory counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, to the effect set forth in Exhibit C hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(f) Rawling & Company Solicitors shall have furnished to the Initial Purchasers its written opinion, as Australian regulatory counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, to the effect set forth in Exhibit D hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(g) Bruckhaus Westrick Heller Lober shall have furnished to the Initial Purchasers its written opinion, as German regulatory counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, to the effect set forth in Exhibit H hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(h) Nagashima & Ohno shall have furnished to the Initial Purchasers its written opinion, as Japanese regulatory counsel to the Company, addressed to the Initial

Purchasers and dated the Closing Date, to the effect set forth in Exhibit J hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(i) The General Counsel of TresCom shall have furnished to the Initial Purchasers its written opinion, as counsel to TresCom, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers, to the effect set forth in Exhibit I hereto and to such further effect as counsel to the Initial Purchasers may reasonably request.

(j) Osler, Hoskin & Harcourt shall have furnished to the Representatives its written opinion, as special Canadian telecommunications regulatory counsel for the Company, addressed to the Initial Purchasers and dated such Delivery Date, in the form attached hereto as Exhibit E.

(k) Goodman, Phillips & Vineberg shall have furnished to the Representatives its written opinion, as special Canadian counsel for the Company, addressed to the Initial Purchasers and dated such Delivery Date, in the form attached hereto as Exhibit F.

(l) You shall have received on the date hereof and the Closing Date a letter, dated the date hereof and the Closing Date, as the case may be, in form and substance reasonably satisfactory to you, from Deloitte & Touche LLP, independent public accountants to the Company, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information, including the financial information contained or incorporated by reference in the Memorandum as identified by you.

(m) You shall have received on the date hereof and the Closing Date two letters, dated the date hereof and the Closing Date, as the case may be, in form and substance reasonably satisfactory to you, from Ernst & Young LLP, independent public accountants to TresCom and USFI, Inc., containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information, including the financial information contained or incorporated by reference in the Memorandum as identified by you.

(n) The Company shall have furnished to the Initial Purchasers a certificate, dated the Closing Date, of the President or a Vice President and the Treasurer or Chief Financial Officer of the Company stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct as of the Closing Date and the Company has complied with all its agreements contained herein;

(ii) (A) None of the Company or any of the subsidiaries of the Company has sustained, since the date of the latest quarterly financial statements included in the Memorandum, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Memorandum or (B) since such date there has not been any change in the capital stock or long-term debt of the Company or any of the subsidiaries of the Company or any Material Adverse Effect, or any development involving a prospective Material Adverse Effect, otherwise than as set forth or contemplated in the Memorandum; and

(iii) They have carefully examined the Memorandum and, in their opinion (A) the Memorandum, as of its date, did not include any untrue statement of a material fact and did not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (B) since the date of the Memorandum, no event has occurred which was required under the Securities Act to have been set forth in a supplement or amendment to the Memorandum.

(o) (i) None of the Company or any of the subsidiaries of the Company shall have sustained, since the date of the latest audited financial statements included in the Memorandum, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Memorandum or (ii) since such date there shall not have been any change in the capital stock or long-term debt of the Company or any of the subsidiaries of the Company or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and the subsidiaries of the Company taken as a whole, otherwise than as set forth or contemplated in the Memorandum, the effect of which, in any such case described in clause (i) or (ii), is, in the judgment of the Initial Purchasers, so material and adverse as to make it impracticable or inadvisable to proceed with the offering or the delivery of the Notes on the terms and in the manner contemplated in the Memorandum.

(p) The Initial Purchasers shall have received on the Closing Date the Registration Rights Agreement executed by the Company.

(q) The Initial Purchasers shall have received from Shearman & Sterling, counsel to the Initial Purchasers, such opinion or opinions, dated the Closing Date, with respect to such matters as the Initial Purchasers may reasonably require, and the Company

shall have furnished to such counsel such documents and information as they may reasonably request for the purpose of enabling them to pass upon such matters.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

9. Indemnification and Contribution. (a) The Company and Primus Telecommunications, Inc., a Delaware corporation, and Primus Telecommunications (Australia) Pty. Ltd., a company organized under the laws of Australia (collectively, the "Principal Subsidiaries"), jointly and severally, shall indemnify and hold harmless each Initial Purchaser, its officers and directors and each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which such Initial Purchaser, officer, director or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) the Preliminary Memorandum, the Memorandum or in any amendment or supplement thereto or (B) any blue sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application"), (ii) the omission or alleged
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omission to state in the Preliminary Memorandum, the Memorandum or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading or (iii) any act or failure to act, or any alleged act or failure to act, by any Initial Purchaser in connection with, or relating in any manner to, the Notes or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Company and the Principal Subsidiaries shall not be liable in the case of any matter covered by this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such act or failure to act undertaken or omitted to be taken by such Initial Purchaser through its gross negligence or wilful misconduct), and shall reimburse each Initial Purchaser and each such officer, director or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Initial Purchaser, officer, director or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred upon written submission to the Company of documentation evidencing such incurrence; provided, however, that the Company and the Principal Subsidiaries shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue

statement or omission or alleged omission made in the Preliminary Memorandum, the Memorandum or in any such amendment or supplement, or in any Blue Sky Application in reliance upon and in conformity with the written information concerning such Initial Purchaser furnished to the Company by or on behalf of any Initial Purchaser specifically for inclusion therein; provided further that as to the Preliminary Memorandum, this indemnity agreement shall not inure to the benefit of any Initial Purchaser or any officer, director or controlling person of that Initial Purchaser on account of any loss, claim, damage, liability or action arising from the sale of Notes to any person by such Initial Purchaser if (i) such Initial Purchaser failed to send or give a copy of the Memorandum, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in the Preliminary Memorandum was corrected in the Memorandum or a supplement or amendment thereto, as the case may be, unless in each case, such failure resulted from noncompliance by the Company with Section 5(c). The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Initial Purchaser or to any officer, director or controlling person of that Initial Purchaser.

(b) Each Initial Purchaser, severally and not jointly, shall indemnify and hold harmless the Company, its directors and officers, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) the Preliminary Memorandum, the Memorandum or in any amendment or supplement thereto or (B) any Blue Sky Application or (ii) the omission or alleged omission to state in the Preliminary Memorandum, the Memorandum or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, but in the case of clauses (i) and (ii) only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the written information concerning such Initial Purchaser furnished to the Company or the Trustee by or on behalf of that Initial Purchaser specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Initial Purchaser may otherwise have to the Company or any such director, officer or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 9 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in

respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 9 except to the extent the indemnifying party has been materially prejudiced by such failure and provided further that the failure to notify the indemnifying party shall not affect any liability which it may have to an indemnified party otherwise than under this Section 9. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 9 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ separate counsel to represent jointly the indemnified party and its respective directors, officers and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 9 if such indemnified party shall have been advised in writing that the representation of such indemnified party and those directors, officers, and controlling persons by the same counsel would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them, and in that event the fees and expenses of such separate counsel shall be paid by the indemnifying party. It is understood that the indemnifying party shall not be liable for the fees and expenses of more than one separate firm (in addition to local counsel in each jurisdiction) for all indemnified parties in connection with any proceeding or related proceedings. Each indemnified party, as a condition of the indemnity agreements contained in Sections 9(a) and 9(b), shall use its best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment in favor of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss of liability by reason of such settlement or judgment in accordance with this Section 9.

(d) If the indemnification provided for in this Section 9 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 9(a) or 9(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company and the Principal Subsidiaries, on the one hand, and the Initial Purchasers, on the other hand, from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Principal Subsidiaries, on the one hand, and the Initial Purchasers, on the other hand, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Principal Subsidiaries, on the one hand, and the Initial Purchasers, on the other hand, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes purchased under this Agreement (before deducting expenses) received by the Company, on the one hand, and the total underwriting commissions and discounts received by the Initial Purchasers with respect to the Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Notes under this Agreement, in each case as set forth in the table on the cover page of the Memorandum. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Principal Subsidiaries, on the one hand, or the Initial Purchasers, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. Each of the Company and the Principal Subsidiaries and the Initial Purchasers agrees that it would not be just and equitable if contribution pursuant to this Section 9(d) were to be determined by pro rata allocation (even if either the Initial Purchasers or the Company and the Principal Subsidiaries, as the case may be, were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 9(d) shall be deemed to include, subject to limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9(d), no Initial Purchaser shall be required to indemnify or contribute any amount in excess of the amount by which the proceeds received by the Initial Purchasers from an offering of the Notes exceeds the amount of any damages which such Initial Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The

remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity. The Initial Purchasers' obligations to contribute as provided in this Section 9(d) are several in proportion to their respective underwriting obligations and not joint.

(e) Each of the Initial Purchasers confirms and the Company acknowledges that (1) the last paragraph on the cover page, (2) the stabilization legend on page (ii), and (3) the fifth paragraph, the sixth paragraph, the sixth sentence of the ninth paragraph and the first sentence of the tenth paragraph under the caption "Plan of Distribution" constitute the only information concerning the Initial Purchasers furnished in writing to the Company by or on behalf of the Initial Purchasers specifically for inclusion in the Memorandum.

10. Default by Any Initial Purchaser. If, on the Closing Date, any Initial Purchaser or Initial Purchasers shall fail or refuse to purchase Notes which it or they have agreed to purchase hereunder on such date and the aggregate principal amount of Notes with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Notes to be purchased on such date and arrangements satisfactory to the Initial Purchasers and the Company for the purchase of such Notes are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser or of the Company. In any such case, either you, on the one hand, or the Company, on the other hand, shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Memorandum or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

11. Termination. The obligations of the Initial Purchasers hereunder may be terminated by them by notice given to and received by the Company prior to delivery of and payment for the Notes if, prior to that time, (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market shall have been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or New York State authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Initial Purchasers, impracticable or inadvisable to proceed with the offering or delivery of the Notes on the terms and in the manner contemplated in the Memorandum.

12. Reimbursement of Initial Purchaser's Expenses. If the sale of Notes provided for herein is not consummated because any condition to the obligations of the Initial Purchasers set forth in Section 8 hereof is not satisfied, because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof other than by reason of a default by the Initial Purchasers, the Company shall reimburse the Initial Purchasers for the reasonable fees and expenses of its counsel and for such other out-of-pocket expenses as shall have been incurred by them in connection with this Agreement and the proposed purchase of the Notes, and upon demand the Company shall pay the full amount thereof to the Initial Purchasers. If this Agreement is terminated pursuant to Section 10 by reason of the default of any of the Initial Purchasers, the Company shall not be obligated to reimburse any Initial Purchaser on account of those expenses.

13. Notices, Etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Initial Purchasers, shall be delivered or sent by mail or facsimile transmission to:

Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285
Attention: Syndicate Department
(Fax: 212-528-6395); and

(b) if to the Company or to the Principal Subsidiaries, shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Memorandum, Attention: Chairman and Chief Executive Officer (Fax: (703) 902-2814).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

14. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Company, and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (x) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the officers and directors of the Initial Purchasers and the person or persons, if any, who control the Initial Purchasers within the meaning of Section 15 of the Securities Act and (y) the representations, warranties, indemnities and agreements of the Initial Purchasers contained in this Agreement shall be deemed to be for the benefit of directors and officers of the Company and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to

in this Section 14, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

15. Survival. The respective indemnities, representations, warranties and agreements of the Company, on the one hand, and the Initial Purchasers, on the other hand, contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

16. Definition of the Term "Business Day." For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange, Inc. is open for trading.

17. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

18. Consent to Jurisdiction. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Primus Telecommunications (Australia) Pty. Ltd. hereby irrevocably appoints CT Corporation System, which currently maintains a New York City office at 1633 Broadway, New York, New York 10019, United States of America, as its agent to receive service of process or other legal summons for purposes of any such action or proceeding that may be instituted in any state or federal court in the City and State of New York.

19. Waiver of Immunity. With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified

Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

20. Counterparts and Facsimile Signatures. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument. This Agreement may be executed by facsimile signature which for all purposes shall be deemed to be an original signature.

21. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company, the Principal Subsidiaries and the Initial Purchasers, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: /s/ K. Paul Singh

Name: K. Paul Singh
Title: President & Chief Executive Officer

PRIMUS TELECOMMUNICATIONS, INCORPORATED

Accepted, May 14, 1998

Lehman Brothers Inc.

By: /s/ K. Paul Singh

Name: K. Paul Singh
Title: President & Chief Executive Officer

Acting severally on behalf of itself and the other initial purchasers named in schedule i hereto.

Primus Telecommunications (AUSTRALIA) Pty. Ltd.

By: /s/ K. Paul Singh

Name: K. Paul Singh
Title: President & Chief Executive Officer

By: Lehman Brothers Inc.

By: /s/ Laurence M. Band

AUTHORIZED REPRESENTATIVE

SCHEDULE I

Initial Purchaser	Principal Amount of Notes To Be Purchased
Lehman Brothers Inc.	$ 90,000,000
BT Alex. Brown	30,000,000
Donaldson Lufkin & Jenrette Securities Corporation	30,000,000
Total	$150,000,000

EXHIBIT A

[LETTERHEAD OF PEPPER HAMILTON LLP]

May ___, 1998

Lehman Brothers Inc.
as Representative of the Initial Purchasers
named in Schedule 1 to the Purchase Agreement
referred to below
Three World Financial Center
New York, New York 10285

Re: Primus Telecommunications Group, Incorporated

Ladies and Gentlemen:

Based upon the foregoing assumptions, and subject to the qualifications set forth below, we are of the opinion that:

(i) The Company and each of its U.S. subsidiaries have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, are duly qualified to do business and are in good standing as foreign corporations in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification (except where the failure to so qualify, singly or in the aggregate, would not have a material adverse effect on the consolidated financial position, stockholders' equity, results of operations or business of the Company and its subsidiaries taken as a whole), and have all power and authority necessary to own or hold their respective properties and conduct the businesses in which they are engaged.

(ii) The Company has an authorized capitalization as set forth in the Memorandum, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable; and all of the issued shares of capital stock of each U.S. subsidiary of the Company have been duly and validly authorized and issued and are fully paid, non-assessable and (except for directors' qualifying shares and except as set forth in the Memorandum) are owned of record and, to the best of our knowledge, beneficially directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(iii) To the best of our knowledge, there are no legal or governmental proceedings pending to which the Company or any of the subsidiaries of the Company is a party or of which any property or assets of the Company or any of the subsidiaries of the Company is the subject

which, if determined adversely to the Company or any of its subsidiaries, might have a material adverse effect on the consolidated financial position, stockholders' equity, results of operations or business of the Company and the subsidiaries of the Company or on the ability of the Company to perform its obligations under the Purchase Agreement, the Indenture, the Registration Rights Agreement or the Notes; and, to the best of our knowledge, no such proceedings are threatened by governmental authorities or others.

