

SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO 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 August 27, 1996

PROSPECTUS

SHARES

[LOGO FOR PRIMUS TELECOMMUNICATIONS GROUP APPEARS HERE]

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

COMMON STOCK

All of the shares of Common Stock offered hereby are being sold by Primus Telecommunications Group, Incorporated ("Primus" or the "Company"). Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price for the Common Stock will be between \$ and \$ per share. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. Application will be made to have the Common Stock approved for quotation on the Nasdaq National Market under the symbol "PRTL."

THE SHARES OF COMMON STOCK OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 9.

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

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting estimated expenses of \$ payable by the Company.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to additional shares of Common Stock on the same terms and conditions set forth herein, solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock offered by this Prospectus are offered by the Underwriters subject to prior sale, withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters and to certain further conditions. It is expected that delivery of certificates representing the shares of Common Stock will be made at the offices of Lehman Brothers Inc., New York, New York on or about , 1996.

LEHMAN BROTHERS

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

, 1996.

[MAP OF WORLD SHOWING PRIMUS' NETWORK, INCLUDING SWITCH LOCATIONS (OPERATIONAL,
UNDER CONSTRUCTION AND PLANNED) AND FIBER LINKS BETWEEN SWITCH LOCATIONS
(EXISTING AND PLANNED)]

All references herein to "U.S. dollars," "dollars" or "US\$" are to United States dollars. All references to "A\$" are to Australian dollars, the official currency of Australia. All references to "(Pounds)" are to British pounds, the official currency of the United Kingdom. All references to "Pesos" are to Mexican pesos, the official currency of Mexico. The exchange rate of Australian dollars was A\$ to US\$ 1.00 at , 1996, based on the noon buying rate as reported by for , 1996. The exchange rate of British pounds was (Pounds) to US\$ 1.00 at , 1996, based on the noon buying rate as reported by for , 1996. The exchange rate of Mexican Pesos was P\$ to US\$ 1.00 at , 1996, based on the noon buying rate as reported by for , 1996.

The Consolidated Financial Statements of the Company are presented in accordance with United States generally accepted accounting principles, and amounts originally measured in foreign currencies for all periods presented have been translated into U.S. dollars in accordance with the methodology set forth in Note 2 to the Consolidated Financial Statements of the Company.

ADDITIONAL INFORMATION

The Company is not currently subject to the information requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). As a result of the Offering, the Company will be required to file reports and other information with the Securities and Exchange Commission (the "Commission") pursuant to the informational requirements of the Exchange Act.

The Company has filed with the Commission a Registration Statement on Form S-1 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered hereby. As permitted by the rules and regulations of the Commission, this Prospectus, which is part of the Registration Statement, omits certain information, exhibits, schedules and undertakings set forth in the Registration Statement. For further information pertaining to the Company and the securities offered hereby, reference is made to such Registration Statement and the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents or provisions of any documents referred to herein are not necessarily complete, and in each instance, reference is made to the copy of the document filed as an exhibit to the Registration Statement. The Company will issue annual and quarterly reports. Annual reports will include audited financial statements prepared in accordance with accounting principles generally accepted in the United States and a report of its independent auditors with respect to the examination of such financial statements. In addition, the Company will issue to its securityholders such other unaudited quarterly or other interim reports as it deems appropriate.

The Registration Statement may be inspected without charge at the office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the Registration Statement may be obtained from the Commission at prescribed rates from the Public Reference Section of the Commission at such address, and at the Commission's regional offices located at 7 World Trade Center, 13th Floor, New York, New York 10048, and at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. In addition, registration statements and certain other filings made with the Commission through its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system are publicly available through the Commission's site on the Internet's World Wide Web, located at <http://www.sec.gov>. The Registration Statement, including all exhibits thereto and amendments thereof, has been filed with the Commission through EDGAR.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and the financial statements and notes thereto appearing elsewhere in 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. The offering of the shares of Common Stock, par value \$.01 per share, of the Company (the "Common Stock") pursuant to this Prospectus is referred to as the "Offering." Investors should carefully consider the information set forth under the heading "Risk Factors." Unless otherwise noted, all information in this Prospectus assumes that the Underwriters' over-allotment option has not been exercised and has been adjusted to give effect to a -for- stock split (the "Stock Split") and the conversion of all outstanding shares of Series A Convertible Preferred Stock of the Company into shares of Common Stock (the "Preferred Stock Conversion"). This Prospectus contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company. Prospective investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider the various factors identified in this Prospectus, including the matters set forth under the caption "Risk Factors" that could cause actual results to differ materially from those indicated by such forward-looking statements.

THE COMPANY

Primus is a multinational telecommunications company that focuses on the provision of international and domestic long distance services. The Company seeks to capitalize on the increasing business and consumer demand for international telecommunications services generated by the globalization of world economies and the worldwide trend toward deregulation of the telecommunications sector. The Company has targeted North America, Asia-Pacific and Europe as its primary service regions (the "Targeted Regions"). The Company currently provides services in the United States, Australia and the United Kingdom (the "Operating Hubs"), which are the most deregulated countries within the Targeted Regions and which serve as regional hubs for expansion into additional markets within the Targeted Regions. As part of the execution of this strategy, the Company has commenced operations in Canada and Mexico. 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 the year ended December 31, 1995 and the six months ended June 30, 1996, the Company had pro forma net revenue of approximately \$126 million and \$92 million, respectively, after giving effect to the Company's March 1996 acquisition of Axicorp Pty., Ltd. ("Axicorp"), the fourth largest telecommunications provider in Australia. For the three months ended June 30, 1996, the Company had net revenue of approximately \$48 million. As of July 31, 1996, the Company had 221 full-time employees and approximately 24,000 customers.

The Company targets, on a retail basis, small- and medium-sized businesses with significant international long distance traffic and ethnic residential consumers and, on a wholesale basis, other telecommunications carriers and resellers with international traffic. The Company provides a broad array of competitively priced telecommunications services, including international long distance to over 200 countries, domestic long distance, and international and domestic private networks, as well as local switched and cellular services in Australia, prepaid and calling cards in the United States and the United Kingdom and toll-free services in the United States. The Company markets its services through a variety of sales channels, including direct sales, independent agents, direct marketing and associations.

The Company is implementing its international telecommunications network (the "Network") to reduce and control costs, improve service reliability and increase flexibility to introduce new products and services. The Network currently consists of an international gateway switch in Washington, D.C., points-of-presence in New York and London, and leased transmission capacity connecting to the networks of other international and domestic carriers. The Company also has correspondent agreements with the government-owned Postal, Telephone and Telegraph Companies ("PTTs") in India, Iran and Honduras. The Company has installed three additional international gateway switches in Melbourne, Sydney and Toronto, has acquired two international gateway switches for installation in New York and Los Angeles and three other switches for installation in Adelaide, Brisbane and Perth, all eight of which are expected to be operational by the end of the first quarter of 1997. The Company expects to acquire an additional switch for installation in London and additional switches and points-of-presence for installation in other major metropolitan areas of the Targeted Regions. The Company expects to connect its gateway switches between Sydney and Los Angeles with a trans-Pacific fiber-optic cable link by the end of the first quarter of 1997. The Company also intends to purchase additional switches and ownership in international fiber-optic cables, install international gateway satellite earth station facilities, lease additional transmission capacity and, where necessary, obtain additional correspondent agreements.

The Company's objective is to become a leading provider of international and domestic long distance voice, data and value-added services to its target customers. The Company's strategy to achieve this objective is to focus on providing a full range of competitively priced, high-quality services in the Targeted Regions. Key elements in the Company's strategy include:

- . Focus on Customers with Significant International Long Distance Usage. The Company's primary focus is providing telecommunications services to small- and medium-sized businesses with significant international long distance traffic and to ethnic residential consumers 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. Although the Company expects to obtain a significant percentage of its revenues from offering international long distance services, the Company currently generates, and expects to continue to generate over the near term, a greater percentage of net revenue from domestic long distance services in an effort to build network traffic more quickly.
- . Pursue Early Entry into Selected Deregulating Markets. Primus seeks to be an early entrant into selected overseas deregulating telecommunications markets where it believes there is significant demand for international long distance services, substantial growth and profit potential, and the opportunity to establish a customer base and achieve name recognition. The Company intends to use each Operating Hub as a base to expand into deregulating markets within the Targeted Regions and will focus its expansion efforts on major metropolitan areas with a high concentration of target customers with international traffic. The Company believes that management's international telecommunications experience will assist it in successfully identifying and launching operations in deregulating markets.
- . Implement Intelligent International Network. The Company expects that the 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 Network will consist of (i) a global backbone network connecting intelligent gateway switches in the Targeted Regions, (ii) a domestic long distance network presence in each of the Operating Hubs and certain additional countries within the Targeted Regions and (iii) a combination of leased facilities, resale arrangements and correspondent agreements.

- Deliver Quality Services at Competitive Prices. 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 that of its major competitors. In addition, the Company intends to maintain strong customer relationships through the use of trained and experienced service representatives and the provision of customized billing services.
- Provide a Comprehensive Package of Services. The Company seeks to provide a comprehensive package of services to create "one-stop shopping" for its targeted customers' telecommunications needs, particularly for small- and medium-sized businesses and ethnic residential consumers that prefer a full service telecommunications provider. The Company believes this approach strengthens its marketing efforts and increases customer retention.

The Company acquired Axicorp, the fourth largest telecommunications provider in Australia, in March 1996. Axicorp provides the Company early entry into the deregulating Australian telecommunications market and will serve as the Company's gateway to the Asia-Pacific region. Prior to the acquisition, Axicorp was a switchless reseller of long distance, local switched and cellular services. Since the acquisition, the Company has acquired five switches for use in Australia, which are expected to be operational by the end of the first quarter of 1997, and has focused on increasing the number of higher-margin, higher-volume business customers with significant international long distance traffic. As part of its increasing focus on business customers, the Company is increasing Axicorp's direct sales force and reducing its reliance on marketing through associations. The Company believes that the ongoing transformation of Axicorp's strategy and operations to those of a facilities-based carrier focused on the provision of international and domestic long distance services is an example of the execution of the Company's business model. For the twelve months ended March 31, 1996, Axicorp generated net revenue of approximately \$144 million. See "Business--Axicorp."

Primus was co-founded in 1994 by K. Paul Singh, its Chairman and Chief Executive Officer, who formerly served as Vice President of Marketing for MCI. Mr. Singh previously founded two other telecommunications companies, Overseas Telecommunications, Inc. ("OTI") and the Cygnus Satellite Corporation ("Cygnus"), both of which focused on international telecommunications. OTI and Cygnus were acquired by MCI and PanAmSat, respectively. The executive officers of the Company and several of the other members of its management team have substantial experience in the telecommunications and other related industries, and have served in management positions with companies such as MCI, OTI, IBM and M/A Com (now known as Hughes Network Systems, Inc.). See "Management--Executive Officers, Directors and Key Employees."

On July 31, 1996, the Soros/Chatterjee Group (as defined in "Certain Transactions") purchased an equity interest in the Company for an aggregate purchase price of approximately \$16.0 million (the "Private Equity Sale") and, after giving effect to the Offering, will collectively beneficially own % of the Common Stock. Additionally, on January 12, 1996, Teleglobe USA, Inc. ("Teleglobe"), invested approximately \$1.46 million in the Company and, after giving effect to the Offering, will beneficially own % of the Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Transactions."

The Company was incorporated in February 1994. The executive offices of the Company are located at 8180 Greensboro Drive, Suite 1100, McLean, Virginia 22102 and its telephone number is (703) 848-4625.

THE OFFERING

Common Stock Offered by the
Company..... shares
Common Stock Outstanding af-
ter the Offering..... shares (1)
Use of Proceeds..... Up to \$50 million of the net proceeds will be
used to expand the Network, including purchasing
transmission equipment facilities and support
systems, international fiber capacity and
satellite earth station facilities for new and
existing routes. The remaining net proceeds will
be used to fund operating losses and for working
capital and other general corporate purposes.
The net proceeds also may be used for
investments in potential joint ventures,
strategic alliances or acquisitions, although
the Company is not currently party to any
agreement or understanding relating to any such
transaction. See "Use of Proceeds."

Proposed Nasdaq National
Market System Symbol..... PRTL

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(1) Excludes shares of Common Stock which may be issued upon exercise of
outstanding options granted pursuant to the Company's employee stock
option plan (the "Employee Plan") and the Company's director stock option
plan (the "Director Plan," together with the Employee Plan, the "Plans"),
and an additional shares of Common Stock reserved for issuance pursuant
to the Plans. The weighted average exercise price of all outstanding
options is \$ per share. Also excludes up to shares of Common Stock
which may be issued upon exercise of certain warrants held by the
Soros/Chatterjee Group (the "Soros/Chatterjee Warrants"), assuming such
warrants were exercised on the date of the Offering at an assumed exercise
price of \$. The actual number of shares of Common Stock issuable upon
exercise of these warrants will be shares of Common Stock plus an
indeterminate number of shares having a fair market value of \$10 million
as of the date of exercise. See "Management--Stock Option Plans," "Certain
Transactions--Private Equity Sale," "Description of Capital Stock--
Warrants" and Notes 8 and 13 to the Consolidated Financial Statements of
the Company.

RISK FACTORS

See "Risk Factors" beginning on page 9 for a discussion of certain
information that should be considered by prospective investors.

SUMMARY UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following table presents summary unaudited pro forma consolidated financial data and certain actual balance sheet data which has been derived from, and should be read in conjunction with, the Company's Unaudited Pro Forma Consolidated Statements of Operations and related notes thereto, the Company's Consolidated Balance Sheets and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

PRO FORMA STATEMENT OF OPERATIONS DATA:

	YEAR ENDED	SIX MONTHS	
	DECEMBER 31,	ENDED JUNE 30,	
	1995	1995	1996
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE)			
Net revenue.....	\$125,628	\$47,930	\$91,783
Cost of revenue.....	114,639	43,141	83,918
Gross margin.....	10,989	4,789	7,865
Operating expenses:			
Selling, general and administrative.....	12,955	5,376	8,791
Depreciation and amortization.....	1,842	879	1,098
Total operating expenses.....	14,797	6,255	9,889
Income (loss) from operations.....	(3,808)	(1,466)	(2,024)
Interest expense.....	(885)	(446)	(473)
Interest income.....	132	30	209
Other income (expense).....	--	--	(268)
Income (loss) before income taxes...	(4,561)	(1,882)	(2,556)
Income taxes.....	124	68	743
Net income (loss).....	\$ (4,685)	\$(1,950)	\$(3,299)
Net earnings (loss) per common and common share equivalent.....	\$	\$	\$
Weighted average number of common and common share equivalents outstanding.....			

AS OF JUNE 30, 1996

	ACTUAL	PRO FORMA	
		PRO FORMA (1)	AS ADJUSTED(2)
(IN THOUSANDS)			
BALANCE SHEET DATA:			
Cash and cash equivalents.....	\$ 4,398	\$	\$
Total assets.....	62,297		
Total long-term obligations.....	16,929		
Stockholders' equity (deficit).....	11,800		

- (1) After giving effect to the Private Equity Sale.
- (2) After giving effect to the Private Equity Sale and the sale of shares of Common Stock offered hereby (assuming an initial public offering price of \$ per share), less underwriting discounts, commissions, and estimated expenses of the Offering payable by the Company.

RISK FACTORS

In addition to the other information contained in this Prospectus, the following risk factors should be considered carefully in evaluating the Company and its business before purchasing the shares of the Common Stock offered hereby.

LIMITED OPERATING HISTORY; ENTRY INTO DEVELOPING MARKETS

The Company 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. The Company has generated only limited net revenue and has limited experience in operating its business. In addition, the Company intends to enter markets where it has limited or no operating experience. Furthermore, in many of the Company's target markets, the Company intends to offer services that have previously been provided only by the local PTT. 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" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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 the Company's management, operational and financial resources and increased demands on its systems and controls. The Company plans to develop the Network by adding switches, cable and satellite facilities, expand its operations within the United States, Australia and the United Kingdom, and expand into selected additional markets within the Targeted Regions when business and regulatory conditions warrant. 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 the Company's 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 develop a facilities-based network or expand within its target markets at the rate presently planned by the Company, 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 the Company's customer 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.

HISTORICAL AND FUTURE NET LOSSES

The Company incurred net losses in 1994 and 1995 and had an accumulated deficit of approximately \$6.2 million as of June 30, 1996. Although the Company has experienced net revenue growth in each of its last six quarters, such growth should not be considered to be indicative of future net revenue growth, if any. The Company expects its net losses to increase as the Company uses the proceeds of the Offering to accelerate the expansion of its operations and build-out of the Network. There can be no assurance that the Company's revenue will grow or be sustained in future periods or that the Company will be able to achieve profitability in any future period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NEED FOR ADDITIONAL FINANCING

The Company believes that the net proceeds from the Offering, together with the net proceeds from the Private Equity Sale, borrowing capacity under an expected line of credit, available capital lease financing and cash flow from operations will be sufficient to meet the Company's working capital, capital expenditure and other

cash needs for the next 18 months. The Company, however, will need to raise additional capital from public or private equity or debt sources in order to finance its future growth, including financing the further construction of the Network and expanding service within existing markets and to new markets, which can be capital intensive, as well as its unanticipated working capital needs and capital expenditure requirements. Furthermore, the Company may need to raise additional funds in order to take advantage of unanticipated opportunities, including more rapid international expansion or acquisitions of, investments in or strategic alliances with, companies that are complementary to the Company's current operations, or to develop new products or otherwise respond to unanticipated competitive pressures. There can be no assurance that the Company will be able to raise such capital on satisfactory terms or at all. If the Company decides to raise additional funds through the incurrence of debt, it would likely become subject to 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, the Company may be required to reduce the scope of its expansion, which could adversely affect the Company's business, results of operations and financial condition and its ability to compete. Additionally, if additional funds are raised through the issuance of equity securities, the percentage ownership of the Company's then current stockholders would be reduced and, if such equity securities take the form of preferred stock, the holders of such preferred stock may have rights, preferences or privileges senior to those of holders of Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Description of Capital Stock--Preferred Stock."

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 most 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, the Company's 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 non-United States markets continue to experience deregulatory influences. In each of its Targeted Regions, 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. 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, have substantially greater financial, technical and marketing resources and larger networks than the Company and a broader portfolio of services, control transmission lines and have strong name recognition and loyalty, long-standing relationships with the Company's target customers, and economies of scale which can result in a lower cost structure for transmission and related costs. These competitors include, among others, AT&T, MCI, Sprint, WorldCom, Frontier and LCI in the United States; Telstra, Optus and AAPT in Australia; and British Telecom, Mercury, AT&T, WorldCom, Sprint and ACC in the United Kingdom. The Company also competes with numerous other long distance providers, some of which focus their efforts on the same customers targeted by the Company. In addition to these competitors, recent and pending deregulation in various countries may encourage new entrants. For example, as a result of the recently enacted Telecommunications Act of 1996 (the "1996 Telecommunications Act") in the United States, once certain conditions are met, Regional Bell Operating Companies ("RBOCs") will be allowed to enter the domestic long distance market, AT&T, MCI and other long distance carriers will be allowed to enter the local telephone services market, and any entity (including cable television companies and utilities) will be 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business--Competition" and "Business--Government Regulation."

DEPENDENCE ON TRANSMISSION FACILITIES-BASED CARRIERS

Telephone calls made by the Company's customers are connected through transmission lines that the Company leases under a variety of arrangements with transmission 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 the Company continues to maintain favorable relationships with the transmission facilities-based carriers from which the Company leases transmission lines. Although the Company believes that its relationships with carriers generally are satisfactory, the deterioration or termination of the Company's relationships with one or more of those carriers could have a material adverse effect upon the Company's 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 unanticipated changes such as 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 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 its planned expansion in international markets. In many international markets, the existing carrier will control access to the local networks, enjoy better brand recognition and brand and customer loyalty, and have significant operational economies, including a larger backbone network and correspondent agreements with PTTs. Moreover, the incumbent may take many months to allow competitors, including the Company, 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, obtain access to local transmission facilities or to market, sell and deliver competitive services in these markets.

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 in Europe and certain other parts of the world, 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 U.S. dollars, and changes in exchange rates may have a significant effect on the Company's results of operations. In addition, the Company's business could be adversely affected by a reversal in the current trend toward deregulation of telecommunications carriers. In Mexico, and in certain other countries into which the Company may choose to expand in the future, the Company may need to enter into a joint venture or other strategic

relationship with one or more third parties in order to successfully 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 the Company's business, results of operations and financial condition, or that the Company will not have to modify its current business practices. In addition, there can be no assurance that laws or administrative practices relating to taxation, foreign exchange or other matters of countries within which the Company operates will not change. Any such change could have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON EFFECTIVE INFORMATION SYSTEMS

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 expects to upgrade many of its accounting systems within the upcoming 12-month period. 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. See "Business--Management Information and Billing Systems." Any such delay or other malfunction of the Company's management information systems could have a material adverse effect on the Company's business, 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 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, access 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 access 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.

DEVELOPMENT OF THE NETWORK

The Company has only recently begun operating 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 the Company has limited experience. In expanding the Network, the Company will incur substantial indebtedness and additional fixed operating costs. There can be no assurance that the Network can

be completed in a timely manner or operated efficiently. See "Business-- Network." Any failure by the Company to properly design, implement, operate, manage or maintain the Network could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Business."

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. The Company has entered into an employment agreement with Mr. Singh, which expires on May 30, 1999. The Company maintains key person life insurance on the life of Mr. Singh, but not on the lives of any other officer or director. The Company's future success will also depend on its ability to attract and retain additional key management, 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, from time to time, 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 the Company's results of operations, development efforts and ability to expand. See "Management."

POTENTIAL ADVERSE EFFECTS OF REGULATION

As a multinational telecommunications company, Primus 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. 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 provision of the Company's services is subject to the provisions of the Communications Act of 1934, as amended (the "Communications Act"), the 1996 Telecommunications 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 ("PSCs"). 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 recently enacted 1996 Telecommunications Act has opened the Company's U.S. market to increased competition. There can be no assurance that future regulatory, judicial and legislative changes in the United States will not have a material adverse effect on the Company.

Despite recent trends toward deregulation, the FCC and relevant state PSCs continue to exercise extensive 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 the 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 in connection with providing their services, long distance carriers such as the Company must purchase "access" from the LECs or Competitive Local Exchange Carriers ("CLECs"). 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 informally announced that it intends, in the near future, to undertake a comprehensive review of its regulation of LEC access charges to better account for increasing levels of local competition. Under alternative access charge rate structures being considered by the FCC, LECs would be permitted to allow volume discounts in the pricing of access charges. While the outcome of these proceedings is uncertain, if these rate structures are adopted, 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 and corporate reorganizations, and assignments of regulatory authorizations. The FCC also regulates the nature and extent of foreign ownership and foreign carrier affiliations of the Company. Such requirements may delay, prevent or deter a change in control of the Company.

Regulatory requirements pertinent to the Company's operations have recently changed and will continue to change as a result of federal legislation, court decisions, and new and revised policies of the FCC and state public service commissions. Among other things, such changes may alter the ability of the Company to compete with other service providers, to continue providing the same services, or introduce services currently planned for the future. The impact on the Company's operations of any changes in applicable regulatory requirements cannot be predicted.

Australia. In Australia, the provision of the Company's services is subject to federal regulation pursuant to the Telecommunications Act 1991 of Australia (the "Telecom Act") and federal regulation of anticompetitive practices pursuant to the Trade Practices Act 1974. 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.