(iv) To the best of our knowledge, there are no contracts or other documents which would be required to be described in the Memorandum by the Securities Act or by the Rules and Regulations, if the Memorandum were a Registration Statement on Form S-1, which have not been described in the Memorandum.

(v) To the best of our knowledge, there are no statutes or regulations that would be required to be described in the Memorandum, if the Memorandum, were a Registration Statement on Form S-1, that are not described as required.

(vi) The Purchase Agreement and the TresCom Merger Agreement have been duly authorized, executed and delivered by the Company and PTI.

(vii) The execution and delivery of the Notes have been duly authorized by all necessary corporate action of the Company, and the Notes, when executed and authenticated in accordance with the provisions of the Indenture and paid for in accordance with the Purchase Agreement, will (x) constitute valid, binding and enforceable obligations of the Company, enforceable in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, liquidation or similar laws affecting the rights and remedies of creditors and other obligees generally and except as may be subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (y) be entitled to the benefits of the Indenture.

(viii) The Registration Rights Agreement has been duly authorized, executed and delivered by the Company and PTI and constitutes a valid and binding agreement of the Company and PTI, enforceable against the Company and PTI in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, liquidation, moratorium or other similar laws affecting the rights and remedies of creditors and other obligees generally and except as may be subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), and except as rights to indemnity and contribution thereunder may be limited by applicable law and public policy.

(ix) The Indenture has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the Trustee,

constitutes a valid and legally binding agreement of the Company enforceable in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, liquidation or other similar laws affecting the rights and remedies of creditors and other obligees generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(x) The issue and sale of the Notes being delivered on the Closing Date by the Company, the compliance by the Company with all of the provisions of the Purchase Agreement, the Registration Rights Agreement and the Indenture and the consummation of the transactions contemplated hereby and thereby, will not result in a material breach or violation of any of the terms or provisions of, or constitute a default under, (i) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of the subsidiaries of the Company is a party or by which the Company or any of the subsidiaries of the Company is bound or to which any of the property or assets of the Company or any of the subsidiaries of the Company is subject (the "Material Agreements"), which breach or default, as the case may be, is reasonably likely to have a Material Adverse Effect, (ii) nor will such actions result in any violation of the provisions of (A) the charter or by-laws of the Company or any of the subsidiaries of the Company or (B) to the best of our knowledge, any statute or any order, rule or regulation known to us of any court or governmental agency or body of the United States or the State of New York, or established pursuant to the Delaware General Corporation Law, having jurisdiction over the Company or any of the subsidiaries of the Company or any of their respective properties or assets. Except for such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Notes by the Initial Purchasers, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of the Indenture by the Company and the consummation by the Company of the transactions contemplated hereby.

(xi) The statements contained in the Memorandum under the captions "Certain Transactions," "Management - Employment Agreements," "Management - Stock Plans" and "Certain Federal Income Tax Considerations," insofar as they describe statutes, regulations, legal or governmental proceedings, contracts or other documents referred to therein are accurate and fairly summarize, in each case in all material respects, the information called for with respect to such documents and matters and, insofar as such statements constitute matters of law or legal conclusions, have been reviewed by us and fairly present the information disclosed therein in all material respects.

(xii) The statements contained in the Memorandum under the caption "Description of Notes," insofar as they purport to describe certain of the terms of the documents referred to therein, fairly summarize such terms of such documents in all material respects.

(xiii) Based upon the representations, warranties, and agreements of the Company in Sections 1(v), 1(w), 5(h), 5(i), 5(j) and 5(l) of the Purchase Agreement and of the Initial Purchasers in Sections 3 and 6 of the Purchase Agreement, it is not necessary in connection with the offer, sale and delivery of the Notes to the Initial Purchasers under the Purchase Agreement, or in connection with the initial resale of such Notes by the Initial Purchasers in accordance with Section 6 of the Purchase Agreement, to register the Notes under the Securities Act of 1933, it being understood that no opinion is expressed as to any subsequent resale of any security.

EXHIBIT B

[LETTERHEAD OF SWIDLER & BERLIN, CHARTERED]

May__, 1998

Lehman Brothers Inc.
as Representative of the Initial Purchasers
named in Schedule 1 to the Purchase Agreement
referred to below
Three World Financial Center
New York, New York 10285

Ladies and Gentlemen:

Based upon and limited to such examination and subject to the assumptions and qualifications set forth in this letter, it is our opinion as of the date hereof that:

(i) (A) The execution and delivery of the Purchase Agreement by the Company and the issue and sale of the Notes contemplated thereby do not violate (1) the Communications Act, (2) any rules or regulations of the FCC applicable to the Company and/or to PTI, (3) any State Telecommunications Laws applicable to the Company and/or to PTI, and (4) to the best of our knowledge, any decree from any court, and (B) no authorization of or filing with the FCC or any State Regulatory Agency is necessary for the execution and delivery of the Purchase Agreement by the Company and the issue and sale of the Notes contemplated thereby in accordance with the terms thereof;

(ii) PTI is a nondominant carrier authorized by the FCC to provide domestic interstate interexchange telecommunications services pursuant to 47 C.F.R. (S) 63.07(a) (1996) without any further order, license, permit or other authorization by the FCC. PTI has been granted Section 214 authority by the FCC to provide international message telecommunications services and private line services through the resale of international switched voice and private line services and/or by using its own facilities and has on file with the FCC tariffs applicable to its domestic interstate and international services;

(iii) PTI is certified, registered or otherwise authorized, or is not required to obtain authority to resell intrastate interexchange telecommunications services in all U.S. states except Hawaii and Alaska. PTI has a tariff on file in each of the states in which a tariff is required to be filed;

(iv) (A) PTI (1) to the best of our knowledge has made all reports and filings, and paid all fees, required by the FCC and the State Regulatory Agencies except for those reports and filings the failure to file of which, and those fees the failure to pay of which, would not have a

material adverse effect on the financial condition, the earnings, business or operations of PTI; and (2) based on our understanding of PTI's operations from the Certificate, has all certificates, orders, permits, licenses, authorizations, consents and approvals of and from (the "Authorizations"), and has made all filings and registrations with, the FCC and the State Regulatory Agencies necessary to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Memorandum except for those Authorizations the failure to obtain of which, and those filings and registrations the failure to file of which, would not have a material adverse effect on the financial condition, or the earnings, business or operations of PTI; and (B) to the best of our knowledge, PTI has not received any notice of proceedings relating to the revocation or modification of any such certificates, orders, permits, licenses, authorizations, consents or approvals, or the qualification or rejection of any such filing or registration, the effect of which, singly or in the aggregate, would have a material adverse effect on the financial condition, the earnings, business or operations of the Company and its subsidiaries taken as a whole;

(v) Based on our understanding of PTI's operations from the Certificate, neither the Company nor PTI is in violation of, or in default under the Communications Act or State Telecommunications Laws, the effect of which, singly or in the aggregate, would have a material adverse effect on the financial condition, the earnings, business or operations of the Company and its subsidiaries taken as a whole;

(vi) To the best of our knowledge (A) as of the date hereof, no decree or order of the FCC or any State Regulatory Agency is outstanding against the Company or any of its subsidiaries and (B) except as set forth in the Certificate, no litigation, proceeding, inquiry or investigation has been commenced or threatened and no notice of violation or order to show cause has been issued, against the Company or any of its subsidiaries before or by the FCC or any State Regulatory Agency; and

(vii) The statements in the Memorandum under the captions "Risk Factors -Potential Adverse Effects of Regulation - United States" and "Business - - Government Regulation - United States," insofar as such statements constitute a summary of the legal matters, documents or proceedings of the FCC and State Regulatory Agencies with respect to telecommunications regulation referred to therein, are accurate in all material respects and fairly summarize all such matters referred to therein.

The opinions expressed in this letter are subject in all respects to the following qualifications: (1) this opinion speaks only to the transactions that are being consummated on the date hereof and does not address any transaction that may take place after the Closing Date; (2) any action that would transfer de facto or de jure legal control of PTI is subject to the
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requirement for prior approval from the FCC and/or State Regulatory Agencies; (3) no opinion is rendered as to matters not specifically referred to herein or to events which have not yet occurred and under no circumstances are you to infer from anything stated or not stated herein any opinion

with respect to such matters; and (4) all opinions expressed in this letter are limited solely to the effect of the Communications Act and State Telecommunications Laws on the telecommunications business of the Company and PTI and we express no opinion as to the effect of any other federal or state statute or equitable doctrine or common law or of the regulations of any other agency or administrative body.

Other than as expressly stated in paragraphs one (i) through seven (vii), no opinion is rendered as to the compliance of PTI in the past or in the future with any or all conditions or other requirements of the FCC and the State Regulatory Agencies contained in the orders, if any, authorizing the operations of the Company or PTI or otherwise imposed by statute, rule, regulation or policy, and we assume no obligation to ensure that the Company or PTI comply with such conditions or requirements. We are admitted to the District of Columbia Bar and, with respect to any matters concerning the law of the States, we draw your attention to the fact that the members of the firm involved in the preparation of this opinion letter, although generally familiar with the telecommunications laws of the States, are not admitted to the Bars of the States and are not experts in the laws of those jurisdictions.

EXHIBIT C

[LETTERHEAD OF RAKISONS SOLICITORS]

May ___, 1998

Lehman Brothers Inc.
as Representative of the Initial Purchasers
named in Schedule 1 to the Purchase Agreement
referred to below
Three World Financial Center
New York, New York 10285

RE: PRIMUS TELECOMMUNICATIONS, INC. ("PRIMUS") - OPINION LETTER

(a) PTL has been duly incorporated and is validly existing as a private limited company under the laws of England and Wales and has the corporate power and authority under such laws to own its property.

(b) PTL has all necessary approvals, being:

(i) a license issued by or on behalf of the Secretary of State for Trade and Industry (the "SECRETARY OF STATE") dated [ ] 1998 issued under Section 7 of the Telecommunications 1984 Act ("1984 ACT") relating to the provision of international simple voice resale services (the "ISVR LICENSE"); and

(ii) a license issued by or on behalf of the Secretary of State dated [ ] 1998 issued under Section 7 of the 1984 Act relating to the provision of international facilities-based services (the "IFL LICENSE"),

to conduct its business in the United Kingdom in the manner described in the Final Memorandum and no other licenses, designations, and/or specifications are required from any other governmental entity in the United Kingdom for PTL to conduct its business in the United Kingdom in the manner described in the Final Memorandum;

(c) to the best of our knowledge and belief, each of the ISVR License and IFL License are in full force and effect and there is no pending or existing notice of proceedings relating to revocation or modification of either the ISVR License or the IFL License which would have a material adverse effect on PTL;

(d) to the best of our knowledge and belief, PTL is not in violation of or in default of any provision of the 1984 Act or any regulation or order made under that Act;

(e) to the best of our knowledge and belief PTL has not been issued with any notification by the Commission of the European Communities informing it that it is in breach of any applicable provision of European law as established under the Treaty of Rome as it relates to the provision of telecommunications services; and

(f) insofar as the statements in the Final Memorandum relate to the United Kingdom, namely those under the captions "Risk Factors - Potential Adverse Effects of Regulation"; "Business - Network" and "Business - Government Regulation," and insofar as they constitute summaries of matters, documents or proceedings which are the subject of the laws of England and Wales, they are accurate in all material respects and fairly summarize such matters, documents or proceedings.

EXHIBIT D

[LETTERHEAD OF RAWLING & COMPANY]

May__, 1998

Lehman Brothers Inc.
as Representative of the Initial Purchasers
named in Schedule 1 to the Purchase Agreement
referred to below
Three World Financial Center
New York, New York 10285

Ladies and Gentlemen:

Based upon our investigations and (in relation to paragraphs 3 and 5) our opinion of the laws of Australia, we are able to say:

1. PRIMUS TELECOMMUNICATIONS (AUSTRALIA) PTY., LTD.
ACN 061 754 943

1.1 Primus Aust is a wholly-owned subsidiary of Primus Telecommunications International, Inc. ("Primus International").

1.2 We are instructed that Primus Aust conducts the business of providing local, domestic and international long distance, mobile, voice, data, facsimile, enhanced facsimile, calling card, debit card and prepaid card, and ISDN carriage telecommunications services to business and residential customers through direct sales force, dealerships, agents, resellers, associations, affinity groups, direct marketing and others and providing voicemail equipment to carriers, in Australia and that Primus Aust only does business in Australia.

2. PRIMUS TELECOMMUNICATIONS PTY. LTD. ACN 071 191 396

2.1 Primus Tel is a wholly-owned subsidiary of Primus.

2.2 We are instructed that Primus Tel conducts the business of providing domestic and international long distance, voice, data, facsimile, enhanced facsimile, calling card, debit card and prepaid card carriage telecommunications services to businesses and residential customers through direct sales force, dealerships, agents, resellers, associations, affinity groups, direct marketing and others and providing voicemail equipment to carriers, in Australia and that Primus Tel only does business in Australia.

3. ECLIPSE TELECOMMUNICATIONS, PTY. LTD ACN 069 554 383

3.1 Eclipse is wholly-owned subsidiary of Primus International.

3.2 We are instructed that Eclipse conducts the business of providing domestic and international data telecommunications services to business customers, in Australia and that Eclipse only does business in Australia.

4. HOTKEY INTERNET SERVICES PTY. LTD. ACN 075 759 821

4.1 Hotkey is a subsidiary of Primus International, owning 1,725,000 ordinary shares (or 60%) out of a total of 2,875,000 issued ordinary shares.

4.2 We are instructed that Hotkey conducts the business of providing internet services to business and residential customers in Australia and that Hotkey only does business in Australia.

5. INCORPORATION, STANDING AND POWER & AUTHORITY

5.1 Each of Primus Aust, Primus Tel, Eclipse and Hotkey:

(a) has been duly incorporated; and

(b) is validly existing as a corporation in good standing under the laws of, in the case of Primus Aust and Hotkey, Victoria and, in the case of Primus Tel and Eclipse, New South Wales; and

(c) has all necessary power and authority to own or hold its properties and conduct the business in which it is engaged in Australia.

5.2 The Purchase Agreement has been duly authorized, executed and delivered by Primus Aust.

6. AUTHORIZATIONS TO CONDUCT BUSINESS AND COMPLIANCE WITH LAWS

Each of Primus Aust, Primus Tel, Eclipse and Hotkey:

(a) has all necessary certificates, orders, permits, licenses, authorizations, consents and approvals of and from and has made all declarations and filings with, all Australian governmental authorities, all self-regulatory organizations and all courts and tribunals to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Offering Memorandum;

(b) has not received any notice of proceedings relating to revocation or modification of any such certificates, orders, permits, licenses, authorizations, consents or approvals;

(c) is not in violation of, or in default under, any federal, state or local law, regulation, rule, decree, order or judgment applicable to it, the effect of which, singly or in the aggregate, would have a material adverse effect on the prospects, condition, financial or otherwise, or on the earnings, business or operations of

Primus and its subsidiaries, taken as a whole, except as described in the Offering Memorandum.

7. REGULATORY ENVIRONMENT

The statements in the Offering Memorandum under the captions:

* "Risk Factors - Potential Adverse Effects of Regulation" and
* "Business - Government Regulation"

in each case insofar as such statements constitute summaries of the Australian legal matters, documents or proceedings referred to therein, are accurate in all material respects and fairly summarize all matters referred to therein.

8. RESTRICTIONS ON REPATRIATION OF FUNDS

There are no restrictions (legal, contractual or otherwise) on the ability of Primus Aust, Primus Tel, Eclipse and Hotkey to declare and pay any dividends or on the ability of Primus Aust, Primus Tel and Eclipse to make any payment or transfer of property or assets to its stockholders other than those described in the Offering Memorandum and such restrictions as would not have a material adverse effect on the prospects, condition, financial or otherwise, or on the earnings, business or operations of Primus and its subsidiaries, taken as a whole; and such descriptions, if any, fairly summarize such restrictions.

9. LITIGATION

Each of Primus Aust, Primus Tel, Eclipse and Hotkey is not aware of any actual or pending legal proceeding in which it is a party or which is threatened against it that would be likely, if successful, to have a material adverse effect on Primus' business, financial condition or results of operations.

EXHIBIT E

[LETTERHEAD OF OSLER, HOSKIN & HARCOURT]

May __, 1998

Lehman Brothers Inc.
as Representative of the Initial Purchasers
named in Schedule 1 to the Purchase Agreement
referred to below
Three World Financial Center
New York, New York 10285

Ladies and Gentlemen:

On the basis of the foregoing, and subject to the qualifications hereinafter expressed, we are of the opinion that:

(i) The statements in the Offering Memorandum under the captions "Risk Factors -- Potential Adverse Effects of Regulation -- Canada," and "Business -- Government Regulation -- Canada", in each case insofar as such statements describe or summarize matters of law or constitute legal conclusions, fairly describe or summarize all matters referred to therein.

EXHIBIT F

[LETTERHEAD OF GOODMAN, PHILLIPS & VINEBERG]

May__, 1998

Lehman Brothers Inc.
as Representative of the Initial Purchasers
named in Schedule 1 to the Purchase Agreement
referred to below
Three World Financial Center
New York, New York 10285

Ladies and Gentlemen:

We have acted as special Canadian counsel to Primus Telecommunications Group, Incorporated, a Delaware corporation ("Primus"), in connection with the execution and delivery by Primus of the Purchase Agreement dated May __, 1998 (the "Purchase Agreement") by and among Primus and you, as representative (the "Representative") of the other Initial Purchaser listed on Schedule I attached thereto (the "Initial Purchasers"), relating to $___,000,000 aggregate principal amount of the Company's __% Senior Notes due 20__ (the "Notes"). This opinion is delivered to you pursuant to Section 8(f) of the Purchase Agreement. Capitalized terms used herein but not otherwise defined have the meanings ascribed to them in the Purchase Agreement.

In connection with this opinion, we have examined the Purchase Agreement and originals, or copies reproduced or certified to our satisfaction, of such corporate records of Primus and 336 2426 Canada Inc., doing business as Primus Telecommunications Canada ("Primus Canada") as we have deemed necessary to form the basis for the opinions hereinafter expressed. We have also made such examination of laws, of certificates of public officials, and of Primus and Primus Canada, as we have deemed necessary to enable us to render this opinion. As to matters of fact relevant to the opinions herein expressed, we have assumed the accuracy and completeness of, and have relied solely upon, the representations and warranties of Primus contained in the Purchase Agreement and in such certificates of officers of Primus and Primus Canada, and of certificates of public officials.

We have assumed (i) the due execution and delivery, pursuant to due authorization, of the Purchase Agreement by the parties thereto other than Primus, (ii) the genuineness of the signatures of, and the authority of, persons signing the Purchase Agreement on behalf of all parties other than Primus, (iii) the genuineness of all signatures and the authenticity and completeness of all records, certificates, instruments and documents submitted to us as originals, and (iv) the conformity to authentic originals of all records, certificates, instruments and documents submitted to us as certified, conformed, photostatic or facsimile copies thereof.

This opinion is limited solely to matters governed by the laws of Canada.

Based upon the foregoing assumptions, and subject to the qualifications set forth below, we are of the opinion that:

Primus Canada has been duly incorporated and is validly existing as a corporation in good standing under the laws of [_____], is duly qualified to do business and is in good standing in each jurisdiction in which its ownership or lease of property or the conduct of its respective businesses require such qualification (except where the failure to so qualify, singly or in the aggregate, would not have a material adverse effect on the financial position, stockholders' equity, results of operations or business of Cam-Net), and has all power and authority necessary to own or hold its respective properties and conduct the businesses in which they are engaged.

Very truly yours,

Goodman, Phillips & Vineberg

EXHIBIT G

REGISTRATION RIGHTS AGREEMENT

EXHIBIT H

[LETTERHEAD OF BRUCKHAUS WESTRICK HELLER LOBER]

We are of the opinion that:

(1) the descriptions in the Preliminary Offering Memorandum given under the captions "Risk Factors - Potential Adverse Effects of the Regulation -Germany" and "Business - Government Regulation - Germany" of the German Telecommunications Act of July 25, 1996 and the respective rules and regulations promulgated thereunder (collectively, the "German Telecommunications Law") are accurate in all material respects and fairly summarize all matters described therein; we advise you, however, that the German Regulator's interpretation of the German Telecom Act as well as its complementing ordinances may be subject to material changes which can presently not be predicted in content or scope. More specifically, the German Regulator has already indicated repeatedly that it may want to start differentiating between facilities-based telecom operators and switch-based resellers with regard to the applicable interconnection rates (possibly reserving the provisionally approved interconnection rates of September 1997 to facilities-based operators) and with regard to the catchment areas for origination services (possibly restricting these to local area codes around the points of interconnection). This regulatory change may become effective only for the future but may also apply ex nunc or even retroactively and may potentially require Primus to invest more heavily into network structure and/or pay higher interconnection prices. Also, several issues have been brought before the competent courts or may be pending due to ongoing regulatory proceedings launched by third parties. This applies, in particular, to the German Regulator's regulation of interconnection rates of September 1997 for the years 1998-99 which is under court review and which may result in higher prices being found to be applicable by the courts. According to the current interconnection agreement with Deutsche Telekom these would apply retroactively to all telecommunication services provided to Primus Germany by Deutsche Telekom AG since the inception of services thereunder; its is, however, unclear whether this retroactive effect stipulated in the interconnection agreement would sustain court scrutiny.

(2) Primus Germany is the holder of a license of license class 4 issued by the German Regulator dated February 17, 1998 under Section 8 in connection with Section 6 para. 2 no. 2 of the German Telecommunications Act of 1996, relating to the provision of voice telephony services on the basis of self-operated telecommunications networks in Germany;

(3) (A) German Telecommunications law does not regulate the issuing of debt instruments by telecommunications operators active within the German jurisdiction or their parent companies; (B) no authorization of or filing with the German Regulator is necessary for the execution and delivery of the Purchase Agreement by the Company and the consummation of the transactions (including, without limitation, issuance of the Notes and execution of the Indenture and the

Registration Rights--Agreement) contemplated thereby in accordance with the terms thereof; we advise you, however, that, should the Purchase Agreement or other agreements connected therewith allow for conversion of the senior notes into shares of the Company and should such conversion lead to a change of control, then such change of control would have to be filed with the German Regulator and, as the case may be, with the Federal Cartel Office.

(4) (A) To our knowledge and with the exceptions reported hereafter, Primus Germany has all certificates, orders, permits, licenses, authorizations, consents and approvals necessary to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Preliminary Offering Memorandum; and (B) to our knowledge Primus Germany has not received any notice of proceedings relating to the revocation or modification of any such certificates, orders, permits, licenses, authorizations, consents or approvals, or the qualification or rejection of any such filing or registration, the effect of which, singly or in the aggregate, would have a material adverse effect on the prospects, condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole; we advise you, however, that (i) the German Regulator may change requirements for a license class 4 and Primus Germany may, therefore, in the future be required to extend its current license and may have to pay additional license fees; (ii) Primus Germany's use of the business name "Primus" itself as well as its use of the name in its business dealings with third parties or for describing its services products is challenged in a pending name and trademark dispute raised by Metro Vermogensverwaltung GmbH & Co. KG and its wholly-owned subsidiary Primus Digital TV GmbH on March 26, 1998, based on the identical name element "Primus" (in the case of Primus Digital TV GmbH) as well as on two separate trademarks "Primus" registered for neighboring business sectors (in the case of Metro Vermogensverwaltung GmbH & Co. KG) and for business fields including telecommunication services (in the case of Primus Digital TV GmbH). As a consequence of this trademark dispute Primus may be forced to relinquish the element "Primus" as part of its German company name and in its business dealings with third parties.

(5) to our knowledge, (A) Primus Germany is conducting its business in accordance with the license of license class 4 issued by the German Regulator on February 17, 1998; and (B) Primus Germany is not in violation of or in default under the German Telecommunications Law, the effect of which, singly or in the aggregate, would have a material adverse effect on the prospects, condition, financial or otherwise, or on the earnings, business or operations of the Company and its subsidiaries, taken as a whole; and

(6) to our knowledge, (A) no decree or order of the German Regulator has been issued against Primus Germany; (B) no litigation, proceeding, inquiry or investigation has been commenced or threatened, and no notice of violation or order to show cause has been issued, against Primus Germany before or by _____ we advise you, however, that Deutsche Telekom AG has reserved itself in the interconnection agreement with Primus Germany the unilateral right to apply to the German Regulator with regard to the questions (i) whether Primus Germany's network structure, in particular the number and locations of points of

interconnection with Deutsche Telekom AG, entitles Primus Germany to interconnection as defined by Section 35 German Telecom Act and (ii) whether it entitles Primus Germany to the switching of calls originating Germany-wide; the result of such regulatory proceeding if launched until May 31, 1998 wold be a contractually founded claim by Deutsche Telekom AG to amend the interconnection agreement in accordance with the German Regulator's ruling and, thus could potentially require additional investments into points of interconnection/switching facilities and/or the payment of higher interconnection prices and/or a geographical restriction of Primus Germany's switching of originating calls.

General Qualifications

(a) While we have been representing and advising Primus Germany regarding individual projects (e.g. incorporation of Primus Germany and interconnection agreement with Deutsche Telekom AG), we are not involved in Primus Germany's day-to-day business operations and are, therefore, not fully informed of the current state of Primus Germany's business activities. This applies in particular to the effects of the Telepassport/USFI Acquisition (transfer of German customer base to Primus Germany), to Primus Germany's re-origination (call back) service activities and carrier wholesale service activities.

(b) This opinion is confined to German law in force at the date hereof and as currently applied by German courts and the German Regulator; and we do not express or imply an opinion as to matters other than under German law. We assume no obligation to advise you of facts, circumstances, events or legal developments which hereafter may be brought to our attention and which may alter, affect of modify the opinion expressed herein;

[LETTERHEAD OF NAGASHAMA & OHNO]

1. the descriptions in the Offering Memorandum of the matters in connection with the Telecommunications Law, and the respective rules and regulations promulgated thereunder (collectively, the "Japanese Communications Law") under the caption "Risk Factors-Potential Adverse Effects of Regulation-Japan" are accurate in all material respects and fairly summarize all matters described therein;

2. Primus Telecommunications obtained Registration as of December 11, 1997, relating to the provision of international telecommunications services in Japan, and the Registration has not been modified, except for the modification as of _____ __, 199__ as to the corporate name and the representative director to reflect the current corporate name and the representative director of Primus Telecommunications, or revoked, as of the date hereof;

3. (A) the execution and delivery of the Purchase Agreement by the Company, and the consummation of the transactions (including, without limitation, issuance of the Notes and execution of the Indenture and the Registration Rights Agreement) contemplated thereby do not violate (1) the Japanese Communications Law, (2) any rules or regulations of the MPT applicable to the Japanese Subsidiaries or (3), to our knowledge, any telecommunications related decree from any Japanese court, and (B) no authorization of or filing with the MPT is necessary for the execution and delivery of the Purchase Agreement by the Company and the consummation of the transactions (including, without limitation, issuance of the Notes and execution of the Indenture and the Registration Rights Agreement) contemplated thereby in accordance with the terms thereof;

4. (A) Primus Telecommunications has all certificates, orders, permits, licenses, authorizations, consents and approvals of and from the MPT necessary to conduct its business in the manner described in the Offering Memorandum; and (B) neither of the Japanese Subsidiaries has received any notice of proceedings relating to the cancellation, revocation or modification of the Registration, the effect of which, singly or in the aggregate, would have a material adverse effect on the prospects, condition, financial or otherwise, or in the earnings, business or operations of the Japanese Subsidiaries, taken as a whole;

5. (A) Primus Telecommunications is currently conducting its business in accordance with the Registration and (B) to our knowledge, the current activities of the Japanese Subsidiaries are not in violation of or in default under the Japanese Communications Law, the effect of which, singly or in the aggregate, would have a material adverse effect on the prospects, condition, financial or otherwise, or in the earnings, business or operations of the Japanese Subsidiaries, taken as a whole; and

6. (A) no decree or order of the MPT has been issued against any of the Japanese Subsidiaries; (B) no litigation, proceeding, inquiry or investigation has been commenced or threatened, and no notice of violation or order to show cause has been issued, against any of the Japanese Subsidiaries before or by a Japanese court or the MPT and (C) to our knowledge, there are no rulemakings or other administrative proceedings pending before the MPT, (i) which are generally applicable to telecommunications services and (ii) which, if decided adversely to the interest of any of the Japanese Subsidiaries, would have a material adverse effect on the Japanese Subsidiaries, taken as a whole.

on the prospects, condition, financial or otherwise, or in the earnings, business or operations of the Japanese Subsidiaries, taken as a whole; and

6. (A) no decree or order of the MPT has been issued against any of the Japanese Subsidiaries; (B) no litigation, proceeding, inquiry or investigation has been commenced or threatened, and no notice of violation or order to show cause has been issued, against any of the Japanese Subsidiaries before or by a Japanese court or the MPT and (C) to our knowledge, there are no rulemakings or other administrative proceedings pending before the MPT, (i) which are generally applicable to telecommunications services and (ii) which, if decided adversely to the interest of any of the Japanese Subsidiaries, would have a material adverse effect on the Japanese Subsidiaries, taken as a whole.