The Australian telecommunications industry continues to undergo deregulation, and it is currently expected that the Australian Government will license additional carriers, including the Company, to own transmission facilities in July 1997. Both Telstra and Optus have requested that the Australian Government defer such date, and there can be no assurance that the deregulatory process will proceed in accordance with the Australian Government's announced timetable. Any delay in such deregulatory process or in the granting of a license to the Company would prohibit the Company from owning transmission facilities in Australia and thereby limit the Company's ability to realize additional efficiencies expected to result from the incorporation of owned facilities into its Network.

The Australian Telecommunications Authority ("AUSTEL"), as the federal telecommunications regulatory authority, currently has control over a broad range of issues affecting the operation of the Australian telecommunications industry including the licensing of carriers, the promotion of competition, consumer protection and technical matters. As a reseller of domestic, local and long distance service, cellular service, and international service, the Company must comply with the terms of the class license that applies to all service providers until July 1997 or later, if the deregulatory process in Australia is delayed. The Company currently plans to become a licensed general carrier as soon as it is practicable to do so. As a general licensed carrier, the Company will be required to comply with the terms of its own license and would be subject to greater regulatory controls such as in areas of regulation of connectivity, provision of access to service providers, land access and contributions to the net cost of universal service throughout Australia (to provide telecommunications services at reasonable prices to remote sections of that country) applicable to licensed facilities-based carriers.

There can be no assurance that a change in government, in government policy in relation to telecommunications or competition, in AUSTEL's enforcement of the Telecom Act, in government policy for

the restructuring of the various regulatory authorities that is expected to occur as part of the July 1997 changes, or a deferral of the implementation of the Australian Government's deregulation policy (particularly due to current requests for a deferral by Telstra and Optus), will not have a material adverse effect on the Company's business, results of operations or financial condition.

United Kingdom. In the United Kingdom, the provision of the Company's services is subject to and affected by regulations introduced by the U.K. telecommunications regulatory authority, the Office of Telecommunications ("OfTel") under the Telecommunications Act of 1984 (the "U.K. Telecommunications Act"). Since the break up of the U.K. 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 currently holds a license to provide international simple resale ("ISR") services over leased lines to all international points from the United Kingdom. In addition, the Company (along with approximately 45 other applicants including AT&T, WorldCom, and ACC) has recently made application to the U.K. Secretary for Trade and Industry for a license to provide international facilities based voice services. Although the Company currently expects such license to be granted by the end of the first quarter of 1997, there can be no assurance that the Company will be granted the license by such time, or at all. Failure to obtain such license would prevent the Company from providing facilities based services in the United Kingdom and would have an adverse effect on the Company's ability to expand its operations. In addition, 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.

Other Jurisdictions. The Company currently provides limited services in Mexico and Canada, and intends to expand its operations into other jurisdictions as such markets deregulate and the Company is able to offer a full range of switched public telephone services to its customers. In addition, in countries which enact legislation intended to deregulate the telecommunications sector, 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, particularly in Mexico and other developing countries, 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 the Company will be able to provide a full range of services in such market, that it will not have to significantly modify 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 the Company's business, results of operations or financial condition.

CONTROL OF THE COMPANY

After completion of this Offering, the executive officers and directors of the Company will continue to beneficially own shares of Common Stock, representing % of the Common Stock, including options to purchase shares of Common Stock exercisable on or prior to October , 1996. The executive officers and directors have also been granted options to purchase an additional shares of Common Stock which vest after October , 1996. Of these amounts, Mr. K. Paul Singh, the Company's Chairman and Chief Executive Officer owns shares of Common Stock and options to purchase an additional shares, none of which vests and is exercisable before October , 1996. In addition, the Soros/Chatterjee Group owns shares and has the right to acquire an additional shares (assuming they exercise their rights to acquire these shares at the time of the consummation of the Offering). As a result, if they act as a group, the executive officers, directors and the Soros/Chatterjee Group will exercise significant influence over such matters as the

election of the directors of the Company, 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. See "Principal Stockholders" and "Description of Capital Stock."

HOLDING COMPANY STRUCTURE; RELIANCE ON SUBSIDIARIES FOR DIVIDENDS

Primus is a holding company, the principal assets of which are its operating subsidiaries in the United States, Australia, the United Kingdom and Mexico. As a holding company, the Company's internal sources of funds to meet its cash needs, including payment of expenses, are dividends and other permitted payments from its direct and indirect subsidiaries, as well as its own credit arrangements. The ability of the Company's operating subsidiaries to pay dividends or make other payments to Primus may be restricted by 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 or make any such other payments would restrict Primus's 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.

ABSENCE OF PRIOR PUBLIC MARKET; DETERMINATION OF PUBLIC OFFERING PRICE; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to this Offering, there has been no public market for the Common Stock, and there can be no assurance that following this Offering, an active trading market will develop or, if developed, will be maintained. The initial public offering price of the Common Stock offered hereby was determined by negotiations between the Company and the Representatives (as herein defined) of the Underwriters and may bear no relationship to the price at which the Common Stock will trade after completion of this Offering. For factors considered in determining the initial public offering price, see "Underwriting." Historically, the market prices for securities of emerging companies in the telecommunications industry have been highly volatile. After completion of this Offering, the market price of the Common Stock could be subject to significant fluctuations in response to various factors and events, including the liquidity of the market for the Common Stock, variations in the Company's quarterly operating results, regulatory or other changes (both domestic and international) affecting the telecommunications industry generally, announcements of business developments by the Company or its competitors, the addition of customers in connection with acquisitions, changes in the cost of long distance service or other operating costs and changes in general market conditions.

ANTI-TAKEOVER PROVISIONS

Prior to the completion of this Offering, the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated By-Laws (the "By-Laws") will be amended to include certain provisions which may have the effect of delaying, deterring or preventing a future takeover or change in control of the Company unless such takeover or change in control is approved by the Company's Board of Directors. Such provisions may also render the removal of directors and management more difficult. Specifically, the Company's Certificate of Incorporation or By-Laws will be amended to provide for a classified Board of Directors serving staggered three-year terms, restrictions on who may call a special meeting of stockholders and a prohibition on stockholder action by written consent. In addition, the Company's Board of Directors has the authority to issue up to 2,000,000 additional shares of preferred stock (the "Preferred Stock") and to determine the price, rights, preferences, and privileges of those shares without any further vote or actions by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of such additional shares of Preferred Stock, while potentially providing desirable flexibility in connection with possible acquisitions and serving other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or may discourage a third party from attempting to acquire, a majority of the outstanding voting stock of the Company. The Company has no present intention to issue such additional shares of Preferred Stock. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General

Corporation Law (the "DGCL"), which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control of the Company. Furthermore, certain provisions of the Company's By-Laws, including provisions that provide that the exact number of directors shall be determined by a majority of the Board of Directors, that vacancies on the Board of Directors may be filled by a majority vote of the directors then in office, though less than a quorum, and that limit the ability of new majority stockholders to remove directors, all of which may have the effect of delaying or preventing changes in control or management of the Company, which could adversely affect the market price of the Company's Common Stock. Additionally, certain Federal regulations require prior approval of transfers of control which could also have the effect of delaying, deferring or preventing a change of control. See "Business--Government Regulations." See "Management--Classified Board of Directors," "Description of Capital Stock" and "Business--Government Regulation."

SHARES ELIGIBLE FOR FUTURE SALE

Sales of a substantial number of shares of Common Stock in the public market after this Offering could adversely affect the market price of the shares of Common Stock. In addition to the _____ shares of Common Stock offered hereby which will be freely tradeable, an additional _____ shares will become eligible for public sale beginning 180 days after the effective date of the Registration Statement of which this Prospectus forms a part (the "Effective Date"), subject to the provisions of Rule 144 promulgated under the Securities Act. The volume limitations of Rule 144 will apply to the sale of all of such shares held by affiliates of the Company. Following this Offering, sales of substantial amounts of shares of Common Stock in the public market, or even the potential for such sales, could adversely affect the prevailing market price of the Common Stock and impair the Company's ability to raise capital through the sale of equity securities. See "Principal Stockholders" and "Shares Eligible for Future Sale."

DILUTION

Purchasers of Common Stock in this Offering will experience immediate and substantial dilution in net tangible book value of \$ _____ per share (assuming an initial public offering price of \$ _____ per share). See "Dilution."

USE OF PROCEEDS

The net proceeds from the Offering will be approximately \$ million (\$ million if the Underwriter's over-allotment option is exercised in full), based on an assumed public offering price of \$ per share, less underwriting discounts and commissions and estimated expenses payable by the Company. Up to \$50 million of the net proceeds will be used to expand the Network, including purchasing transmission equipment facilities and support systems, international fiber capacity and satellite earth station facilities for new and existing routes. The remaining net proceeds will be used to fund operating losses and for working capital and other general corporate purposes. The net proceeds also may be used for investments in potential joint ventures, strategic alliances or acquisitions, although the Company is not currently party to any agreement or understanding relating to any such transaction.

The Company also may use a portion of the net proceeds to repay certain existing indebtedness as it matures, including A\$9.0 million of indebtedness incurred as a portion of the purchase price for Axicorp, which is interest-free and matures February 17, 1997 subject to extension at the Company's option for an additional year at the prime rate plus one percent.

The Company believes that the net proceeds from the Offering will be sufficient, together with the net proceeds from the Private Equity Sale, borrowing capacity under an expected line of credit, available capital lease financing and cash flow from operations to meet the Company's working capital, capital expenditure and other cash needs for the next 18 months. The Company is currently in discussions to obtain a line of credit to provide it with additional liquidity, although no assurance can be given that such a line of credit can be obtained on satisfactory terms, if at all.

Pending use of the net proceeds for the above purposes, the Company intends to invest such funds in short-term investment grade securities or shares of investment companies investing primarily in such securities.

DILUTION

The pro forma net tangible book value of the Company at June 30, 1996 was \$, or \$ per share of Common Stock. "Net tangible book value" per share represents the amount of total tangible assets of the Company reduced by the amount of its total liabilities and divided by the total number of shares of Common Stock outstanding. The pro forma net tangible book value per share as of June 30, 1996 gives effect to the Private Equity Sale, Preferred Stock Conversion and Stock Split. Without taking into account any other change in such pro forma net tangible book value after June 30, 1996, other than to give effect to the sale by the Company of shares of Common Stock offered hereby at an assumed public offering price of \$ per share and the receipt of the estimated net proceeds therefrom, the pro forma as adjusted net tangible book value of the Company at June 30, 1996 would have been approximately \$, or \$ per share of Common Stock. This represents an immediate increase in such pro forma net tangible book value of \$ per share of Common Stock to existing stockholders and an immediate dilution of \$ per share of Common Stock to persons purchasing shares at the public offering price ("New Investors").

The following table illustrates this per share dilution:

Assumed initial public offering price.....	\$
Pro forma net tangible book value per share at June 30, 1996...	\$
Increase attributable to New Investors.....	----
Pro forma as adjusted net tangible book value per share after this Offering.....	----
Dilution in pro forma net tangible book value per share to New Investors.....	\$ ====

The following table summarizes, on a pro forma as adjusted basis as of June 30, 1996, the differences between the existing holders of Common Stock, including as a result of the Private Equity Sale and the Preferred Stock Conversion, and the New Investors with respect to the number of shares of Common Stock purchased from the Company, the total consideration to the Company and the average price per share paid:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE
	NUMBER	PERCENT	AMOUNT	PERCENT	PRICE PER SHARE
	-----	-----	-----	-----	-----
Existing Stockholders...		%	\$	%	\$
New Investors.....					\$
Total.....	=====	=====	=====	=====	

The above computations assume no exercise of any outstanding options or warrants. At June 30, 1996, there were outstanding options to purchase shares of Common Stock at a weighted average exercise price of \$ per share. Additionally, on July 31, 1996, the Company issued the Soros/Chatterjee Warrants, which may be exercised for up to shares of Common Stock, assuming such warrants were exercised on the date of the Offering at an assumed exercise price of \$. The actual number of shares of Common Stock issuable upon exercise of the Soros/Chatterjee Warrants will be shares plus an indeterminate number of shares having a fair market value of \$10 million as of the date of exercise. To the extent outstanding options or the Soros/Chatterjee Warrants are exercised, there will be further dilution to new investors. See "Certain Transactions--Private Equity Sale," "Management--Stock Option Plans" and Notes 8 and 13 to the Consolidated Financial Statements of the Company.