EXHIBIT 10.23

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REGISTRATION RIGHTS AGREEMENT

Dated as of May 19, 1998

PRIMUS TELECOMMUNICATIONS GROUP, INC.,

PRIMUS TELECOMMUNICATIONS INCORPORATED,

PRIMUS TELECOMMUNICATIONS (AUSTRALIA) PTY. LTD.

and

LEHMAN BROTHERS INC.

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This Registration Rights Agreement (this "Agreement") is made and entered into as of May 19, 1998 between Primus Telecommunications Group, Inc., a Delaware corporation (the "Company"), Primus Telecommunications Incorporated, a Delaware corporation, Primus Telecommunications (Australia) Pty. Ltd., an Australian corporation, and Lehman Brothers Inc., for itself and as Representative of the other Initial Purchasers named in Schedule I to the Purchase Agreement (defined below), (collectively with the Representative, the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated as of May 14, 1998, among the Company and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of $150,000,000 aggregate principal amount of the Company's 9 7/8% Senior Notes due 2008 (the "Notes"), which Notes shall be senior obligations of the Company and will rank pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of the Company, including trade payables, and will be effectively senior in right of payment to all existing and future obligations of the Company expressly subordinated in right of payment to the Notes. Capitalized terms used but not specifically defined herein have the respective meanings ascribed thereto in the Purchase Agreement. As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the Initial Purchasers' obligations thereunder, the Company agrees with the Initial Purchasers, and its direct and indirect transferees, for the benefit of the holders of the Notes (including the Initial Purchasers) (collectively, the "Holders"), as follows:

1. Definitions. As used in this Agreement, the following capitalized terms shall have the following meanings:

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Closing Date: The date on which the Notes were sold to the Initial Purchasers.

Commission: The Securities and Exchange Commission.

Damages Payment Date: With respect to the Notes, each Interest Payment Date (as defined in the Indenture) until the earlier of (i) the date on which Liquidated Damages no longer are payable or (ii) maturity of the Notes.

Effectiveness Target Date: As defined in Section 5 hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Notes: The Notes to be issued pursuant to the Indenture in the Exchange Offer.

Exchange Offer: The registration by the Company under the Securities Act of the Exchange Notes pursuant to a Registration Statement pursuant to which the Company

offers the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Exchange Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the Prospectus which forms a part thereof.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Securities Act, and to certain non-U.S. persons in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Holders: As defined in the second paragraph of this Agreement.

Indenture: The Indenture, dated as of the date hereof, between the Company and First Union National Bank, as trustee (the "Trustee"), pursuant to which the Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Liquidated Damages: As defined in Section 5(a) hereof.

NASD: National Association of Securities Dealers, Inc.

Person: An individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement and by all other amendments and supplements thereto, including post-effective amendments, and all exhibits thereto and all material incorporated by reference into such Prospectus.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, which is filed pursuant to the provisions of this Agreement, in either case, including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Related Transaction Documents: The Purchase Agreement and the Indenture, together with all exhibits and schedules thereto.

Securities Act: The Securities Act of 1933, as amended.

Shelf Filing Deadline: As defined in Section 4 hereof.

Shelf Registration Statement: As defined in Section 4 hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb), as amended.

Transfer Restricted Securities: Each Note, until the earliest to occur of (a) the date on which such Note has been exchanged by a person other than a Broker-Dealer for Exchange Notes in the Exchange Offer, (b) following the exchange by a Broker-Dealer in the Exchange Offer of such Note for one or more Exchange Notes, the date on which such Exchange Notes are sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (d) the date on which such Note is eligible to be distributed to the public pursuant to Rule 144 (k) (or any similar provision then in force) under the Securities Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public; provided, however, that the Company shall be obligated to undertake no more than two such Underwritten Registrations or Underwritten Offerings in the aggregate.

2. Securities Subject to This Agreement.

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities whenever such Person owns Transfer Restricted Securities.

3. Registered Exchange Offer.

(a) Exchange Offer Registration Statement. Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with) or one of the events set forth in Section 4(a)(ii) has occurred, the Company shall (i) cause to be filed with the Commission promptly after the

Closing Date, but in no event later than 60 days after the Closing Date, a Registration Statement under the Securities Act relating to the Exchange Notes and the Exchange Offer, (ii) use its reasonable best efforts to cause such Registration Statement to become effective no later than 120 days after the Closing Date, (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, file a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Securities Act and (C) cause all necessary filings in connection with the registration and qualification of the Exchange Notes to be made under the "blue sky" laws of such jurisdictions as are necessary to permit consummation of the Exchange Offer, (iv) use its reasonable best efforts to cause the Exchange Offer to be consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 days thereafter and (v) deliver the Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Transfer Restricted Securities that were validly tendered by Holders thereof pursuant to the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Exchange Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of Exchange Notes held by Broker-Dealers as contemplated by Section 3(c) below. The time periods referred to in clauses (i), (ii) and (iv) of this Section 3(a) shall not include any period during which the Company is pursuing a Commission ruling pursuant to Section 6(a)(i) below.

(b) Consummation of the Exchange Offer. The Company shall use its reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Company shall cause the Exchange Offer to comply in all material respects with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer does not violate applicable law or any applicable interpretation of the Commission. The Company shall inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right, subject to applicable law and at its own expense, to contact such Holders and otherwise facilitate the tender of Transfer Restricted Securities in the Exchange Offer.

(c) "Plan of Distribution" Section of the Prospectus. The Company shall indicate in a "Plan of Distribution" section contained in the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Company), may exchange such Notes pursuant to the Exchange Offer; provided, however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the

Securities Act in connection with any resales of the Exchange Notes received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Exchange Notes held by any such Broker-Dealer except to the extent required by the Commission.

The Company shall use its reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary (i) to ensure that it is available for resales of Exchange Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities, and (ii) to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time in each case, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective.

The Company shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon their reasonable request at any time during such 180-day period in order to facilitate such resales.

4. Shelf Registration.

(a) Shelf Registration. If (i) the Company is not permitted to file
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the Exchange Offer Registration Statement or to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), (ii) any Holder of Transfer Restricted Securities that is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) shall notify the Company at least 20 business days prior to the consummation of the Exchange Offer (A) that such Holder is prohibited by applicable law or Commission policy from participating in the Exchange Offer, or (B) that such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder, or (C) that such Holder is a Broker-Dealer and holds Notes acquired directly from the Company or one of its affiliates, (iii) the Exchange Offer is not for any other reason consummated by October 16, 1998 or (iv) the Exchange Offer has been completed and in the opinion of counsel for the Initial Purchasers a Registration Statement must be filed and a Prospectus must be delivered by the Initial Purchasers in connection with any offering or sale of Transfer Restricted Securities, then the Company shall in lieu of or, in the event of (ii) and (iv) above, in addition to effecting the registration of the Exchange Notes pursuant to the Exchange Offer Registration Statement, use its reasonable best efforts to:

(x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Securities Act which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement"), within 60 days of the earliest to occur of (1) the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement, (2) the date on which the Company receives notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) above, (3) October 16, 1998 or (4) the receipt by the Company of the opinion of counsel contemplated by clause (iv) above (the 60th day following the earliest to occur of (1) through (4) being hereinafter referred to as the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities for which the Holders of such Transfer Restricted Securities shall have provided the information required pursuant to Section 4(b) hereof; and

(y) cause such Shelf Registration Statement to be declared effective by the Commission on or before the 120th day after the Shelf Filing Deadline.

The Company shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary (i) to ensure that it is available for resales of Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a), and (ii) to ensure that such Shelf Registration Statement conforms and continues to conform with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission, as announced from time to time, in each case, for a period ending on the second anniversary of the Closing Date.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 business days after receipt of a request therefor, such information as the Company may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such reasonably requested information within the time period prescribed in this Section 4(b). Each Holder as to which any Shelf Registration Statement is being effected agrees to notify the Company promptly if any of the information previously furnished is misleading or inaccurate in any material respect and to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading or inaccurate.

(c) Declaring Effective the Exchange Offer Registration Statement. An Exchange Offer Registration Statement pursuant to Section 3(a) hereof or a Shelf Registration Statement pursuant to Section 4(a) hereof will not be deemed to have become effective unless it has been declared effective by the Commission; provided, however, that if, after it has been declared effective, the offering of Transfer Restricted Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Registration Statement will be deemed not to have become effective during the period of such interference until the offering of Transfer Restricted Securities pursuant to such Registration Statement may legally resume.

(d) Failure of the Company to Comply with its Obligations. Without limiting the remedies available to the Initial Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Section 3(a) and Section 4(a) hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 3(a) and Section 4(a) hereof.

5. Liquidated Damages.

(a) Accrual and Amount of Liquidated Damages. If (i) any of the Registration Statements required by this Agreement is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (ii) any of such Registration Statements has not been declared effective by the Commission on or prior to the date specified for such effectiveness as set forth in Section 3(a)(ii) and 4(a)(y) of this Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been consummated within 30 days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within five business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within such five business day period (each such event referred to in clauses (i) through (iv), a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages shall be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Immediately upon the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Liquidated Damages with respect to such Transfer Restricted Securities will cease.

All obligations of the Company set forth in the preceding paragraph that have accrued and are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Transfer Restricted Security shall have been satisfied in full.

(b) Notification of the Trustee. The Company shall notify the Trustee promptly after each and every date on which an event occurs in respect of which Liquidated Damages are required to be paid (an "Event Date"). Liquidated Damages shall be paid by depositing Liquidated Damages with the Trustee, in trust, for the benefit of the Holders of the Notes, on or before the applicable Interest Payment Date (whether or not any payment other than Liquidated Damages is payable on such Notes), in immediately available funds in sums sufficient to pay the Liquidated Damages then due to such Holders. Each obligation to pay Liquidated Damages shall be deemed to accrue from the applicable date of the occurrence of the Registration Default.

6. Registration Procedures.

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company shall comply with all of the provisions of Section 6(c) below and shall use its reasonable best efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof. In addition, the Company (with respect to (i) and (iii) of this Section 6(a)) and each Holder of Transfer Restricted Securities (with respect to (ii) of this Section 6(a)) shall comply with the following provisions:

(i) If in the reasonable opinion of counsel to the Company there is a question as to whether the Exchange Offer is permitted by applicable law, the Company hereby agrees to seek a no-action letter or other favorable decision from the Commission allowing the Company to consummate an Exchange Offer for such Notes. The Company hereby agrees to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy. The Company hereby agrees, however, to (A) participate in telephonic conferences with the staff of the Commission, (B) deliver to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) use reasonable best efforts pursue a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall (x) furnish, upon the request of the Company, prior to the consummation thereof, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is

not an affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (C) it is acquiring the Exchange Notes in its ordinary course of business and (y) otherwise cooperate in the Company's preparations for the Exchange Offer. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including Brown & Wood LLP (available February 7, 1997), and any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Exchange Notes obtained by such Holder in exchange for Notes acquired by such Holder directly from the Company.

(iii) Prior to the effectiveness of the Exchange Offer Registration Statement, to the extent required by the Commission, the Company shall provide a supplemental letter to the Commission (A) stating that the Company is registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991), Brown & Wood LLP (available February 7, 1997) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that to the best of the Company's information and belief, each Holder (other than an Initial Purchaser) participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company shall comply with all the provisions of Section 6(c) below and shall use its reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Company shall as expeditiously as possible prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Securities Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof.

(c) General Provisions. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Notes by Broker-Dealers), the Company shall:

(i) use its reasonable best efforts to (x) keep such Registration Statement continuously effective and (y) provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use its reasonable best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as applicable, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold; cause the Prospectus to be supplemented by any required Prospectus supplement and as so supplemented to be filed pursuant to Rule 424 under the Securities Act and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in the case of a Shelf Registration Statement, advise the underwriter(s), if any, and selling Holders promptly and, if requested by any underwriter(s) or selling Holders to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission or any state securities authority for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) if, between the

effective date of a Registration Statement and the closing of any sale of Transfer Restricted Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects or if the Company receives any notification with respect to the suspension of the qualification of the Transfer Restricted Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, (E) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading and (F) of any determination by the Company that a post-effective amendment to a Registration Statement would be appropriate. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time and shall provide prompt notice to each of the selling or exchanging Holders of the withdrawal of any such order;

(iv) in the case of a Shelf Registration Statement, furnish to each of the selling or exchanging Holders and each of the underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of two business days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which selling Holders of a majority in aggregate principal amount of Transfer Restricted Securities covered by such Registration Statement or the underwriter(s), if any, shall reasonably object within two business days after the receipt thereof. A selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission;

(v) in the case of a Shelf Registration Statement, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information

in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) in the case of a Shelf Registration Statement, subject to execution of a confidentiality agreement reasonably acceptable to the Company, make available at reasonable times for inspection by a representative of the selling Holders, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Company and cause the Company's officers, directors, managers and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement subsequent to the filing thereof and prior to its effectiveness;

(vii) in the case of a Shelf Registration Statement, if requested by any selling Holders or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) in the case of a Shelf Registration Statement, furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one conformed copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) in the case of a Shelf Registration Statement, deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many conformed copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(x) in the case of a Shelf Registration Statement, enter into such agreements (including an underwriting agreement), and make such representations and warranties, and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may be reasonably requested by any Holder of Transfer Restricted Securities or underwriter in connection with any sale or resale pursuant to any Registration Statement contemplated by this Agreement; and in connection with an Underwritten Registration, the Company shall:

(A) upon request, furnish to each selling Holder and each underwriter, if any, in such substance and scope as they may request and as are customarily made by issuers to underwriters in primary underwritten offerings, upon the date of the effectiveness of the Shelf Registration Statement:

(1) a certificate, dated the date of the effectiveness of the Shelf Registration Statement, signed by (y) the Chairman of the Board, its President or a Vice President and (z) the Chief Financial Officer of the Company, confirming, as of the date thereof, such customary matters as such parties may reasonably request;

(2) an opinion, dated the date of the effectiveness of the Shelf Registration Statement, of counsel for the Company, covering such customary matters as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, the Initial Purchasers' representatives and the Initial Purchasers' counsel in connection with the preparation of such Registration Statement and the related Prospectus and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to a large extent upon facts provided to such counsel by officers and other representatives of the Company and without independent investigation or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus included in such Registration Statement as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in

light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other statistical and financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of the effectiveness of the Shelf Registration Statement from the Company's independent accountants and from the independent accountants of other Persons whose financial statements are included in the Shelf Registration Statement, in the customary form and covering matters of the type customarily covered in comfort letters by underwriters in connection with primary underwritten offerings.

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 9 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this clause (x), if any.

If at any time the representations and warranties of the Company contemplated in clause (A)(1) above cease to be true and correct, the Company shall so advise the Initial Purchasers and the underwriter(s), if any, and each selling Holder promptly and, if requested by such Persons, shall confirm such advice in writing delivered to such Persons;

(xi) in the case of a Shelf Registration Statement, prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s), if any, may reasonably request and do any and all other acts or things as may be reasonably necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement in any jurisdiction where it is not now so subject;

(xii) in the case of an Exchange Offer Registration Statement, shall issue, upon the request of any Holder of Notes covered by the Exchange Offer Registration Statement, Exchange Notes in the same amount as the Notes surrendered to the Company by such Holder in exchange therefor or being sold by such Holder; such Exchange Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Exchange Notes, as the case may be; in return, the Notes held by such Holder shall be surrendered to the Company for cancellation;

(xiii) in the case of a Shelf Registration Statement, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriter(s), if any, may reasonably request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xiv) use its reasonable best efforts to cause the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xi) above;

(xv) if any fact or event contemplated by clause (c)(iii)(E) above shall exist or have occurred, prepare and file with the Commission a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xvi) provide CUSIP numbers for all Transfer Restricted Securities not later than the effective date of the Registration Statement and provide certificates for the Transfer Restricted Securities;

(xvii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use its reasonable best efforts to cause such Registration Statement to become effective and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities; provided,

however, that the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement in any jurisdiction where it is not now so subject;

(xviii) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to the Holders, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or reasonable best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement;

(xix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its reasonable best efforts to cause the Trustee to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xx) provide promptly to each Holder upon reasonable request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act.

Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(E) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof, or until such Holder is advised in writing (the "Advice") by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice. In the event that the Company shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(c)(iii)(E) hereof to and including the date when each selling Holder

covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof or shall have received the Advice.

7. Participation of Broker-Dealers in Exchange Offer.

(a) Participating Broker-Dealer May Be Deemed an "Underwriter". The Commission has taken the position that any Broker-Dealer that receives Exchange Notes for its own account in the Exchange Offer in exchange for Notes that were acquired by such Broker-Dealer as a result of market-making or other trading activities (a "Participating Broker-Dealer") may be deemed to be an "underwriter" within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes.

The Company understands that it is the Commission's position that if the Prospectus contained in the Exchange Offer Registration Statement includes a "Plan of Distribution" containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Notes, without naming the Participating Broker-Dealers or specifying the amount of Exchange Notes owned by them, such Prospectus may be delivered by Participating Broker-Dealers to satisfy their prospectus delivery obligation under the Securities Act in connection with resales of Exchange Notes for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

(b) Provisions Regarding Shelf Registration Statement to Apply to Exchange Offer Registration. In light of the above, notwithstanding the other provisions of this Agreement, the Company agrees that the provisions of this Agreement as they relate to a Shelf Registration Statement shall also apply to an Exchange Offer Registration to the extent, and with such reasonable modifications thereto, as may be reasonably requested by the Initial Purchasers or by one or more Participating Broker-Dealers, in each case as provided in clause (ii) below, in order to expedite or facilitate the disposition of any Exchange Notes by Participating Broker-Dealers consistent with the positions of the Commission recited in Section 7(a) above; provided, however, that:

(i) the Company shall not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement, as would otherwise be contemplated by Section 6(c)(xv), for a period exceeding 180 days after the last date of acceptance for exchange (as such period may be extended pursuant to the last paragraph of Section 6 of this Agreement) and Participating Broker-Dealers shall not be authorized by the Company to deliver and shall not deliver such Prospectus after such period in connection with the resales contemplated by this Section 7; and

(ii) the application of the Shelf Registration Statement procedures set forth in Section 4 of this Agreement to an Exchange Offer Registration, to the extent not required by the positions of the Commission or the Securities Act and the rules and regulations

thereunder, will be in conformity with the reasonable request to the Company by the Initial Purchasers or with the reasonable request in writing to the Company by one or more broker-dealers who certify to the Initial Purchasers and the Company in writing that they anticipate that they will be Participating Broker-Dealers;

provided further that, in connection with such application of the Shelf Registration Statement procedures set forth in Section 4 to an Exchange Offer Registration, the Company shall be obligated (x) to deal only with one entity representing the Participating Broker-Dealers, which shall be the Representative unless it elects not to act as such representative, (y) to pay the fees and expenses of only one counsel representing the Participating Broker-Dealers, which shall be counsel selected by the Representative and reasonably acceptable to the Company (unless such counsel elects not to so act), and (z) to cause to be delivered only one, if any, "cold comfort" letter with respect to the Prospectus in the form existing on the last date of acceptance for exchange and with respect to each subsequent amendment or supplement, if any, effected during the period specified in clause (i) above.

(c) Liability of the Initial Purchasers. The Initial Purchasers shall have no liability to the Company or any Holder with respect to any request that they may make pursuant to Section 7(b) above.

8. Registration Expenses.

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any Initial Purchaser or Holder with the NASD (and, if applicable, the reasonable fees and expenses of any "qualified independent underwriter") and its counsel that may be required by the rules and regulations of the NASD); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses), and associated messenger and delivery services and telecommunications usage; (iv) all fees and disbursements of counsel for the Company and, subject to Section 8(b) below, the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing Notes on a national securities exchange or automated quotation system; and (vi) all fees and disbursements of independent certified public accountants of the Company and other Persons whose financial statements are included in a Registration Statement (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be counsel selected by the Representative and reasonably acceptable to the Company (unless such counsel elects not to so act). The Company shall not be required to pay any underwriting discount, commission or similar fee related to the sale of any securities.

9. Indemnification and Contribution.

(a) The Company to Indemnify Holders. In connection with a Shelf Registration Statement or in connection with any delivery of a Prospectus contained in an Exchange Offer Registration Statement by any Participating Broker-Dealer or Initial Purchaser, as applicable, who seeks to sell Exchange Notes, the Company and Primus Telecommunications, Inc. a Delaware corporation, and Primus Telecommunications (Australia) Pty. Ltd., a company organized under the laws of Australia (together, the "Principal Subsidiaries"), jointly and severally, shall indemnify and hold harmless each Holder of Transfer Restricted Securities included within any such Shelf Registration Statement and each Participating Broker-Dealer or Initial Purchaser selling Exchange Notes (each, a "Participant"), such Participant's officers and directors and each person, if any, who controls any Participant within the meaning of Section 15 of the Securities Act from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which such Participant, officer, director or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or supplement thereto or (B) any blue sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Exchange Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application"), (ii) the omission or alleged omission to state in any (x) preliminary Prospectus or Prospectus or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances in which they were made, and (y) Registration Statement or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any act or failure to act, or any alleged act or failure to act, by any Participant in connection with, or relating in any manner to, the Notes or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered in (i) or (ii) above (provided that

the Company and the Principal Subsidiaries shall not be liable in the case of any matter covered by this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such act or failure to act undertaken or omitted to be taken by such Participant through its gross negligence or wilful misconduct), and shall reimburse each Participant and each such officer, director or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Participant, officer, director or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company and the Principal Subsidiaries shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary Prospectus, Prospectus or Registration Statement, in any amendment or supplement thereto, or in any Blue Sky Application in reliance upon and in conformity with written information concerning such Participant furnished to the Company by or on behalf of any Participant specifically for inclusion therein; provided further that as to any preliminary Prospectus, this indemnity agreement shall not inure to the benefit of any Participant or any officer, director or controlling person of that Participant on account of any loss, claim, damage, liability or action arising from the sale of the Exchange Notes or any Notes sold pursuant to a Shelf Registration Statement to any person by such Participant if (i) that Participant failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such preliminary Prospectus was corrected in the Prospectus or a supplement or amendment thereto, as the case may be, unless in each case, such failure resulted from noncompliance by the Company with Section 6(c). The foregoing indemnity agreement is in addition to any liability which the Company and the Principal Subsidiaries may otherwise have to any Participant or to any officer, director or controlling person of that Participant. In connection with any Underwritten Offering permitted by Section 6(c) hereof, the Company and the Principal Subsidiaries will also indemnify the underwriters, if any, selling brokers, dealers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) Participants to Indemnify the Company and its Directors, Officers and Controlling Persons. Each Participant, severally and not jointly, shall indemnify and hold harmless the Company, its directors and officers, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or

supplement thereto or (B) any Blue Sky Application or (ii) the omission or alleged omission to state in any (x) preliminary Prospectus or Prospectus or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, and (y) Registration Statement or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading but in the case of clauses (i) and (ii) only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the written information concerning such Participant furnished to the Company or the Trustee by or on behalf of that Participant specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company and the Principal Subsidiaries or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Participant may otherwise have to the Company or any such director, officer or controlling person.

(c) Notification of Indemnifying Party; Counsel; Settlement.

Promptly after receipt by an indemnified party under this Section 9 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 9 except to the extent the indemnifying party has been materially prejudiced by such failure and provided further that the failure to notify the indemnifying party shall not affect any liability which it may have to an indemnified party otherwise than under this Section 9. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 9 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ counsel to represent jointly the indemnified party and its respective directors, officers and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 9 if such indemnified party shall have been advised in writing that the representation of such indemnified party and those directors, officers and controlling persons by the same counsel would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them, and in that event the fees and expenses of such separate counsel shall be paid by the indemnifying party. It is understood that the indemnifying party shall not be liable for the fees and expenses of more than one separate firm

(in addition to local counsel in each jurisdiction) for all indemnified parties in connection with any proceeding or related proceedings. Each indemnified party, as a condition of the indemnity agreements contained in Sections 9(a) and 9(b), shall use its reasonable best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment in accordance with this Section 9.

(d) Indemnification Unavailable. If the indemnification provided for in this Section 9 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 9(a) or 9(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company and the Principal Subsidiaries, on the one hand, and the Participants, on the other hand, from the offering of the Exchange Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Principal Subsidiaries, on the one hand, and the Participants, on the other hand, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Principal Subsidiaries, on the one hand, and the Participants, on the other hand, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Exchange Notes purchased under this Agreement (before deducting expenses) received by the Company and the Principal Subsidiaries, on the one hand, and the total underwriting commissions and discounts received by the Participants with respect to the Notes purchased under the Purchase Agreement, on the other hand, bear to the total gross proceeds from the offering of the Exchange Notes under this Agreement, in each case as set forth in the table on the cover page of the Memorandum. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Principal Subsidiaries, on the one hand, or the Participants, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to

correct or prevent such statement or omission. Each of the Company and the Principal Subsidiaries and the Participants agrees that it would not be just and equitable if contributions pursuant to this Section 9(d) were to be determined by pro rata allocation (even if either the Participants or the Company and the Principal Subsidiaries, as the case may be, were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 9(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9(d), no Participant shall be required to indemnify or contribute any amount in excess of the amount by which proceeds received by the Participants from an offering of the Exchange Notes exceeds the amount of any damages which such Participant has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity. The Participants' obligations to contribute as provided in this Section 9(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The indemnity and contribution provisions contained in this Section 9 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser, any Holder or any person controlling any Initial Purchaser or any Holder, or by or on behalf of the Company, its officers or directors or any person controlling the Company, (iii) acceptance of any of the Exchange Notes and (iv) any sale of Transfer Restricted Securities pursuant to a Shelf Registration Statement.

10. Rule 144A.

The Company hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

11. Participation in Underwritten Registrations.

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lockup letters and other documents reasonably required under the terms of such underwriting arrangements.

12. Selection of Underwriters.

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided that such investment bankers and managers must be reasonably satisfactory to the Company.

13. Miscellaneous.

(a) Remedies. The Company agrees that monetary damages (including Liquidated Damages) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not on or after the date of this Agreement enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under the provisions of any agreement in effect on the date hereof.

(c) Adjustments Affecting the Notes. The Company will not take any action, or permit any change to occur, with respect to Notes that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer unless such action or change is required by applicable law.

(d) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority of the outstanding principal amount of Transfer Restricted Securities; provided, however, that no amendment, modification,

supplement, waiver or consent to or departure from the provisions of Section 8 hereof shall be effective as against any Holder of Transfer Restricted Securities unless consented to in writing by such Holder. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail (registered or certified, return receipt requested), telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address of such Holder maintained by the Registrar under the Indenture; and

(ii) if to the Company or any of the Principal Subsidiaries:

1700 Old Meadow Road
Vienna, VA 22102
Attention: Robert Stankey, Esq.
Facsimile: (703) 902-2877

With a copy to:

Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, PA 19103-2799
Attention: James Epstein, Esq.
Facsimile: (215) 981-4750

(iii) if to the Initial Purchasers:

Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285
Attention: Syndicate Department
Facsimile: (212) 528-6395; and

BT Alex. Brown Incorporated
130 Liberty Street
New York, New York 10006
Attention: Syndicate Department
Facsimile: (212) 669-5492; and

Donaldson, Lufkin & Jenrette
Securities Corporation
227 Park Avenue
New York, New York 10172
Attention: Syndicate Department
Facsimile: (212) 892-7272

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation, and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms of the Purchase Agreement; provided further that this Agreement shall not inure to the benefit of or be binding upon a successor, transferee or assign of a Holder unless and to the extent such successor, transferee or assign acquired Transfer Restricted Securities from such Holder. If any transferee of any Holder shall acquire Transfer Restricted Securities, in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof. The Initial Purchasers (in their capacity as Initial Purchasers) shall have no liability or obligation to the Company with respect to any failure by a Holder to comply with, or breach by any Holder of, any of the obligations of such Holder under this Agreement.

(g) Purchases and Sales of Notes. The Company shall not, and shall use its reasonable best efforts to cause its affiliates (as defined in Rule 405 under the Securities Act) not to, purchase and then resell or otherwise transfer any Notes.

(h) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and such Initial Purchasers shall have the right to enforce such agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(k) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(l) Consent to Jurisdiction. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Primus Telecommunications (Australia) Pty. Ltd. hereby irrevocably appoints CT Corporation System, which currently maintains a New York City office at 1633 Broadway, New York, New York 10019, United States of America, as its agent to receive service of process or other legal summons for purposes of any such action or proceeding that may be instituted in any state or federal court in the City and State of New York.