DIVIDEND POLICY

To date, the Company has not paid any dividends on its capital stock. The Company currently intends to retain any future earnings to fund operations and the continued development of its business and, therefore, does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. Future cash dividends, if any, will be determined by the Board of Directors, and will be based upon the Company's earnings, capital requirements, financial condition and other factors deemed relevant by the Board of Directors.

CAPITALIZATION

The following table sets forth as of June 30, 1996: (i) the actual capitalization of the Company; (ii) the pro forma capitalization of the Company after giving effect to the Stock Split, the Private Equity Sale and the Preferred Stock Conversion; and (iii) the pro forma as adjusted capitalization of the Company after giving effect to the Stock Split, Private Equity Sale, the Preferred Stock Conversion, and the sale of shares of Common Stock offered by the Company hereby (assuming an initial public offering price of \$ per share), less underwriting discounts, commissions, and estimated expenses of the Offering payable by the Company, and the application of the estimated 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 Consolidated Financial Statements of the Company and notes thereto included elsewhere in this Prospectus.

	JUNE 30, 1996		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Cash and cash equivalents.....	\$ 4,398	\$	\$
	=====	====	====
Long-term obligations due within one year.....	\$10,627	\$	\$
Long-term obligations.....	6,302		
Stockholders' Equity:			
Preferred Stock, \$.01 par value--2,455,000 shares authorized:			
Series A Convertible Preferred Stock--455,000 shares authorized, issued and outstanding; none issued and outstanding pro forma and pro forma as adjusted.....		5	
Common Stock, \$.01 par value--10,455,000 shares authorized; 2,817,034, , and shares actual, pro forma and pro forma as adjusted, respectively, issued and outstanding(1).....		28	
Additional paid-in capital.....	18,052		
Accumulated deficit.....	(6,235)		
Cumulative translation adjustment.....	(50)		
	-----	----	----
Total stockholders' equity.....	11,800		
	-----	----	----
Total capitalization.....	\$28,729	\$	\$
	=====	====	====

(1) Excludes and shares reserved for issuance under the Employee Plan and Director Plan, respectively, of which options to purchase and shares, respectively, have been granted and are outstanding as of June 30, 1996. Also excludes shares which may be issued under the Soros/Chatterjee Warrants assuming such warrants were exercised on the date of the Offering at an assumed exercise price of \$. The actual number of shares of Common Stock issuable upon exercise of the Soros/Chatterjee Warrants will be shares plus an indeterminate number of shares having a fair market value of \$10 million as of the date of exercise. See "Management--Stock Option Plans" and "Description of Capital Stock--Warrants."

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the financial statements and the notes thereto contained elsewhere herein and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The statements of operations data for the Company for the period from the Company's inception on February 4, 1994 to December 31, 1994 and the year ended December 31, 1995, and the balance sheet data as of December 31, 1994 and 1995 have been derived from the financial statements of the Company, which have been audited by Deloitte & Touche LLP, independent auditors. The historical financial data for the Company for the six month periods ended June 30, 1995 and 1996 have been derived from the Company's unaudited financial statements which, in the opinion of management, include all significant normal and recurring adjustments necessary for a fair presentation of the financial position and results of operations for such unaudited period. The statements of operations data for Axicorp for the nine month period ended March 31, 1995 and the twelve months ended March 31, 1996 have been derived from the financial statements of Axicorp, which have been audited by Price Waterhouse, independent chartered accountants. The historical financial data for Axicorp for the period from Axicorp's inception on September 17, 1993 to June 30, 1994 has been derived from Axicorp's unaudited financial statements which, in the opinion of management, include all significant normal and recurring adjustments necessary for a fair presentation of the financial position and results of operations for such unaudited period.

	AXICORP (THE PREDECESSOR)			THE COMPANY			
	PERIOD FROM INCEPTION THROUGH JUNE 30, 1994	NINE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED MARCH 31, 1996	PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1995 1996	
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)							
STATEMENT OF OPERATIONS DATA:							
Net revenue.....	\$12,587	\$44,797	\$144,345	\$ --	\$ 1,167	\$ 221	\$ 65,415
Cost of revenue.....	11,366	40,405	131,712	--	1,384	203	60,162
Gross margin (deficit).....	1,221	4,392	12,633	--	(217)	18	5,253
Operating expenses:							
Selling, general and administrative.....	1,313	4,277	11,558	557	2,024	714	6,707
Depreciation and amortization.....	5	43	235	12	160	65	798
Total operating expenses.....	1,318	4,320	11,793	569	2,184	779	7,505
Income (loss) from operations.....	(97)	72	840	(569)	(2,401)	(761)	(2,252)
Interest expense.....	--	--	--	(13)	(59)	(33)	(335)
Interest income.....	--	30	219	5	35	1	85
Other income (expense)..	--	--	--	--	--	--	(268)
Income (loss) before income taxes.....	(97)	102	1,059	(577)	(2,425)	(793)	(2,770)
Income taxes.....	--	4	492	--	--	--	462
Net income (loss).....	\$ (97)	\$ 98	\$ 567	\$(577)	\$(2,425)	\$ (793)	\$ (3,232)
Net loss per common and common share equivalents.....				\$	\$	\$	\$
Weighted average number of common and common share equivalents outstanding.....							

THE COMPANY		
DECEMBER 31,		
1994	1995	JUNE 30, 1996
(IN THOUSANDS)		

BALANCE SHEET DATA:			
Cash and cash equivalents.....	\$ 221	\$ 2,296	\$ 4,398
Total assets.....	487	5,042	62,297
Total long-term obligations.....	13	528	16,929
Stockholders' equity (deficit).....	(71)	2,562	11,800

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

The following unaudited pro forma consolidated statements of operations data give effect to the March 1, 1996 acquisition of Axicorp in each case as if it occurred on January 1, 1995. The unaudited pro forma consolidated statement of operations data for the six months ended June 30, 1996 includes the operations of the Company for the six months ended June 30, 1996, which includes the results of operations of Axicorp since March 1, 1996 (the date of acquisition) and the operations of Axicorp for the months of January and February 1996. The unaudited pro forma consolidated statement of operations data for the six months ended June 30, 1995 includes the results of operations of the Company and of Axicorp for six months ended June 30, 1995. The unaudited consolidated pro forma statement of operations data for the year ended December 31, 1995 includes the results of operations data of the Company and Axicorp for the year ended December 31, 1995.

The unaudited pro forma consolidated statements of operations are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the acquisition of Axicorp been completed as of the beginning of the periods presented, nor are they necessarily indicative of the Company's future results of operations. The unaudited pro forma consolidated statements of operations should be read in conjunction with the historical financial statements of the Company and Axicorp, including the related notes thereto.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1996

	PRO FORMA ADJUSTMENTS RELATED TO			
	THE COMPANY(1)	AXICORP(2)	ACQUISITION(3)	AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
Net revenue.....	\$65,415	\$26,368	\$ --	\$91,783
Cost of revenue.....	60,162	23,756	--	83,918
	-----	-----	-----	-----
Gross margin.....	5,253	2,612	--	7,865
Operating expenses:				
Selling, general and admin- istrative.....	6,707	2,084	--	8,791
Depreciation and amortiza- tion.....	798	48	252	1,098
	-----	-----	-----	-----
Total operating expenses..	7,505	2,132	252	9,889
	-----	-----	-----	-----
Income (loss) from opera- tions.....	(2,252)	480	(252)	(2,024)
Interest expense.....	(335)	--	(138)	(473)
Interest income.....	85	124	--	209
Other income (expense).....	(268)	--	--	(268)
	-----	-----	-----	-----
Income (loss) before income taxes.....	(2,770)	604	(390)	(2,556)
Income taxes.....	462	281	--	743
	-----	-----	-----	-----
Net income (loss).....	\$(3,232)	\$ 323	\$(390)	\$(3,299)
	=====	=====	=====	=====
Net loss per common and common share equivalents.....	\$			\$
	=====			=====
Weighted average number of common and common share equivalents outstanding.....				
	=====			=====

-
- (1) Reflects the historical results of operations of the Company for the six months ended June 30, 1996, including Axicorp's operations from March 1, 1996 (acquisition date) to June 30, 1996, as set forth in the Consolidated Financial Statements of the Company appearing elsewhere in this Prospectus.
- (2) Reflects the historical results of operations of Axicorp for the months of January and February 1996.
- (3) The pro forma adjustments to depreciation and amortization reflect the following:

Increase in amortization of the excess of cost over fair value of net assets acquired related to the purchase of Axicorp (computed using the straight line method over thirty years--represents two months) \$100

Increase in amortization of the value associated with the customer list acquired related to the purchase of Axicorp (computed using the estimated run-off of the customer base (approximately five years)--represents two months) 152

\$252
=====

The pro forma adjustment to increase interest expense relates to the issuance of notes payable of \$8,110 related to the acquisition of Axicorp--represents two months \$138

=====

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.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1995

	PRO FORMA ADJUSTMENTS RELATED TO			
	THE COMPANY(1)	AXICORP(2)	ACQUISITION(3)	AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
Net revenue.....	\$ 221	\$47,709	\$ --	\$47,930
Cost of revenue.....	203	42,938	--	43,141
	-----	-----	-----	-----
Gross margin.....	18	4,771	--	4,789
Operating expenses:				
Selling, general and admin- istrative.....	714	4,662	--	5,376
Depreciation and amortiza- tion.....	65	58	756	879
	-----	-----	-----	-----
Total operating expenses..	779	4,720	756	6,255
	-----	-----	-----	-----
Income (loss) from opera- tions.....	(761)	51	(756)	(1,466)
Interest expense.....	(33)	--	(413)	(446)
Interest income.....	1	29	--	30
Other income (expense).....	--	--	--	--
	-----	-----	-----	-----
Income (loss) before income taxes.....	(793)	80	(1,169)	(1,882)
Income taxes.....	--	68	--	68
	-----	-----	-----	-----
Net income (loss).....	\$(793)	\$ 12	\$(1,169)	\$(1,950)
	=====	=====	=====	=====
Net loss per common and common share equivalents.....	\$			\$
	=====			=====
Weighted average number of common and common share equivalents outstanding.....				
	=====			=====

-
- (1) Reflects the historical results of operations of the Company for the six months ended June 30, 1995, as set forth in the Consolidated Financial Statements of the Company appearing elsewhere in this Prospectus.
- (2) Reflects the historical results of operations of Axicorp for the six months ended June 30, 1995.
- (3) The pro forma adjustments to depreciation and amortization reflect the following:

Increase in amortization of the excess of cost over fair value of net assets acquired related to the purchase of Axicorp (computed using the straight line method over thirty years--represents six months)	\$300
Increase in amortization of the value associated with the customer list acquired related to the purchase of Axicorp (computed using the estimated run-off of the customer base (approximately five years)--represents six months)	456

	\$756
	=====

The pro forma adjustment to increase interest expense relates to the issuance of notes payable of \$8,110 related to the acquisition of Axicorp--represents six months	\$413
	=====

The pro forma adjustment to 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.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 1995

	THE		PRO FORMA	
	COMPANY(1)	AXICORP(2)	ADJUSTMENTS RELATED TO ACQUISITION(3)	AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
Net revenue.....	\$ 1,167	\$124,461	\$ --	\$125,628
Cost of revenue.....	1,384	113,255	--	114,639
Gross margin (deficit).....	(217)	11,206	--	10,989
Operating expenses:				
Selling, general and admin- istrative.....	2,024	10,931	--	12,955
Depreciation and amortiza- tion.....	160	169	1,513	1,842
Total operating expenses..	2,184	11,100	1,513	14,797
Income (loss) from opera- tions.....	(2,401)	106	(1,513)	(3,808)
Interest expense.....	(59)	--	(826)	(885)
Interest income.....	35	97	--	132
Other income (expense).....	--	--	--	--
Income (loss) before income taxes.....	(2,425)	203	(2,339)	(4,561)
Income taxes.....	--	124	--	124
Net income (loss).....	\$(2,425)	\$ 79	\$(2,339)	\$ (4,685)
Net loss per common and common share equivalents.....	\$			\$
Weighted average number of common and common share equivalents outstanding.....				