(m) Waiver of Immunity. With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified

Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

(n) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(o) Entire Agreement. This Agreement, together with each of the Related Transaction Documents, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(p) Required Consents. Whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

14. Additional Representations of Primus Telecommunications, Incorporated and Primus Telecommunications Pty. Ltd.

The Registration Rights Agreement has been duly authorized by Primus Telecommunications, Incorporated and Primus Telecommunications Pty. Ltd. (the "Principal Subsidiaries"), and when duly executed by the proper officers of the Principal Subsidiaries (assuming due execution and delivery by the Initial Purchasers) and delivered by the Company, will constitute a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except (i) where the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to rights of creditors and other obligees generally, (ii) where the remedy of specific performance and other forms of equitable relief may be subject to certain equitable defenses and principles and to the discretion of the court before which the proceedings may be brought and (iii) where rights to indemnity and contribution thereunder may be limited by applicable law and public policy.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

PRIMUS TELECOMMUNICATIONS GROUP, INC.

By: /s/ K. Paul Singh

Name: K. Paul Singh
Title: President & Chief Executive Officer

PRIMUS TELECOMMUNICATIONS INCORPORATED

By: /s/ K. Paul Singh

Name: K. Paul Singh

Primus Telecommunications (Australia) Pty. Ltd.

By: /s/ K. Paul Singh

Name: K. Paul Singh
Title: President & Chief Executive Officer

Accepted, May 19, 1998

LEHMAN BROTHERS INC.

By: /s/ Laurence M. Band

Name: Laurence M. Band
Title: Managing Director

Acting severally on behalf of itself and the other Initial Purchasers named in Schedule I to the Purchase Agreement.

By: Lehman Brothers Inc.

By: /s/ Laurence M. Band

Name: Laurence M. Band
Title: Managing Director

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Incorporation
Primus Telecommunications, Inc.	Delaware
Primus Telecommunications International, Inc.	Delaware
Primus Telecommunications, Ltd.	United Kingdom
Primus Telecommunications de Mexico, S.A. de C.V.	Mexico
Primus Telecommunications Pty., Ltd.	Australia
Primus Telecommunications (Australia) Pty., Ltd. (formerly known as Axicorp Pty., Ltd.)	Australia
3362426 Primus Canada Inc. d/b/a Primus Canada	Canada
Primus Telecommunications Netherlands B.V.	Netherlands
Primus Telecommunications SA	France
Primus Telecommunications Deutschland GmbH	Germany
PremierSource International L.L.C.	Delaware
Primus Telecommunications K.K.	Japan
Primus Japan K.K.	Japan
Eclipse Telecommunications Pty., Ltd.	Australia
Hotkey Telecommunications Pty., Ltd.	Australia
Telepassport Network K.K.	Japan

Rate Reduction Center, Inc.	Florida
Least Cost Routing, Inc.	Florida
Rockwell Communications Corporation	Florida
Intex Telecommunications, Inc.	South Carolina
TresCom International, Inc.	Florida
TresCom Network Services, Inc.	Florida
TresCom U.S.A., Inc. (formerly known as Teracom U.S.A., Inc.)	Florida
Global Telephone Holding, Inc.	U.S. Virgin Islands
InterIsland Telephone Corp.	U.S. Virgin Islands
The St. Thomas and San Juan Telephone Company, Inc. d/b/a Trescom International Caribbean Division	U.S. Virgin Islands
STSJ Overseas Telephone Company, Inc. d/b/a TresCom Puerto Rico Division	Puerto Rico
OTC Network Assets, Inc.	Puerto Rico
Puerto Rico Telecom Corporation (formerly known as Caribbean Telecommunications, Inc.)	New York
STSJ Network Assets, Inc.	U.S. Virgin Islands

EXHIBIT 99.1

LETTER OF TRANSMITTAL

PRIMUS TELECOMMUNICATIONS GROUP, INC.

OFFER TO EXCHANGE
ALL OF ITS
9 7/8% SENIOR NOTES DUE 2008
FOR A NEW SERIES OF ITS
9 7/8% SENIOR NOTES DUE 2008
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
PURSUANT TO THE PROSPECTUS DATED , 1998

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS
WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON , 1998,
UNLESS EXTENDED.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:

FIRST UNION NATIONAL BANK

By Mail, Hand or Overnight Delivery:	By Facsimile:
First Union Customer Information Center Reorganization Department, 36C-NC 1153 1525 West W.T. Harris Boulevard Charlotte, NC 28262	(704) 590-7628 To confirm by Telephone or for Information call: (704) 590-7408

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS CONTAINED HEREIN SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The undersigned acknowledges receipt of the Prospectus, dated , 1998 ("Exchange Offer"), of Primus Telecommunications Group, Inc., a Delaware corporation (the "Company"), relating to the offer of the Company, upon the terms and subject to the conditions set forth in the Exchange Offer and in this Letter of Transmittal and the instructions hereto (which together with the Exchange Offer and the instructions hereto constitute the "Offer"), to exchange a new series of its 9 7/8% Senior Notes due 2008 (the "Exchange Notes") which have been registered under the Securities Act of 1933 (the "Securities Act") for any and all of its outstanding 9 7/8% Senior Notes due 2008 ("Initial Notes"), at the rate of $1,000 principal amount of the Exchange Notes for each $1,000 principal amount of the Initial Notes. Capitalized terms used but not defined herein have the meanings given to them in the Exchange Offer.

The undersigned has completed the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Offer.

This Letter of Transmittal is to be used whether the Initial Notes are to be physically delivered herewith, or whether guaranteed delivery procedures or book-entry delivery procedures are being used, pursuant to the procedures set forth under "The Exchange Offer" in the Exchange Offer. If delivery of Initial Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company ("DTC"), this Letter of Transmittal need not be manually executed, provided, however, that tenders of Initial Notes must be effected in accordance with the procedures mandated by DTC and the procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Book-Entry Delivery." If a person or entity in whose name Initial Notes are registered on the books of the Registrar (a "Registered Holder") desires to tender Initial Notes and such Initial Notes are not immediately available or time will not permit all documents required by the Offer to reach the Exchange Agent (or such Registered Holder is unable to complete the procedure for book-entry transfer on a timely basis) prior to 5:00 P.M. New York City time on , 1998 (the "Expiration Date"), a tender may be effected in accordance with the guaranteed delivery procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Guaranteed Delivery Procedures." See Instruction 1.

DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY
DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Offer, the undersigned hereby tenders to the Company the principal amount of the Initial Notes indicated below. Subject to, and effective upon, the acceptance for exchange of the Initial Notes tendered hereby, the undersigned hereby irrevocably sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to such Initial Notes and hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said exchange agent also acts as the agent of the Company) with respect to such Initial Notes, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to take such further action as may be required in connection with the delivery, tender and exchange of the Initial Notes.

The undersigned acknowledges that this Offer is being made in reliance on an interpretation by the staff of the Securities and Exchange Commission (the "SEC") that the Exchange Notes issued pursuant to the Exchange Offer in exchange for the Initial Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than (i) a broker-dealer who purchased Initial Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act, or (ii) a person that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such Exchange Notes. See Morgan Stanley & Co. Inc., SEC No-Action Letter (available June 5, 1991); The Exchange Offer under the caption "The Exchange Offer--Resales of the Exchange Notes."

The undersigned acknowledges that the Exchange Notes have not been registered or qualified under any state securities laws. This Offer is being made to: (i) U.S. persons pursuant to exemptions from such laws for sales to institutional investors, and (ii) non-U.S. persons (within the meaning of Regulation S under the Securities Act), as state securities laws do not apply to sales to persons who are not residents of any state. The undersigned hereby represents and warrants that the undersigned is either (i) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, (ii) an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act or (iii) a non-U.S. person (within the meaning of Regulation S under the Securities Act).

THE UNDERSIGNED UNDERSTANDS AND AGREES THAT THE COMPANY RESERVES THE RIGHT NOT TO ACCEPT TENDERED INITIAL NOTES FROM ANY TENDERING HOLDER IF THE COMPANY DETERMINES, IN ITS SOLE AND ABSOLUTE DISCRETION, THAT SUCH ACCEPTANCE COULD RESULT IN A VIOLATION OF APPLICABLE SECURITIES LAWS.

The undersigned, if the undersigned is a beneficial holder, represents, or, if the undersigned is a broker, dealer, commercial bank, trust company or other nominee, represents that it has received representations from the beneficial owners of the Initial Notes stating, (as defined in the Exchange Offer) that (i) the Exchange Notes to be acquired in connection with the Exchange Offer by the Holder and each Beneficial Owner of the Initial Notes are being acquired by the Holder (as defined in the Exchange Offer) and each Beneficial Owner in the ordinary course of business of the Holder and each Beneficial Owner, (ii) the Holder and each Beneficial Owner are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution (within the meaning of the Securities Act) of the Exchange Notes, (iii) the Holder and each Beneficial Owner acknowledge and agree that any person participating in the Exchange Offer for the purpose of distributing the Exchange Notes must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the Exchange Notes acquired by such person and cannot rely on the position of the staff of the Commission set forth in no-action letters that are discussed in the Exchange Offer under the caption "The Exchange Offer--Resales of the Exchange Notes," (iv) that if the Holder is a broker-dealer holding Initial Notes acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Notes received in respect of such

Initial Notes pursuant to the Exchange Offer; provided that the delivery of a Prospectus in connection with the exchange of Initial Notes by such Holder will not be deemed an admission that such Holder is an underwriter (within the meaning of the Securities Act), (v) the Holder and each Beneficial Owner understand that a secondary resale transaction described in clause (iii) above should be covered by an effective registration statement containing the selling security holder information required by item 507 of Regulations S-K of the Securities Act and (vi) neither the Holder nor any Beneficial Owner is an "affiliate," as defined under Rule 405 of the Securities Act, of the Company.

In addition, if the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer holding Initial Notes acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Notes received in respect of such Initial Notes pursuant to the Exchange Offer; provided, however, that by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an underwriter (within the meaning of the Securities Act).

The Company has agreed, subject to the provisions of the Registration Rights Agreement, the Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer (as defined below) in connection with resales of Exchange Notes received in exchange for Initial Notes, where such Initial Notes were acquired by such broker-dealer for its own account as a result of market-making activities or other trading activities, for a period ending 180 days after the Expiration Date [(subject to extension under certain limited circumstances described in the Prospectus)] or, if earlier, when all such Exchange Notes have been disposed of by such participating broker-dealer. In that regard, each broker-dealer who acquired Initial Notes for its own account as a result of market-making or other trading activities (a "Participating Broker-Dealer"), by tendering such Initial Notes and executing this Letter of Transmittal, agrees that, upon receipt of notice from the Company of the occurrence of any event or the discovery of any fact which makes any statement contained or incorporated by reference in the Prospectus untrue in any material respect or which causes the Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference therein, in light of the circumstances under which they were made, not misleading or of the occurrence of certain other events specified in the Registration Rights Agreement, such Participating Broker-Dealer will suspend the sale of Exchange Notes pursuant to the Prospectus until the Company have amended or supplemented the Prospectus to correct such misstatement or omission and the Company has furnished copies of the amended or supplemented Prospectus to the Participating Broker-Dealer or the Company has given notice that the sale of the Exchange Notes may be resumed, as the case may be. If the Company gives such notice to suspend the sale of the Exchange Notes, they shall extend the 180-day period referred to above during which Participating Broker-Dealers are entitled to use the Prospectus in connection with the resale of Exchange Notes by the number of days during the period from and including the date of the giving of such notice to and including the date when Participating Broker-Dealers shall have received copies of the supplemented or amended Prospectus necessary to permit resales of the Exchange Notes or to and including the date on which the Company has given notice that the sale of Exchange Notes may be resumed, as the case may be.

The undersigned understands and acknowledges that the Company reserves the right in its sole discretion to purchase or make offers for any Initial Notes that remain outstanding subsequent to the Expiration Date or as set forth in the Exchange Offer under the caption "The Exchange Offer--Conditions of the Exchange Offer," to terminate the Exchange Offer and, to the extent permitted by applicable law, purchase Initial Notes in the open market, in privately negotiated transactions or otherwise. The term of any such purchases or offers could differ from the terms of the Exchange Offer.

The undersigned hereby represents and warrants that the undersigned accepts the terms and conditions of the Offer, has full power and authority to tender, exchange, assign and transfer the Initial Notes tendered hereby, and that when the same are accepted for exchange by the Company, the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions charges and encumbrances and not subject to

any adverse claim or right. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be reasonably necessary or desirable to complete the sale, assignment and transfer the Initial Notes tendered hereby.

The undersigned agrees that all authority conferred or agreed to be conferred by this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrations, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned.

The undersigned understands that tenders of the Initial Notes pursuant to any one of the procedures described under "The Exchange Offer--Procedures for Tendering Initial Notes" in the Exchange Offer and in the instructions hereto will constitute a binding agreement between the undersigned and the Company in accordance with the terms and subject to the conditions of the Offer.

The undersigned understands that by tendering Initial Notes pursuant to one of the procedures describe in the Exchange Offer and the instructions thereto, the tendering holder will be deemed to have waived the right to receive any payment in respect of interest on the Initial Notes accrued up to the date of issuance of the Exchange Notes.

The undersigned recognizes that, under certain circumstances set forth in the Exchange Offer, the Company may not be required to accept for exchange any of the Initial Notes tendered. Initial Notes not accepted for exchange or withdrawn will be returned to the undersigned as the address set forth below unless otherwise indicated under "Special Delivery Instructions" below.

Unless otherwise indicated herein in the box entitled "Special Exchange Instructions" below, the undersigned hereby directs that the Exchange Notes be issued in the name(s) of the undersigned or, in the case of a book-entry transfer of Initial Notes, that such Exchange Notes be credited to the account indicated above maintained at DTC. If applicable, substitute certificates representing the Initial Notes not exchanged or not accepted for exchange will be issued to the undersigned or, in the case of a book-entry transfer of Initial Notes, will be credited to the account indicated above maintained at DTC. Similarly, unless otherwise indicated under "Special Delivery Instructions," the undersigned hereby directs that the Exchange Notes be delivered to the undersigned at the address shown below the undersigned's signature. The undersigned recognizes that the Company has no obligation pursuant to the "Special Exchange Instructions" to transfer any Initial Notes from the name of the Registered Holder thereof if the Company does not accept for exchange any of the principal amount of such Initial Notes so tendered.

THE UNDERSIGNED BY COMPLETING THE BOX "DESCRIPTION OF INITIAL NOTES" BELOW AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE INITIAL NOTES AND MADE CERTAIN REPRESENTATIONS DESCRIBED HEREIN AND IN THE EXCHANGE OFFER.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(SEE INSTRUCTIONS 1 AND 3 AND THE FOLLOWING PARAGRAPH)
(IMPORTANT: ALSO COMPLETE SUBSTITUTE FORM W-9 ON PAGE 10)

_____

_____
SIGNATURE(S) OF OWNER(S)

Dated: , 1998

If the holder(s) is/are tendering any Initial Notes, this Letter of Transmittal must be signed by the Registered Holder(s) as the name(s) appear(s) on the Initial Notes or on a security position listing or by person(s) authorized to become Registered Holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s) _____

_____
(PLEASE TYPE OR PRINT)

Capacity: _____

Address: _____

_____
(INCLUDING ZIP CODE)

Area Code and Telephone Number _____

_____
TAX IDENTIFICATION OR SOCIAL SECURITY NO(S)

(COMPLETE SUBSTITUTE FORM W-9 ON PAGE 10)

SIGNATURE GUARANTEE
(IF REQUIRED BY INSTRUCTION 3)

Signature(s) Guaranteed by
an Eligible Institution:

Authorized Signature: _____

Printed Name: _____

Title: _____

Firm: _____

Address: _____

Area Code and Telephone Number _____

Dated: , 1998

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE INITIAL NOTES OR A NOTICE OF GUARANTEED DELIVERY AND ALL OTHER REQUIRED DOCUMENTS) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

List below the Initial Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and principal amounts should be listed on a separate signed schedule affixed thereto. See Instruction 7. The minimum permitted tender is $1,000 principal amount of Initial Notes; all other tenders must be in integral multiples of $1,000.

DESCRIPTION OF INITIAL NOTES

NAME(S) AND ADDRESS(ES) OF HOLDER(S) (PLEASE FILL IN, IF BLANK)	CERTIFICATE NUMBER(S)*	AGGREGATE PRINCIPAL AMOUNT REPRESENTED	PRINCIPAL AMOUNT TENDERED**
TOTAL			

* Need not be completed if Initial Notes are being tendered by book-entry holders.

** Unless otherwise indicated in the column labeled "Principal Amount Tendered" and subject to the terms and conditions of the Offer, the undersigned will be deemed to have tendered the entire aggregate principal amount represented by the Initial Notes indicated in the column labeled "Aggregate Principal Amount Represented." See Instruction 8.

(BOXES BELOW TO BE CHECKED BY ELIGIBLE INSTITUTIONS ONLY)

[_] CHECK HERE IF TENDERED INITIAL NOTES ARE ENCLOSED HEREWITH.

[_] CHECK HERE AND ENCLOSE A PHOTOCOPY OF THE NOTICE OF GUARANTEED DELIVERY IF TENDERED INITIAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY DELIVERED TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING (SEE INSTRUCTIONS 1 AND 3):

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Eligible Institution that Guaranteed Delivery: _____

If Guaranteed Delivery is to be made by Book-Entry Transfer: _____

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

[_] CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE INITIAL NOTES FOR ITS OWN ACCOUNT AS A RESULT OF MARKET MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

_____

[_] CHECK HERE IF TENDERED INITIAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

[_] CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED INITIAL NOTES ARE TO BE RETURNED BY CREDITING THE BOOK-ENTRY TRANSFER FACILITY ACCOUNT NUMBER SET FORTH ABOVE.

If delivery of Initial Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at DTC, then tenders of Initial Notes must be effected in accordance with the procedures mandated by DTC and the procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Book-Entry Delivery."

SPECIAL EXCHANGE INSTRUCTIONS
(SEE INSTRUCTIONS 4 AND 5)

To be completed ONLY if Initial Notes in a principal amount not exchanged and/or Exchange Notes are to be registered in the name of or issued to someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal above.

Issue and mail: (check appropriate box(es)):

[_] Exchange Notes to:

[_] Initial Notes not tendered to:

Name(s): _____
(PLEASE TYPE OR PRINT)

_____
(PLEASE TYPE OR PRINT)
Address: _____
_____
(ZIP CODE)
_____
(TAX IDENTIFICATION OR SOCIAL SECURITY NO(S))

(COMPLETE SUBSTITUTE FORM W-9 ON PAGE [ ])

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 4 AND 5)

To be completed ONLY if Initial Notes in a principal amount not exchanged and/or Exchange Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal above or to such person or persons at an address other than that shown in the box entitled "Description of Initial Notes" on this Letter of Transmittal above.

Mail and deliver: (check appropriate box(es)):

[_] Exchange Notes to:

[_] Initial Notes not tendered to:

Name(s): _____
(PLEASE TYPE OR PRINT)
_____
(PLEASE TYPE OR PRINT)
Address: _____
_____

(ZIP CODE)
_____
TAX IDENTIFICATION OR SOCIAL SECURITY NO(S)

SUBSTITUTE FORM W-9

TO BE COMPLETED BY ALL EXCHANGING HOLDERS
(SEE INSTRUCTION 5)

PAYOR'S NAME: FIRST UNION NATIONAL BANK

SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW. PART 2--CERTIFICATES--Under penalties of perjury, I certify that: (1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued for me), and (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.	Social security number(s) OR Employer identification numbers
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")	CERTIFICATION INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.	
	SIGNATURE: _____ DATE: _____	PART 3 Awaiting TIN [_]

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31 PERCENT OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office of (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all payments of the Purchase Price made to me thereafter will be withheld until I provide a number.

Signature _____ Date _____

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND INITIAL NOTES: GUARANTEED DELIVERY PROCEDURES. To be effectively tendered pursuant to the Offer, the Initial Notes, together with a properly completed Letter of Transmittal (or manually signed facsimile hereof) duly executed by the Registered Holder thereof, and any other documents required by this Letter of Transmittal must be received by the Exchange Agent at one of its addresses set forth on the front page of this Letter of Transmittal and tendered Initial Notes must be received by the Exchange Agent at one of such addresses on or prior to the Expiration Date; provided, however, that book-entry transfers of Initial Notes may be effected in accordance with the procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures For Tendering Initial Notes--Book-Entry Delivery." If the Beneficial Owner of any Initial Notes is not the Registered Holder, then such person may validly tender such person's Initial Notes only by obtaining and submitting to the Exchange Agent a properly completed Letter of Transmittal from the Registered Holder. LETTERS OF TRANSMITTAL OF INITIAL NOTES SHOULD BE DELIVERED ONLY BY HAND OR BY COURIER, OR TRANSMITTED BY MAIL, AND ONLY TO THE EXCHANGE AGENT AND NOT TO THE COMPANY OR TO ANY OTHER PERSON.

THE METHOD OF DELIVERY OF INITIAL NOTES AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER, AND IF SUCH DELIVERY IS BY MAIL, IT IS SUGGESTED THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED. IF INITIAL NOTES ARE SENT BY MAIL, IT IS SUGGESTED THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE TO PERMIT DELIVERY TO THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

If a holder desires to tender Initial Notes and such holder's Initial Notes are not immediately available or time will not permit such holder to complete the procedures for book-entry transfer on a timely basis or time will not permit such holder's Letter of Transmittal and other required documents to reach the Exchange Agent on or before the Expiration Date, such holder's tender may be effected if:

(a) such tender is made by or through an Eligible Institution (as defined below);

(b) on or prior to the Expiration Date, the Exchange Agent has received a telegram, facsimile transmission or letter form such Eligible Institution setting forth the name and address of the holder of such Initial Notes, the certificate number(s) of such Initial Notes (except in the case of book-entry tenders) and the principal amount of Initial Notes tendered and stating that the tender is being made thereby and guaranteeing that, within three business days after the Expiration Date, a duly executed Letter of Transmittal, or facsimile thereof, together with the Initial Notes, and any other documents required by this Letter of Transmittal and Instructions, will be deposited by such Eligible Institution with the Exchange Agent; and

(c) this Letter of Transmittal, or a manually signed facsimile hereof, and Initial Notes, in proper form for transfer (or a Book-Entry confirmation with respect to such Initial Notes), and all other required documents are received by the Exchange Agent within three business days after the Expiration Date.

2. WITHDRAWAL OF TENDERS. Tendered Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must (i) be timely received by the Exchange Agent at one of its addresses set forth on the first page of this Letter of Transmittal before the Exchange Agent receives notice of acceptance from the Company, (ii) specify the name of the person who tendered the Initial Notes, (iii) contain the description of the Initial Notes to be withdrawn, the certificate number(s) of such Initial Notes (except in the case of book-entry tenders) and the aggregate principal amount represented by such Initial Notes or a Book-Entry Confirmation with respect to such Initial Notes, and (iv) be

signed by the holder of such Initial Notes in the same manner as the original signature appears on this Letter of Transmittal (including any required signature guarantees) or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of the Initial Notes. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution unless such Initial Notes have been tendered (i) by a Registered Holder (which term for purposes of this document shall include any participant tendering by book-entry transfer) of Initial Notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Institution. If the Initial Notes have been tendered pursuant to the procedure for book-entry tender set forth in the Exchange Offer under the caption "Procedure for Tendering Initial Notes," a notice of withdrawal is effective immediately upon receipt by the Exchange Agent of a written, telegraphic or facsimile transmission notice of withdrawal even if physical release is not yet effected. In addition, such notice must specify, in the case of Initial Notes tendered by delivery of such Initial Notes, the name of the Registered Holder (if different from that of the tendering holder) to be credited with the withdrawn Initial Notes. Withdrawals may not be rescinded, and any Initial Notes withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, properly withdrawn Initial Notes may be retendered by following one of the procedures described under "The Exchange Offer--Procedures for Tendering Initial Notes" in the Exchange Offer at any time on or prior to the applicable Expiration Date.

3. SIGNATURES ON THIS LETTER OF TRANSMITTAL, BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES. If this Letter of Transmittal is signed by the Registered Holder of the Initial Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the Initial Notes without any change whatsoever.

If any Initial Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any Initial Notes tendered hereby are registered in different names, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Initial Notes.

When this Letter of Transmittal is signed by the Registered Holder or Holders specified herein and tendered hereby, no endorsements of such Initial Notes or separate bond powers are required. If, however, Exchange Notes are to be issued, or any untendered principal amount of Initial Notes are to be reissued to a person other than the Registered Holder, then endorsements of any Initial Notes transmitted hereby or separate bond powers are required.

If this Letter of Transmittal is signed by a person other than the Registered Holder or Holders, such Initial Notes must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the Registered Holder or Holders appear(s) on the Initial Notes.

If this Letter of Transmittal or a Notice of Guaranteed Delivery or any Initial Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority so to act must be submitted.

Except as describe in this paragraph, signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution which is a firm which is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or otherwise be an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution"). Signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, need not be guaranteed if the Initial Notes tendered pursuant hereto are tendered (i) by a Registered Holder of Initial Notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Institution.

Endorsement on Initial Notes or signatures on bond forms required by this Instruction 3 must be guaranteed by an Eligible Institution.

4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS. Tendering holders should indicate in the applicable box the name and address to which Exchange Notes and/or substitute Initial Notes for the principal amounts not exchanged are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. If no such instructions are given, such Initial Notes not exchanged will be returned to the name and address of the person signing this Letter of Transmittal.

5. TAXPAYER IDENTIFICATION NUMBER AND BACKUP WITHHOLDING. Federal income tax law of the United States requires that a holder of Initial Notes whose Initial Notes are accepted for exchange provide the Company with such holder's correct taxpayer identification number, which, in the case of a holder who is an individual, is the holder's social security number, or otherwise establish an exemption from backup withholding. If the Company is not provided with the holder's correct taxpayer identification number, the exchanging holder of Initial Notes may be subject to a penalty imposed by the Internal Revenue Service. In addition, interest on the Exchange Notes acquired pursuant to the Offer may be subject to backup withholding in an amount equal to 31 percent of any interest payment. If withholding occurs and results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service by filing a return.

To prevent backup withholding, each exchanging holder of Initial Notes subject to backup withholding must provide his correct taxpayer identification number by completing the Substitute Form W-9 provided in this Letter of Transmittal, certifying that the taxpayer identification number provided is correct (or that the exchanging holder of Initial Notes is awaiting a taxpayer identification number) and that either (a) the exchanging holder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of failure to report all interest or dividends or (b) the Internal Revenue Service has notified the exchanging holder that he is no longer subject to backup withholding.

Certain exchanging holders of Initial Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. A foreign individual and other exempt holders (e.g., corporations) should certify, in accordance with the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, to such exempt status on the Substitute Form W-9 provided in this Letter of Transmittal. Nonresident aliens should submit Form W-8, available from the Exchange Agent upon request.

6. TRANSFER TAXES. Holders tendering pursuant to the Offer will not be obligated to pay brokerage commissions or fees or to pay transfer taxes with respect to their exchange under the Offer unless the box entitled "Special Issuance Instructions" in this Letter of Transmittal has been completed, or unless the securities to be received upon exchange are to be issued to any person other than the holder of the Initial Notes tendered for exchange. The Company will pay all other charges or expenses in connection with the Offer. If holders tender Initial Notes for exchange and the Offer is not consummated, such Initial Notes will be returned to the holders at the Company expense.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Initial Notes specified in this Letter of Transmittal.

7. INADEQUATE SPACE. If the space provided herein is inadequate, the aggregate principal amount of the Initial Notes being tendered and the security numbers (if available) should be listed on a separate schedule attached hereto and separately signed by all parties required to sign this Letter of Transmittal.

8. PARTIAL TENDERS. Tenders of Initial Notes will be accepted only in integral multiples of $1,000. If tenders are to be made with respect to less than the entire principal amount of any Initial Notes, fill in the principal amount of Initial Notes which are tendered in column (iv) of the "Description of Initial Notes." In the

case of partial tenders, the Initial Notes in fully registered form for the remainder of the principal amount of the Initial Notes will be sent to the persons(s) signing this Letter of Transmittal, unless otherwise indicated in the appropriate place on this Letter of Transmittal, as promptly as practicable after the expiration or termination of the Offer.

Unless otherwise indicated in column (iv) in the box labeled "Description of Initial Notes," and subject to the terms and conditions of the Offer, tenders made pursuant to this Letter of Transmittal will be deemed to have been made with respect to the entire aggregate principal amount represented by the Initial Notes indicated in column (iii) of such box.