- (1) Reflects the historical results of operations of the Company for the year ended December 31, 1995 as set forth in the Consolidated Financial Statements of the Company appearing elsewhere in this Prospectus.
- (2) Reflects the historical results of operations of Axicorp for the year ended December 31, 1995.
- (3) The pro forma adjustments to depreciation and amortization reflect the following:

Increase in amortization of the excess of cost over fair value of net assets acquired related to the purchase of Axicorp (computed using the straight line method over thirty years--represents twelve months).	\$ 600
Increase in amortization of the value associated with the customer list acquired related to the purchase of Axicorp (computed using the estimated run-off of the customer base (approximately five years)--represents twelve months)	913

	\$1,513
	=====

The pro forma adjustment to interest expense relates to the issuance of notes payable of \$8,110 related to the acquisition of Axicorp--represents twelve months	\$ 826
	=====

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.

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

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

OVERVIEW

Primus is a multinational telecommunications company that focuses on the provision of international and domestic long distance services. The Company seeks to capitalize on the increasing business and consumer demand for international telecommunications services generated by the globalization of world economies and the worldwide trend toward deregulation of the telecommunications sector. The Company has targeted North America, Asia-Pacific and Europe as its primary service regions. The Company currently provides services in the United States, Australia and the United Kingdom, which are the most deregulated countries within the Targeted Regions and which serve as regional hubs for expansion into additional markets within the Targeted Regions. As part of the execution of this strategy, the Company has commenced operations in Canada and Mexico. 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.

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 six months ended June 30, 1996. The acquisition of Axicorp furthers the Company's objectives by providing a substantial customer base and significant hub location in the Asia-Pacific market.

The Company is investing 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 acquired five switches for use in Australia, all of which are expected to be operational by the end of the first quarter of 1997, and has focused on increasing the number of higher-margin, higher-volume business customers with significant international long-distance traffic. As part of its increasing focus on business customers, the Company is increasing the direct sales force of Axicorp and lessening its reliance on marketing through 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.

Net revenue is derived from the number of minutes billed by the Company and is recorded upon completion of calls. The Company generally prices its services at a savings compared to the major carriers operating in the Targeted Regions, which allows the Company to offer competitive pricing to its customers. The Company's net revenue in the United States is derived from carrying a mix of business, consumer and wholesale carrier long distance traffic. In Australia, net revenue is currently derived equally from the provision of long distance and from local and cellular services, primarily to a broad mix of small- and medium-sized business customers and ethnic residential consumers. In the United Kingdom, net revenue is derived from the provision of long distance services, primarily to ethnic residential consumers, as well as to small- and medium-sized businesses. The Company seeks to continue to expand its net revenue from internal growth through focused sales and marketing efforts toward small- and medium-sized businesses with significant international long distance traffic and, ethnic residential consumers and, on a wholesale basis, other telecommunications carriers and resellers with international traffic in the Target Regions.

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-U.S. and non-U.K. 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 access, 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 its own facilities, cost of revenue increasingly will reflect lease, ownership and maintenance costs of the Network. In order to manage such costs, the Company pursues a flexible approach with respect to Network expansion. 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 only when traffic levels justify such investment. The Company also seeks to lower its cost of revenue through (a) optimizing the routing of calls over the least cost routing, (b) increasing volumes on its fixed cost leased lines, thereby spreading the allocation of fixed costs over a larger number of minutes, (c) negotiating lower variable usage based costs with domestic and foreign service providers and negotiating additional and lower cost correspondent agreements with foreign PTTs, and (d) 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 compared to its domestic long distance services and expects to realize a higher gross margin as a percentage of net revenue on its retail 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. Although, after giving effect to the acquisition of Axicorp, the Company's wholesale services represent only a small percentage of its net revenue, the Company expects such services to represent a significantly larger percentage of net revenue over time. While wholesale services generate a lower gross margin as a percentage of net revenue, 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 in the future based on its relative volumes of international versus domestic long distance services and wholesale versus retail long distance 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 over the past year, which is consistent with the development stage nature of the Company, expansion of the United States and United Kingdom 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.

Since its inception, the Company has made, and expects to continue to make, significant investments in the development of its operations in its Targeted Regions and the development and 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. The Company currently anticipates spending approximately \$50 million on the improvement and expansion of the Network during the next 18 months. See "--Liquidity and Capital Resources" and "Use of Proceeds."

Although the Company's functional currency is the U.S. dollar, the majority of the Company's net revenue is derived from its sales and operations outside the United States. On a pro forma basis, approximately 94% and 99% of the Company's net revenue was earned, and approximately 91% and 97% of the Company's operating costs was incurred, in currencies other than the U.S. dollar for the six months ended June 30, 1996 and the year ended December 31, 1995, respectively. In the future, the Company expects to continue to derive the majority of its net revenue and incur the majority of its operating costs outside the United States. The international scope of the Company's net revenue and operating costs creates numerous offsetting positions which the Company believes reduce its exposure to foreign currency fluctuations relative to the U.S. dollar. The Company historically has not engaged, and does not currently contemplate engaging, in hedging transactions to mitigate foreign exchange risks. See "Risk Factors--Risks Associated with International Operations."

RESULTS OF OPERATIONS

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 comparison of the historical results of operations for the six-month periods ended June 30, 1995 and 1996 is not meaningful and that such results are not necessarily indicative of results for any future period. Accordingly, the historical results of operations are supplemented with a more extensive discussion of the pro forma results of operations for the six months ended June 30, 1995 and 1996 and the pro forma quarterly results of operations for each of the six quarters in the period ended June 30, 1996, which results give effect to the acquisition of Axicorp as if it had occurred on January 1, 1995. A discussion of the Company's historical results of operations for the six months ending June 30, 1995 and 1996, the period from inception (February 4, 1994) through December 31, 1994 and the year ended December 31, 1995, and a discussion of Axicorp's historical results of operations for the years ended March 31, 1995 and 1996 follow the discussion of the Company's pro forma results of operations.

PRO FORMA RESULTS

Results of Operations for the Six Months Ended June 30, 1996 Compared to the Six Months Ended June 30, 1995

The following table presents certain items from the Company's Unaudited Pro Forma Consolidated Statements of Operations:

	YEAR ENDED		SIX MONTHS ENDED JUNE 30,			
	DECEMBER 31, 1995		1995		1996	
	\$	%	\$	%	\$	%
(IN THOUSANDS, EXCEPT PERCENTAGE DATA)						
Net revenue.....	\$ 125,628	100.0%	\$47,930	100.0%	\$91,783	100.0%
Cost of revenue.....	114,639	91.3	43,141	90.0	83,918	91.4
Gross margin.....	10,989	8.7	4,789	10.0	7,865	8.6
Operating expenses:						
Selling, general and administrative.....	12,955	10.3	5,376	11.2	8,791	9.6
Depreciation and amortization.....	1,842	1.5	879	1.8	1,098	1.2
Total operating expenses.....	14,797	11.8	6,255	13.1	9,889	10.8
Income (loss) from operations.....	(3,808)	(3.0)	(1,466)	(3.1)	(2,024)	(2.2)
Interest expense.....	(885)	(0.7)	(446)	(0.9)	(473)	(0.5)
Interest income.....	132	0.1	30	0.1	209	0.2
Other income (expense).....	--	--	--	--	(268)	(0.3)
Income (loss) before income taxes.....	(4,561)	(3.6)	(1,882)	(3.9)	(2,556)	(2.8)
Income taxes.....	124	0.1	68	0.1	743	0.8
Net income (loss).....	\$ (4,685)	(3.7)%	\$(1,950)	(4.1)%	\$(3,299)	(3.6)%

Net revenue increased 92%, or \$43.9 million, from \$47.9 million for the six months ended June 30, 1995 to \$91.8 million for the six months ended June 30, 1996. The Australian net revenue increased 80%, or \$37.9 million, from \$47.7 million to \$85.6 million. The increase was attributable to growth in minutes of traffic primarily from business customers, as well as an increased number of cellular customers. Non-Australian net revenue was \$6.2 million for the six months ended June 30, 1996 as compared to minimal revenue of \$0.2 million for the six months ended June 30, 1995. The increase was attributable to a greater number of customers in all non-Australian geographical regions of the Company's business and an increase in minutes of use to higher rate per minute countries, including India, Iran, Japan and Argentina. As the Company continues to build its sales and marketing staff, establish additional carrier arrangements and expand the Network, the Company expects the minutes of traffic and associated revenue to continue to increase.

Cost of revenue increased 95%, or \$40.8 million, from \$43.1 million for the six months ended June 30, 1995 to \$83.9 million for the six months ended June 30, 1996. The increase was a direct reflection of the increased traffic the Company carried for customers. The Australian cost of revenue increased 79%, or \$34.1 million, from \$42.9 million for the six months ended June 30, 1995 to \$77.0 million for the six months ended June 30, 1996. The Australian cost of revenue increase is primarily driven by increased traffic and, to a lesser extent, lower tariff rate discounts implemented by Telstra in February 1996. The Australian cost of revenue as a percentage of revenue remained constant at 90%. The non-Australian cost of revenue increased \$6.8 million as a result of increased traffic. Cost of revenue as a percentage of net revenue increased from 90% to 91%. The non-Australian cost of revenue as a percentage of net revenue increased as a result of the lack of return traffic associated with newly initiated correspondent agreements, and traffic being carried on more expensive carriers because of lack of adequate capacity with lower cost carriers.

Gross margin increased 64%, or \$3.1 million, from \$4.8 million for the six months ended June 30, 1995 to \$7.9 million for the six months ended June 30, 1996. The Australian gross margin percentage remained constant at 10%. The non-Australian operations reported a gross deficit of \$0.8 million.

Selling, general and administrative expenses increased 64%, or \$3.4 million, from \$5.4 million for the six months ended June 30, 1995 to \$8.8 million for the six months ended June 30, 1996. The Australian operations increased selling, general and administrative expenses \$1.4 million as a result of increased salaries and benefits, commissions and administrative expenses to support the continued growth in the business. The Australian selling, general and administrative expenses as a percentage of net revenue decreased from 10% to 7% for the six months ended June 30, 1995 and 1996, respectively, as a result of fixed costs being spread over an increasing revenue base. The non-Australian operations account for the remaining increase of \$2.0 million due to growth in sales and marketing staffing levels, network operations expenses, and customer service costs.

Depreciation and amortization increased 25%, or \$0.2 million, from \$0.9 million for the six months ended June 30, 1995 to \$1.1 million for the six months ended June 30, 1996. The increase was primarily attributable to depreciation for \$0.7 million for capital additions associated with the development of the customer billing system in Australia and \$0.9 million of capital additions for network equipment in the non-Australian markets.

Interest expense increased 6% as a result of additional capital leases to finance network switching equipment in the United States, as well as the incurrence of \$2.0 million of debt from Teleglobe in February of 1996.

Interest income increased from a negligible amount in the six months ended June 30, 1995 to \$0.2 million in the six months ended June 30, 1996 as a result of higher average cash balances invested overnight generated from the private equity placements in December 1995 and February 1996.

Other income (expense) is comprised of a foreign currency transaction loss of \$0.3 million for the six months ended June 30, 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 U.S. dollar will cause currency transaction gains or losses which will be recognized in the current period results of operations.

Income taxes is based on the income before taxes generated by Axicorp and payable to the Australian federal government. There was no income tax provision (benefit) reflected in either period for the non-Australian operations as pre-tax losses were incurred in both periods and a full valuation reserve was applied to the tax benefit.