9. MUTILATED, LOST, STOLEN OR DESTROYED INITIAL NOTES. Any holder whose Initial Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. VALIDITY AND ACCEPTANCE OF TENDERS. All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of Initial Notes tendered for exchange will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all Initial Notes not properly tendered and to reject any Initial Notes the Company's acceptance of which might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right to waive any defects or irregularities or conditions of the Exchange Offer as to particular Initial Notes either before or after the Expiration Date (including the right to waive the ineligibility of any holder who seeks to tender Initial Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Initial Notes for exchange must be cured within such period of time as the Company shall determine. The Company will use reasonable efforts to give notification of defects or irregularities with respect to tenders of Initial Notes for exchange but shall not incur any liability for failure to give such notification. Tenders of the Initial Notes will not be deemed to have been made until such irregularities have been cured or waived.

11. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. First Union National Bank is the Exchange Agent. All tendered Initial Notes, executed Letters of Transmittal and other related documents should be directed to the Exchange Agent at the addresses or facsimile number set forth on the first page of this Letter of Transmittal. Questions and requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal and other related documents should be addressed to the Exchange Agent as follows:

First Union Customer Information Center
Reorganization Department, 3C3-NC 1153
1525 West W.T. Harris Boulevard
Charlotte, NC 28262

Facsimile Transmission:
(704) 590-7628

To Confirm Receipt:
(704) 590-7408

PRIMUS TELECOMMUNICATIONS GROUP, INC.

OFFER TO EXCHANGE
ALL OF ITS
9 7/8% SENIOR NOTES DUE 2008
FOR A NEW SERIES OF ITS
9 7/8% SENIOR NOTES DUE 2008
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
PURSUANT TO THE PROSPECTUS DATED , 1998

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THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON 1998
UNLESS EXTENDED.

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To Our Clients:

Enclosed for your consideration is a Prospectus dated , 1998 ("Prospectus") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Exchange Offer") relating to an offer by Primus Telecommunications Group, Inc., a Delaware corporation ("Company"), to exchange all its outstanding 9 7/8% Senior Notes due 2008 ("Initial Notes") for a new series of its 9 7/8% Senior Notes due 2008 upon the terms and subject to the conditions set forth in the Exchange Offer.

WE ARE THE HOLDER OF RECORD OF INITIAL NOTES HELD BY US FOR YOUR ACCOUNT. A TENDER FOR EXCHANGE OF SUCH INITIAL NOTES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER FOR EXCHANGE INITIAL NOTES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender for exchange on your behalf any or all of such Initial Notes held by us for your account, pursuant to the terms and subject to the conditions set forth in the Exchange Offer.

Your attention is directed to the following:

1. The Exchange Offer and withdrawal rights will expire at 5:00 P.M., New York City time, on , 1998, unless the Exchange Offer is extended. Your instructions to us should be forwarded to us in ample time to permit us to submit a tender on your behalf.

2. The Exchange Offer is made for all Initial Notes outstanding, constituting $140,000,000 aggregate principal amount as of the date of the Prospectus.

3. The minimum permitted tender is $1,000 principal amount of Initial Notes, and all tenders must be in integral multiples of $1,000.

4. The Offer is conditioned upon the satisfaction of certain conditions set forth in the Prospectus under the caption "The Exchange Offer--Conditions of the Exchange Offer." The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange.

5. Tendering Holders (as defined in the Prospectus) will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes applicable to the exchange of Initial Notes pursuant to the Exchange Offer.

6. In all cases, exchange of Initial Notes tendered and accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by First Union National Bank ("Exchange Agent") of (i) certificates representing such Initial Notes or timely confirmation of a book-entry transfer of such Initial Notes into the Exchange Agent's account at The Depository Trust Company ("Book-Entry Transfer Facility") pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offer--Procedures for Tendering Initial Notes," (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined in the Prospectus) in connection with a book-entry transfer, and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment may be made to tendering Holders at different times if delivery of the Initial Notes and other required documents occurs at different times.

The Exchange Offer is being made solely by the Prospectus and the related Letter of Transmittal and is being made to all Holders of Initial Notes. The Company is not aware of any state where the making of the Exchange Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Company becomes aware of any valid state statute prohibiting the making of the Exchange Offer or the acceptance of Initial Notes tendered for exchange pursuant thereto, the Company will make a good faith effort to comply with any such state statute or seek to have such statute declared inapplicable to the Exchange Offer. If, after such good faith effort, the Company cannot comply with such state statute the Exchange Offer will not be made to, nor will tenders be accepted from or on behalf of, the holders of Initial Notes in such state. In any jurisdiction where the securities, blue sky or other laws require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer shall be deemed to be made on behalf of the Company by one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of the Initial Notes held by us for your account, please instruct us by completing, executing and returning to us the instruction form contained in this letter. If you authorize a tender for exchange of your Initial Notes, the entire aggregate principal amount of such Initial Notes will be tendered for exchange unless otherwise specified in such instruction form. YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE EXCHANGE OFFER.

INSTRUCTIONS TO REGISTERED HOLDER AND/OR BOOK-ENTRY
TRANSFER PARTICIPANT FROM OWNER WITH RESPECT TO THE

PRIMUS TELECOMMUNICATIONS GROUP, INC.

OFFER TO EXCHANGE
ALL OF ITS
9 7/8% SENIOR NOTES DUE 2008
FOR A NEW SERIES OF ITS
9 7/8% SENIOR NOTES DUE 2008

TO REGISTERED HOLDER AND/OR PARTICIPANT OF THE BOOK-ENTRY TRANSFER FACILITY:

The undersigned acknowledge(s) receipt of your letter enclosing the Prospectus dated , 1998, and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Exchange Offer") pursuant to an offer by Primus Telecommunications Group, Inc., a Delaware corporation, to exchange all of its outstanding 9 7/8% Senior Notes due 2008 ("Initial Notes") for a new series of its 9 7/8% Senior Notes due 2008 ("Exchange Notes"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you to tender the principal amount of Initial Notes indicated below (or, if no number is indicated below, the entire aggregate principal amount) which are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Exchange Offer.

The aggregate face amount of the Initial Notes held by you for the account of the undersigned is (fill in amount):

$ of the 9 7/8% Senior Notes Due 2008.

With respect to the Exchange Offer, the undersigned hereby instructs you (check appropriate box):

[_] To TENDER the following Initial Notes held by you for the account of the undersigned (insert principal amount of Initial Notes to be tendered (if any)*:

$ of the 9 7/8% Senior Notes Due 2008.

[_] NOT to TENDER any Initial Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Initial Notes held by you for the account of the undersigned, it is understood that you are authorized (a) to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representation and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations, that (i) the Exchange Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the undersigned, (ii) neither the undersigned nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes, (iii) if the undersigned is not a broker-dealer, or is a broker-dealer but will not receive Exchange Notes for its own account in exchange for Initial Notes, neither the undersigned nor any such other person is engaged in or intends to participate in the distribution of such Exchange Notes and (iv) neither the undersigned nor any such other person is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended (the "Securities Act") or, if the undersigned is an "affiliate," that the undersigned will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable. If the undersigned is a broker-dealer (whether or not it is also an "affiliate") that will receive Exchange Notes for its own account in exchange for Initial Notes, it represents that such Initial Notes were acquired as a result of

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* Unless otherwise indicated, it will be assumed that the entire principal amount of the Initial Notes held by us for your account are to be tendered for exchange. The minimum permitted tender is $1,000 principal amount of Initial Notes; all other tenders must be in integral multiples of $1,000.

marketing-making activities or other trading activities, and it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes. By acknowledging that it will deliver and by delivering a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes, the undersigned is not deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

SIGN HERE

Name of Beneficial Owner(s): _____

Signature(s): _____

Name(s) (please print): _____

Address: _____

_____

Telephone Number: _____

Taxpayer identification or Social Security Number: _____

_____

Date: _____

PRIMUS TELECOMMUNICATIONS GROUP, INC.

OFFER TO EXCHANGE
ALL OF ITS OUTSTANDING
9 7/8% SENIOR NOTES DUE 2008
FOR A NEW SERIES OF ITS
9 7/8% SENIOR NOTES DUE 2008

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THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS
WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON , 1998,
UNLESS THE EXCHANGE OFFER IS EXTENDED.

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To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Primus Telecommunications Group, Inc., a Delaware corporation ("Company"), is offering to exchange all of its outstanding 9 7/8% Senior Notes due 2008 ("Initial Notes") for a new series of its 9 7/8% Senior Notes due 2008 upon the terms and subject to the conditions set forth in the Prospectus dated , 1998 ("Prospectus") and in the related Letter of Transmittal (which, together with any amendment or supplements thereto, collectively constitute the "Exchange Offer") enclosed herewith.

The Exchange Offer is conditioned upon satisfaction of certain conditions set forth in the Prospectus under the caption "The Exchange Offer--Conditions of the Exchange Offer." The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange.

Enclosed herewith for your information and forwarding to your clients for whose accounts you hold Initial Notes registered in your name or in the name of your nominee are copies of the following documents:

1. The Prospectus dated , 1998.

2. The blue Letter of Transmittal to tender Initial Notes for exchange (for your use and for the information of your clients). Facsimile copies of the Letter of Transmittal may be used to tender Initial Notes for exchange.

3. The gray Notice of Guaranteed Delivery (to be used to tender Initial Notes for exchange if certificates for Initial Notes are not immediately available or if such certificates for Initial Notes and all other required documents cannot be delivered to First Union National Bank ("Exchange Agent") on or prior to the Expiration Date or if the procedures for book-entry transfer cannot be completed on a timely basis).

4. A yellow printed form of letter which may be sent to your clients for whose accounts you hold Initial Notes registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer.

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

6. A return envelope addressed to the Exchange Agent.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTRACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 1998, UNLESS THE EXCHANGE OFFER IS EXTENDED.

In order for Initial Notes to be validly tendered pursuant to the Exchange Offer, (i) a duly executed and properly completed Letter of Transmittal (or a facsimile thereof) together with any required signature guarantees, or an Agent's Message (as defined in the Prospectus) in connection with a book-entry delivery of Initial Notes, and any other documents required by the Letter of Transmittal, must be received by the Depositary on or prior to the Expiration Date, and (ii) either certificates representing tendered Initial Notes must be received by the Exchange Agent or such Initial Notes must be tendered by book-entry transfer into the Exchange Agent account maintained at the Book-Entry Transfer Facility (as described in the Prospectus), and Book-Entry Confirmation must be received by the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus

If Holder (as defined in the Prospectus) desires to tender Initial Notes for exchange pursuant to the Exchange Offer and such Holder's Initial Note certificates are not immediately available or such Holder cannot deliver the Initial Note certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or such Holder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Initial Notes may nevertheless be tendered for exchange by following the guaranteed delivery procedures specified in the Prospectus under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Guaranteed Delivery Procedures."

The Company will not pay any fees or commissions to any broker or dealer or any other person for soliciting tenders of Initial Notes pursuant to the Exchange Offer. The Company will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay or cause to be paid any transfer taxes applicable to the exchange of Initial Notes pursuant to the Exchange Offer, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Any inquires you may have with respect to the Exchange Offer should be addressed to the Exchange Agent, at its address and telephone numbers set forth on the back cover of the Prospectus. Additional copies of the enclosed material may be obtained from the Exchange Agent.

Very truly yours,

Primus Telecommunications Group, Inc.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR ANY AFFILIATE OF ANY OF THEM, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENT OR USE ANY DOCUMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE EXCHANGE OFFER OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS THEREIN.

EXHIBIT 99.2

NOTICE OF GUARANTEED DELIVERY

PRIMUS TELECOMMUNICATIONS GROUP, INC.

OFFER TO EXCHANGE
ALL OF ITS
9 7/8% SENIOR NOTES DUE 2008
FOR A NEW SERIES OF ITS
9 7/8% SENIOR NOTES DUE 2008
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
PURSUANT TO THE PROSPECTUS DATED , 1998

As set forth in Prospectus described below, this Notice of Guaranteed Delivery or one substantially equivalent hereto must be used to tender for exchange 9 7/8% Senior Notes due 2008 ("Initial Notes"), of Primus Telecommunications Group, Inc., a Delaware corporation ("Company"), pursuant to the Exchange Offer (as defined below) if certificates for Initial Notes are not immediately available or the certificates for Initial Notes and all other required documents cannot be delivered to the Exchange Agent on or prior to the Expiration Date (as defined in the Prospectus), or if the procedures for delivery by book-entry transfer cannot be completed on a timely basis. This instrument may be delivered by hand or transmitted by facsimile transmission or mail to the Exchange Agent.

The Exchange Agent for the Exchange Offer is:

FIRST UNION NATIONAL BANK

By Mail, Hand or Overnight Delivery: By Facsimile Transmission:

First Union Customer Information Center (704) 590-7628

Reorganization Department, 36C-NC 1153 Confirm by Telephone:

1525 West W.T. Harris Boulevard (704) 590-7408
Charlotte, NC 28262

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSIONS OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution under the Instructions to the Letter of Transmittal, such signature guarantee must appear in the applicable space provided in the signature box in the Letter of Transmittal.

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 1998, UNLESS THE EXCHANGE OFFER IS EXTENDED.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to the Company, upon the terms and subject to the conditions set forth in the Prospectus dated , 1998 ("Prospectus") and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Exchange Offer"), receipt of each of which is hereby acknowledged, the principal amount of Initial Notes indicated below pursuant to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Guaranteed Delivery Procedures."

Signature(s) _____

Name(s) of Eligible Holders _____
PLEASE TYPE OR PRINT

Principal Amount of Initial Notes Tendered for Exchange $ _____

Initial Note Certificate No(s). (If available) _____

Dated , 199

Address(es) _____
ZIP CODE

Area Code and Tel. No.(s) _____

(Check box if shares will be tendered by book-entry transfer)

[_] The Depository Trust Company

DTC Account Number _____

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, an Eligible Institution (as defined in the Prospectus), having an office or correspondent in the United States, hereby (a) represents that the above named person(s) "own(s)" the Initial Notes tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), (b) represents that such tender of Initial Notes complies with Rule 14e-4, and (c) guarantees to either deliver to the Exchange Agent the certificates representing all the Initial Notes tendered hereby, in proper form for transfer, or to deliver such Initial Notes pursuant to the procedure for book-entry transfer into the Exchange Agent's account at The Depository Trust Company, in either case together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Prospectus) in the case of a book-entry transfer, and any other required documents, all within three New York Stock Exchange trading days after the date hereof.

NAME OF FIRM	AUTHORIZED SIGNATURE
ADDRESS	PLEASE TYPE OR PRINT
ZIP CODE	DATE

NOTE: DO NOT SEND CERTIFICATES FOR INITIAL NOTES WITH THIS NOTICE.
CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.