Quarterly Results of Operations

The following table sets forth unaudited pro forma consolidated statement of operations data for each of the six fiscal quarters in the period ending June 30, 1996 and has been prepared assuming the acquisition of Axicorp occurred as of January 1, 1995. The pro forma quarterly information has been derived from, and should be read in conjunction with, the Consolidated Financial Statements of the Company, the Financial Statements of Axicorp and the notes thereto included elsewhere in this Prospectus, and in management's opinion, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the quarters presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	CONSOLIDATED PREDECESSOR AND COMPANY				COMPANY	
	QUARTER ENDED:					
	MARCH 31, 1995	JUNE 30, 1995	SEPTEMBER 30, 1995	DECEMBER 31, 1995	MARCH 31, 1996	JUNE 30, 1996
(IN THOUSANDS, EXCEPT PERCENTAGE DATA)						
Net revenue:						
United States, United Kingdom and Mexico...	\$ 17	\$ 204	\$ 276	\$ 670	\$ 1,931	\$ 4,229
Australia.....	20,701	27,008	37,193	39,559	41,574	44,049
Total net revenue...	20,718	27,212	37,469	40,229	43,505	48,278
Cost of revenue.....	18,491	24,650	34,366	37,130	39,284	44,634
Gross margin.....	2,227	2,562	3,103	3,099	4,221	3,644
Operating expenses:						
Selling, general and administrative.....	2,574	2,802	3,593	3,986	3,958	4,834
Depreciation and amortization.....	419	460	473	490	525	571
Total operating expenses.....	2,993	3,262	4,066	4,476	4,483	5,405
Loss from operations....	(766)	(700)	(963)	(1,377)	(262)	(1,761)
Interest expense.....	(221)	(226)	(219)	(221)	(236)	(238)
Interest income.....	22	8	36	66	170	38
Other income (expense)...	--	--	--	--	(213)	(55)
Loss before income taxes.....	(965)	(918)	(1,146)	(1,532)	(541)	(2,016)
Income taxes.....	--	68	59	(2)	648	96
Net loss.....	\$ (965)	\$ (986)	\$(1,205)	\$(1,530)	\$(1,189)	\$(2,112)
Net revenue growth percentage:						
United States, United Kingdom and Mexico...	--	1,100.0%	35.3%	142.8%	188.2%	119.0%
Australia.....	--	30.5%	37.7%	6.4%	5.1%	6.0%
Total.....	--	31.3%	37.7%	7.4%	8.1%	11.0%
Gross margin percentage.....	10.7%	9.4%	8.3%	7.7%	9.7%	7.5%
Selling, general and administrative expenses as a percentage of net revenue.....	12.4%	10.3%	9.6%	9.9%	9.1%	10.0%

Quarterly net revenue increased from \$20.7 million in the quarter ended March 31, 1995 to \$48.3 million in the quarter ended June 30, 1996. The Australian net revenue growth in each quarter was due to an increase in traffic volume primarily as a result of an increase in the business customer base. The lower rate of growth in Australian net revenue from the quarter ended September 30, 1995 as compared to the subsequent two quarters is primarily a result of management's shift in focus to the sale of Axicorp to the Company and, in the quarter ended June 30, 1996, management's strategic decision to focus on higher-margin, higher-volume business

customers and an increase in the level of competition. The lower rate of growth in the Company's net revenue from the quarter ended September 30, 1995 as compared to the three subsequent quarters is primarily a result of management's strategic decision to focus on higher-margin, higher-volume business customers and an increase in the level of competition in Australia, offset by an increase in the traffic volumes primarily associated with increased carrier traffic in the United States and the introduction of service in the United Kingdom.

Quarterly gross margin percentages have trended downward during the six quarters from 11% in the quarter ended March 31, 1995 to 8% in the quarter ended June 30, 1996. The reduction in the quarterly gross margin percentage in each of the quarters of 1995 was primarily a result of the lower tariff rate discounts implemented by Telstra in the Australian market. In the next two quarters, gross margin percentages were favorably affected by, in Australia, lower cost per minute of cellular service due to volume discounts and, in the last quarter, current management's focus on higher-margin, higher-volume business customers, offset by negative gross margin due to start-up of non-Australian operations.

The Company's quarterly selling, general and administrative expenses have trended upward during the six month period from \$2.6 million in the quarter ended March 31, 1995 to \$4.8 million in the quarter ended June 30, 1996. The quarterly selling, general and administrative expense increase is reflective of the worldwide growth in the Company's operations, including increased personnel costs, network operations costs, sales and marketing expenses and internal billing systems development costs. The selling, general and administrative expenses in the fourth quarter of 1995 increased due to the conversion costs associated with the Australian operations providing direct billing and customer service to its customer base. In the quarter ended June 30, 1996, selling, general and administrative expenses increased as a percentage of net revenue due to substantial expenditures incurred in the commencement of non-Australian operations.

Quarterly depreciation and amortization reflects an increasing trend as a result of the Company's continued investment in property and equipment primarily associated with the expansion of the Network. This trend is expected to continue in the foreseeable future.

HISTORICAL RESULTS--PRIMUS

Results of Operations for the Six Months Ended June 30, 1996 Compared to the Six Months Ended June 30, 1995

Net revenue increased \$65.2 million, from \$0.2 million for the six months ended June 30, 1995 to \$65.4 million for the six months ended June 30, 1996. The growth was attributable to \$59.3 million of net revenue associated with Axicorp from the purchase date of March 1, 1996 through June 30, 1996. The remaining \$5.9 million of net revenue growth was associated primarily with the commencement of the Company's United States and United Kingdom operations.

Cost of revenue increased \$60.0 million, from \$0.2 million for the six months ended June 30, 1995 to \$60.2 million for the six months ended June 30, 1996 as a direct result of the increased net revenue. Axicorp's cost of revenue for the four months ended June 30, 1996 was \$53.2 million, or 90% of Axicorp's net revenue during such period, while the non-Australian cost of revenue for the full six months ended June 30, 1996 was \$7.0 million or 113% of non-Australian net revenue. The non-Australian cost of revenue reflects the start-up nature of the Network and traffic being carried on more expensive carriers until adequate capacity on lower cost carriers could be established. In addition, the Company's cost of revenue as a percentage of net revenue was effected by the lack of return traffic associated with newly-initiated correspondent agreements.

Selling, general and administrative expenses increased from \$0.7 million to \$6.7 million for the six months ended June 30, 1995 to June 30, 1996. Approximately \$4.0 million of the increase was attributable to the four months of activity associated with Axicorp and the remaining \$2.0 million related to the non-Australian operations as a result of increased staffing levels, increased sales and marketing activity and network operation costs. The non-Australian selling, general and administrative costs as a percentage of net revenue for the six months ended June 30, 1996 was 44%, which is reflective of the growth stage of such business. The Australian selling, general and administrative expense as a percentage of net revenue was 7% for the four months from acquisition to June 30, 1996.

Depreciation and amortization increased \$0.7 million, from \$0.1 million for the six months ended June 30, 1995 to \$0.8 million for the six months ended June 30, 1996. The majority of the increase was a result of the acquisition of Axicorp and was comprised of amortization of goodwill and the customer lists which totaled \$0.5 million. The remaining increase is associated with depreciation related to Axicorp's assets and increased depreciation expense for the Company as a result of additional capital expenditures for switching and network related equipment.

Interest expense increased \$0.3 million as a result of the additional debt incurred by the Company in connection with the acquisition of Axicorp, which totaled \$8.4 million as of June 30, 1996, and was outstanding for the four-month period from March 1, 1996 (the date of acquisition) to June 30, 1996. Additionally, the Company incurred increased interest expense as a result of the issuance of a \$2.0 million note payable to a stockholder (Teleglobe) in February 1996.

Interest income of \$0.1 million during the six months ended June 30, 1996 relates to the temporary investment of the funds received from the private placements of equity made by the Company in 1995 and 1996.

Other income (expense) of \$0.3 million for the six months ended June 30, 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 in the appreciation of the Australian dollar against the U.S. dollar during the period.

Income taxes amount was fully attributable to the operations of Axicorp for the four months from the date of purchase, and represented the amount of expense for Australian federal government taxes.

Results of Operations for the Year Ended December 31, 1995 Compared to the Period from Inception (February 4, 1994) to December 31, 1994

Net revenue and cost of revenue in 1995 were \$1.2 million and \$1.4 million, respectively. During the period ended December 31, 1994, the Company did not have net revenue or cost of revenue as it was in the development stage and involved in various start-up activities including raising capital, obtaining licenses, acquiring equipment, leasing space, developing markets, and recruiting and training personnel. In March 1995, the Company began generating net revenue and associated cost of revenue.

Gross deficit for 1995 was \$0.2 million. As the Company began generating revenue in 1995, there were fixed network costs that were not offset by the net revenue generated.

Selling, general and administrative expenses increased from \$0.6 million in 1994 to \$2.0 million in 1995. The increase was primarily due to additional costs incurred to support the formation of the Company's administrative, management, sales and operations personnel.

Depreciation and amortization increased to \$0.2 million in 1995. The increase in depreciation and amortization expense was directly related to the purchase of Network equipment, including the Company's switch in Washington, D.C.

HISTORICAL RESULTS--AXICORP

Results of Operations for the Twelve Months Ended March 31, 1996 Compared to the Twelve Months Ended March 31, 1995

The audited financial statements of Axicorp included in this Prospectus cover the twelve month period ended March 31, 1996 and the nine month period ended March 31, 1995. In order to provide a more meaningful presentation of the changes in the operations of Axicorp, the unaudited results of operations for the three months ended June 30, 1994 have been combined with the audited results for the nine-month period ended March 31, 1995 to arrive at a twelve-month period ended March 31, 1995 ("fiscal 1995") for purposes of comparison to the audited twelve-month period ended March 31, 1996 ("fiscal 1996").

The following table presents certain items from Axicorp's Statement of Operations:

	THREE MONTHS ENDED JUNE 30, 1994	NINE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED MARCH 31,			
			1995		1996	
			\$	%	\$	%
(IN THOUSANDS, EXCEPT PERCENTAGE DATA)						
Net revenue.....	\$4,269	\$44,797	\$ 49,066	100.0%	\$ 144,345	100.0%
Cost of revenue.....	3,855	40,405	44,260	90.2	131,712	91.2
Gross margin.....	414	4,392	4,806	9.8	12,633	8.8
Operating expenses:						
Selling, general and administrative.....	480	4,277	4,757	9.7	11,558	8.0
Depreciation and amortization.....	5	43	48	0.1	235	0.2
Total operating expenses.....	485	4,320	4,805	9.8	11,793	8.2
Income (loss) from operations.....	(71)	72	1	--	840	0.6
Interest expense.....	--	--	--	--	--	--
Interest income.....	--	30	30	0.1	219	0.2
Other income (expense).....	--	--	--	--	--	--
Income (loss) before income taxes.....	(71)	102	31	0.1	1,059	0.8
Income taxes.....	--	4	4	--	492	0.3
Net income (loss).....	\$ (71)	\$ 98	\$ 27	0.1%	\$ 567	0.4%

Net revenue increased 194%, or \$95.2 million, from \$49.1 million in fiscal 1995 to \$144.3 million in fiscal 1996 primarily due to an increase in volume of traffic as a result of an increased number of business customers. Net revenue also increased as a result of an increase in the number of cellular customers. The Company became one of four authorized resellers of Telstra's analog and digital cellular service in May 1995.

Cost of revenue increased 198%, or \$87.4 million, from \$44.3 million in fiscal 1995 to \$131.7 million in fiscal 1996. The increase was attributable to increased minutes of use, a higher percentage of net revenue being attributable to cellular services, which have lower margins than non-cellular services, and price reductions by Axicorp in response to lower tariff rate discounts implemented by Telstra which were effective in February 1996. Cost of revenue is comprised of those costs associated with the transmission and termination of traffic by Telstra. As a percentage of net revenue, cost of revenue increased from 90% in fiscal 1995 to 91% in fiscal 1996.

Gross margin increased 163%, or \$7.8 million, from \$4.8 million in fiscal 1995 to \$12.6 million in fiscal 1996. As a percentage of revenue, gross margin decreased from 10% in fiscal 1995 to 9% in fiscal 1996 as a result of higher cost of revenue.

Selling, general and administrative expenses increased 143%, or \$6.8 million, from \$4.8 million in fiscal 1995 to \$11.6 million in fiscal 1996. The increase consisted of personnel costs, network operations cost, sales and marketing expenses and internal billing systems development costs which were attributable to the overall growth in the business during this period. As a percentage of net revenue, selling, general and administrative expenses decreased from 10% in fiscal 1995 to 8% in fiscal 1996, primarily as a result of fixed costs being spread over a higher revenue base.

Depreciation and amortization increased to \$0.2 million in fiscal 1996. The entire increase was attributable to \$0.7 million of fiscal 1996 asset expenditures primarily related to the internal development of Axicorp's billing system and fiscal 1995 asset purchases of \$0.3 million having a full year of depreciation and amortization.

Interest income increased \$0.2 million from fiscal 1995 to fiscal 1996 as a result of higher average cash and cash equivalent balances generated primarily from cash generated from operations.

Income taxes represented the Australian federal statutory tax rate applied to income before income taxes, net of permanently non-deductible items.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements arise from working capital needs, purchases of network equipment including switches, peripheral equipment, and international fiber cable capacity and interest and principal payments on outstanding indebtedness, including capital leases. 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 a portion of the proceeds of the Offering, bank borrowings or its cash flow from operations, or the Company may raise additional funds through other financing vehicles. The Company, however, has no present understanding, commitment or agreement with respect to any acquisition, and is not currently involved in negotiations. 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.

Historically, the Company's working capital and liquidity needs have been funded from the private placement of equity securities and, to a lesser extent, through stockholder loans and capital leases. As of June 30, 1996, the Company had a working capital deficit of \$13.5 million primarily attributable to the current portion of long-term obligations of \$10.6 million. On July 31, 1996, the Company sold \$15.8 million, net of transaction costs, of additional equity in the Private Equity Sale which, on a pro forma basis as of June 30, 1996, would result in working capital of \$2.3 million.

The Company currently anticipates spending approximately \$50 million on the improvement and expansion of the Network during the next 18 months, including \$10 million of capital expenditures in the remainder of 1996, which includes the purchase of switches and related peripheral equipment for the implementation of international gateways in Los Angeles and New York. The expected 1997 and 1998 capital expenditures include switches, network equipment, international fiber cable capacity, and other international facilities.

The Company currently is in discussions to obtain a line of credit to provide it with additional funding to meet its capital requirements and will use capital lease financings as appropriate. There can be no assurance that the Company will be able to obtain a line of credit or capital lease financing on commercially reasonable terms, if at all. The Company believes that the net proceeds from the Offering, together with the net proceeds from the Private Equity Sale, borrowing capacity under an expected line of credit, available vendor financing and cash flow from operations, will be sufficient to fund the Company's working capital, capital expenditures and other cash needs for the next 18 months. Additional funding through the incurrence of debt or sale of additional equity will be required to meet the Company's growth plans beyond the second quarter of 1998, although there can be no assurance that such additional funds can be obtained on acceptable terms, if at all. If necessary funds are not available, the Company's business and results of operations and the future expansion of the business could be materially adversely affected.

BUSINESS

GENERAL

Primus is a multinational telecommunications company that focuses on the provision of international and domestic long distance services. The Company seeks to capitalize on the increasing business and consumer demand for international telecommunications services generated by the globalization of world economies and the worldwide trend toward deregulation of the telecommunications sector. The Company has targeted North America, Asia-Pacific and Europe as its primary service regions. The Company currently provides services in the United States, Australia and the United Kingdom, which are the most deregulated countries within the Targeted Regions and which serve as regional hubs for expansion into additional markets within the Targeted Regions. As part of the execution of this strategy, the Company has commenced operations in Canada and Mexico. 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 the year ended December 31, 1995 and the six months ended June 30, 1996, the Company had pro forma net revenue of approximately \$126 million and \$92 million, respectively, after giving effect to the Company's March 1996 acquisition of Axicorp, the fourth largest telecommunications provider in Australia. For the three months ended June 30, 1996, the Company had net revenue of approximately \$48 million. As of July 31, 1996, the Company had 221 full-time employees and approximately 24,000 customers.

The Company targets, on a retail basis, small- and medium-sized businesses with significant international long distance traffic and ethnic residential consumers and, on a wholesale basis, other telecommunications carriers and resellers with international traffic. The Company provides a broad array of competitively priced telecommunications services, including international long distance to over 200 countries, domestic long distance, international and domestic private networks, prepaid and calling cards and toll-free services, as well as local switched and cellular services in Australia. The Company markets its services through a variety of channels, including direct sales, independent agents, direct marketing and associations.

The Company is implementing an international telecommunications Network to reduce and control costs, improve service reliability and increase flexibility to introduce new products and services. The Network currently consists of an international gateway switch in Washington, D.C., points-of-presence in New York and London, and leased transmission capacity connecting to the networks of other international and domestic carriers. The Company also has correspondent agreements with government-owned PTTs in India, Iran and Honduras. The Company has installed three additional international gateway switches in Melbourne, Sydney and Toronto, has acquired two international gateway switches for installation in New York and Los Angeles and three other switches for installation in Adelaide, Brisbane and Perth, all eight of which are expected to be operational by the first quarter of 1997. The Company expects to acquire an additional switch for installation in London and additional switches and points-of-presence for installation in other major metropolitan areas of the Targeted Regions. The Company expects to connect its gateway switches between Sydney and Los Angeles with a trans-Pacific fiber-optic cable link by the end of the first quarter of 1997. The Company also intends to purchase additional switches and ownership in international fiber-optic cables, install international gateway satellite earth station facilities, lease additional transmission capacity and, where necessary, obtain additional correspondent agreements.

INDUSTRY OVERVIEW

General. The international long distance industry, which involves the transmission of voice and data from the domestic telephone network of 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 telecommunication services. In 1994, the international long distance industry accounted for \$50 billion in revenues and 53 billion minutes of use, up from \$29 billion in revenues and 28 billion minutes of use in 1989. Industry sources estimate that by the year 2000 this market will have expanded to \$93 billion in revenues and 111 billion minutes of use, representing compound annual growth rates from 1994 of 11% and 13%, respectively. The following chart illustrates the estimated total 1994 domestic and international revenues for long distance calls in the Operating Hubs and Mexico:

(PIE CHART SHOWING 1994 ESTIMATED TOTAL DOMESTIC AND INTERNATIONAL REVENUE FOR LONG DISTANCE CALLS IN THE UNITED STATES, THE UNITED KINGDOM, AUSTRALIA AND MEXICO.)

The Company believes the growth in international long distance services is being driven by (i) increased demand for international telecommunications services generated by the globalization of world economies and the worldwide trend toward deregulation of the telecommunications sector, (ii) declining prices and a wider choice of products and services driven by greater competition resulting from privatization and deregulation, (iii) increased telephone density and 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 competition spurred by privatization and deregulation, in addition to resulting in a wider choice of products and services, has resulted in lower prices. The Company believes, however, that the lower price environment resulting from the increase in competition has been more than offset by cost decreases, as well as an increase in telecommunications usage. For example, based on FCC data for the period 1989 through 1994, per minute settlement payments by U.S. based carriers to PTTs fell 26%, from \$0.70 per minute to \$0.52 per minute. Over this same period, however, per minute international billed revenue fell only 5%, from \$1.02 in 1989 to \$0.97 in 1994. Therefore, gross profit per international minute (before local access charges) grew from \$0.32 in 1989 to \$0.45 in 1994, a 41% increase. Although there can be no assurances, 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.

Classification of Service Providers. 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. Generally, the first-tier long distance companies (e.g., AT&T, MCI and Sprint in the United States; British Telecom and Mercury in the United Kingdom; and Telstra and Optus in Australia) are transmission facilities-based carriers that own and operate a domestic fiber-based network. Second-tier long distance companies (e.g., Frontier and LCI in the United States; WorldCom and ACC in the United Kingdom; and AAPT in Australia) own switching facilities but generally do not own cable

transmission facilities. The third-tier of the market consists of long distance companies that are generally switchless resellers that rely on the transmission facilities of other carriers.

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 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 authorization of multiple carriers. In the United States, one of the first 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 is being implemented in other countries, including Australia and Mexico.

Call 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. 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: the first carrier transports the call from the country of origination, and the second carrier terminates the call in the country of termination. These long distance telephone calls are classified as one of three types of traffic. 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 by microwave via satellites. A carrier can obtain voice circuits on cable systems either through ownership or leases. Ownership in cables is acquired either through Indefeasible Rights of Use ("IRUs") or Minimum Assignable Ownership Units ("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 generally may 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 System. Under the accounting rate system (also known as the settlement system), which is the traditional regulatory model, international long distance traffic is exchanged under bilateral operating agreements, or correspondent agreements, between carriers in two countries. Operating 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, operating agreements provide for network coordination and accounting and settlement procedures between the carriers. Both carriers are responsible for their own costs and expenses related to operating their respective halves of the end-to-end international connection.

Settlement costs, which 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 an operating 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 U.S. carrier \$0.30 per minute to terminate a call in the foreign country, the U.S. 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. The following chart illustrates an international long distance call using the settlement system:

[DIAGRAM SHOWING TRADITIONAL METHOD OF TRANSPORTING INTERNATIONAL TRAFFIC
USING CORRESPONDENT AGREEMENTS]

Operating 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 in the United States. 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 has deregulated, long distance companies have devised alternative calling procedures ("ACPs") in order to complete calls more economically than under the accounting rate system. Some of the more significant ACPs include (i) transit, (ii) refiling or "hubbing," (iii) international simple resale ("ISR") and (iv) call-back. 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 a 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 potential country to be treated as if it originated in another country that enjoys lower settlement rates with the destination country, thereby resulting in a lower overall cost on an end-to-end basis. United States based carriers 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 line to the public switch telephone network ("PSTN") of a foreign country or directly to a customer premise. 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 increasing in use. Call-back 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 primarily utilize correspondent agreements in order to provide international service. Second-tier carriers and new entrants primarily are utilizing ACPs and are developing networks to compete with the first-tier carriers and gain market share. In response, first-tier carriers have formed alliances to provide seamless services and one-stop shopping on a global basis. Examples include Global One (an alliance among Sprint, Deutsche Telekom, France Telecom and others), Concert (an alliance between British Telecom and MCI) and WorldPartners (an alliance among AT&T, Unisource and others). Certain new 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. The following chart illustrates an international long distance call using the Network:

[DIAGRAM SHOWING DIRECT METHOD OF TRANSPORTING INTERNATIONAL TRAFFIC THROUGH PRIMUS CONNECTIONS]

Description of Operating Markets. The following is a summary of the size, growth prospects and competitive and regulatory environments of the domestic and international long distance industries in the Targeted Regions:

UNITED STATES. The United States long distance market is highly deregulated and is the largest in the world. According to the FCC, in 1994 long distance telephone revenue was \$71.8 billion, including \$13.2 billion from international services (representing 15.5% of the total market). AT&T has remained the largest long distance carrier in the U.S. market, with market share of slightly more than 55%, while MCI and Sprint have market shares of 17% and 10%, respectively. 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.

UNITED KINGDOM. Oftel estimates that the market for international and domestic long distance services in the United Kingdom accounted for approximately (Pounds)1.3 billion and (Pounds)4.2 billion in revenues, respectively, during fiscal 1994. 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.

AUSTRALIA. Austel estimates that during 1994, the market for all telecommunication services was A\$15 billion and the Company believes that the market for international and domestic long distance services in Australia during 1994 accounted for approximately A\$10 billion in revenues. Telstra and Optus are classified as "carriers" because they can own and operate local, national and international transmission networks. Telstra, which is owned by the Australian government, is a traditional facilities-based carrier with a market share of approximately 80%. In addition to the Company and Optus, Telstra currently competes against switched-based resellers such as AAPT, and several switchless resellers and call-back service providers, including PacStar. Australia is planning to further deregulate its long distance market in June 1997 by allowing service providers other than Telstra and Optus to own transmission facilities.

MEXICO. The market for long distance voice and data telephone services in Mexico accounted for approximately 22.6 billion Pesos in 1994. In Mexico, Telmex is currently the monopoly provider of long distance and local services. In late 1996, however, the long distance market is scheduled to be opened to competition. As a result, several United States-based long distance carriers (such as AT&T and MCI) have formed alliances with Mexican partners to construct long distance networks. Primus, along with MCI, WorldCom and others, currently provides United States-Mexico cross border private line services.

PRIMUS STRATEGY

The Company's objective is to become a leading provider of international and domestic long distance voice, data and value-added services to its target customers. The Company's strategy to achieve this objective is to focus on providing a full range of competitively priced, high-quality services in the Targeted Regions. Key elements in the Company's strategy include:

- . Focus on Customers with Significant International Long Distance Usage. The Company's primary focus is providing telecommunications services to small- and medium-sized businesses with significant international long distance traffic and to ethnic residential consumers 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. Although the Company expects to obtain a significant percentage of its revenue from offering international long distance services, the Company currently generates, and expects to continue to generate over the near term, a greater percentage of net revenue from domestic long distance services in an effort to build network traffic more quickly.
- . Pursue Early Entry into Selected Deregulating Markets. Primus seeks to be an early entrant into selected deregulating telecommunications markets where it believes there is significant demand for international long distance services, substantial growth and profit potential, and the opportunity to establish a customer base and achieve name recognition. The Company intends to use each Operating Hub as a base to expand into deregulating markets within the Targeted Regions and will focus its expansion efforts on major metropolitan areas with a high concentration of target customers with international traffic. The Company believes that management's international telecommunications experience will assist it in successfully identifying and launching operations in deregulating markets.
- . Implement Intelligent International Network. The Company expects that the 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 Network will

consist of (i) a global backbone network connecting intelligent gateway switches in the Targeted Regions, (ii) a domestic long distance network presence in each of the Operating Hubs and certain additional countries within the Targeted Regions and (iii) a combination of leased facilities, resale arrangements and correspondent agreements. In an effort to manage transmission costs, the Company pursues a flexible approach with respect to Network expansion. The Company initially obtains additional 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 only when traffic levels justify such investment.

- . Deliver Quality Services at Competitive Prices. 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 that of its major competitors. In addition, the Company intends to maintain strong customer relationships through the use of trained and experienced service representatives and the provision of customized billing services.
- . Provide a Comprehensive Package of Services. The Company seeks to provide a comprehensive package of services to create "one-stop shopping" for its targeted customers' telecommunications needs, particularly for small- and medium-sized businesses and ethnic residential consumers that prefer a full service telecommunications provider. The Company believes this approach strengthens its marketing efforts and increases customer retention.

NETWORK

Network Design. The Network will consist of (i) a global backbone network connecting intelligent gateway switches in the Targeted Regions, (ii) a domestic long distance network presence within each of the Operating Hubs and certain additional countries within the Targeted Regions and (iii) a combination of leased facilities, resale arrangements and correspondent agreements.

The Company has targeted North America, Asia-Pacific and Europe for the development of the Network. Within each of these Targeted Regions, the Company has selected the United States (North America), Australia (Asia-Pacific) and the United Kingdom (Europe) as regional hubs for expansion into additional markets within the Target Regions. These countries were selected based on their market size, potential growth and favorable regulatory environments. The Company has a domestic presence within each of these countries and plans to construct its global backbone network by interconnecting these countries via international gateway switches, and owned and leased transmission facilities. The Company has an established customer base in Australia and is in the process of building its customer base in major metropolitan areas in the Targeted Regions, which will provide the Company with separate points of originating traffic that experience peak network usage at different times of the day, thereby allowing the Company to attain higher utilization of the Network. 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 has used its United States operations to initiate operations with and into Mexico and Canada. The Company intends to use its United Kingdom operations to coordinate efforts to enter other major metropolitan European markets in the European Union, including those in France and Germany, in conjunction with the scheduled deregulation of the telecommunication industry in certain European Union countries in 1998.

Network Implementation. The Network currently consists of an international gateway switch in Washington, D.C., points-of-presence in New York and London, and leased transmission capacity connecting to the networks of other international and domestic carriers. The Company also has correspondent agreements with India, Iran and Honduras. The Company has installed three additional international gateway switches in Melbourne, Sydney and Toronto and has acquired two international gateway switches for installation in New York and Los Angeles and three other switches for installation in Adelaide, Brisbane and Perth, all eight of

which are expected to be operational by the end of the first quarter of 1997. The Company expects to acquire an additional switch for installation in London and install additional points-of-presence and switches in other major metropolitan areas of the Targeted Regions as the traffic usage warrants the expenditure.

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. After the Company's customer base grows and it develops sufficient traffic, the Company intends to develop its own leased or owned facilities to connect to its various switches. Where traffic is light or moderate, the Company intends to obtain 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 IRUs to international points.

In countries with highly regulated markets and significant inbound traffic from its customers and targeted customer segments, the Company intends to use correspondent agreements when necessary. Assuming significant levels of inbound and outbound traffic, correspondent agreements may allow the Company to offer better value to customers calling these markets by improving the Company's economics over these routes. The Company currently has correspondent agreements with India, Iran and Honduras and is exploring the possibility of obtaining additional correspondent agreements with PTTs in certain other countries which are not expected to deregulate in the near future, although there can be no assurance that the Company will enter into such agreements on favorable terms, if at all.

SERVICES

Primus offers a broad array of telecommunications services through the Network and through interconnection with the networks of other carriers. While over time the Company intends to offer a broad range of bundled telecommunication services, the availability of services within a particular market will depend upon regulatory restraints and the availability of services for resale. In order to create a global brand identity, the Company operates under the name "Primus" in all of the Targeted Regions. In addition, the Company operates under the name "Axicorp" in Australia.

The Company offers the following services in the United States, United Kingdom and Australia:

- . International and Domestic Long Distance. The Company provides international long distance voice services to its customers to over 200 countries and provides domestic long distance voice services within each of the Operating Hubs. On a market-by-market basis, access methods required to originate a call vary according to regulatory requirements and the existing domestic telecommunications infrastructure. In the United States, access methods available to the Company's customers include "1+", toll-free, dedicated (private line) and prefix code access. In the United Kingdom, dedicated and prefix code access are used to originate calls. In Australia, the Company currently is a reseller of services provided by Telstra. When the Company operates its own switches in Australia, its services will be accessed through the use of toll-free, dedicated and prefix code access.
- . 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. These services are provided on a turnkey basis whereby the Company installs and operates equipment necessary to provide end-to-end services at the customer's premises. The Company's Mexican operations consist exclusively of the provision of private network services to selected multinational corporations.

In addition, on a market-by-market basis, the Company provides on a stand alone and/or bundled basis the following services which the Company expects to introduce over time in all of its markets:

- . Prepaid and Calling Cards. The Company offers prepaid and calling cards that may be used by customers for domestic and international telephone calls within and from their home country. With the Company's prepaid card service, a customer purchases a card that entitles the customer to make phone calls on the card up to some monetary limit. The customer is provided an access number (local or toll free phone number) and personal identification number ("PIN"). The customer dials the access number that accesses the Company's switch and an attached voice response unit. The unit confirms the authority of the user to use the account by requiring the PIN to be entered and confirms that a balance is available on the card. With the Company's calling card service, the customer selects a PIN. The account is then billed by Primus on a monthly basis as calls are made using the card. The Company's prepaid cards are offered in the United States and calling cards are offered in the United Kingdom. The Company expects to introduce global prepaid and calling cards in 1997 that will enable customers to make telephone calls in most major countries while they are outside their home country.
- . Cellular Services. The Company is one of four national dealers selling Telstra analog and digital cellular services in Australia. The Company intends to provide cellular services on a resale basis in the United States and the United Kingdom by the end of 1997.
- . Local Switched Service. The Company intends to provide local service on a resale basis as part of its "one-stop shopping" marketing approach, subject to commercial feasibility and regulatory limitations. The Company currently provides local switched service in Australia.
- . Toll-free Services. The Company currently provides domestic and international toll-free services in the United States and intends to offer such services in the United Kingdom and Australia when its switches become operational in such countries.

New services the Company seeks to introduce in selected markets in 1997 include:

- . Internet Services. The Company intends to offer switched and dedicated access to the Internet for use by commercial and residential customers. These services may be offered on a direct connection to the Internet or on a resale basis. Once connected to the Internet, customers will be able to access services provided by others such as World Wide Web browsing, electronic mail, news feeds and bulletin boards.
- . Data Services. The Company intends to offer packet-switched and frame relay data services in selected markets, a transmission standard which utilizes statistical multiplexing technology. Frame relay enables multiple users to share communication bandwidth for enhanced data transmission.
- . Value-Added Services. The Company intends to offer enhanced facsimile services, audio and video conferencing, and voice-mail.

There can be no assurance that the Company will be able to launch such services or that, if launched, such services will be successful.

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, the United Kingdom and Australia. As of July 31, 1996, the Company employed 44 full-time and 10 part-time customer service representatives.

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. During the Company's initial growth

phase in each service market, however, the Company expects that it will build revenue from a variety of customers with either local or long distance (domestic or international) service needs. As of July 31, 1996, the Company had 95 sales and marketing personnel operating from 10 offices.

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 Primus primarily due to its significant price savings compared to first-tier carriers, and secondarily, its personalized approach to customer service and support, including customized billing and bundled service offerings. The Company also sells its services to large multinational corporations on an opportunistic basis. As of July 31, 1996, the Company employed 60 full-time direct sales representatives focused on the business market.

Residential Consumers. The Company's residential sales and marketing strategy targets ethnic residential consumers who generate high international traffic volumes. The Company believes that these consumers will be attracted to Primus because of its significant price savings as compared to first-tier carriers, simplified pricing structure, multilingual customer service and support and bundled service offerings. As of July 31, 1996, the Company employed 17 full-time direct sales representatives focused on the ethnic residential consumers.

Telecommunications Carriers and Resellers. The Company competes for the business of other telecommunications carriers and resellers primarily on the basis of price and, to a lesser extent, service quality. The Company believes that long distance services, when sold to telecommunications carriers and other resellers, are, generally, a commodity product and therefore do not benefit from special sales or promotional efforts. Sales to these other carriers and resellers, however, help the Company maximize the use of the Network and thereby minimize fixed costs per minute of use. As of July 31, 1996, the Company employed two direct sales professionals focused on telecommunications carriers and resellers.

SALES AND MARKETING

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

	DIRECT SALES FORCE	AGENTS AND INDEPENDENT SALES REPRESENTATIVES	TELEMARKETING ASSOCIATIONS	MEDIA AND DIRECT MAIL
Small/Medium Business- es.....	*	*	*	*
Consumers.....	*	*	*	*
Telecommunications Carriers/Resellers....	*			
Multinational Business- es.....	*			

Direct Sales Force. The Company's direct sales force is comprised of 60 full-time employees who focus on the Company's small- to medium-sized business customers with substantial international telecommunications traffic or traffic potential. The Company also employs 17 full-time direct sales representatives focused on ethnic residential consumers and two 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 sales commissions.

The Company's direct sales efforts will be organized around regional hubs supported by sales offices. The Company currently has offices in Washington, D.C., Tampa, Toronto, Mexico City, London, Melbourne, Sydney, Adelaide, Brisbane and Perth. The Company intends to open additional offices in Los Angeles and New York City by the end of 1996 and thereafter, other major United States metropolitan areas thereafter. These targeted metropolitan areas have a large number of small- and medium-sized businesses and significant ethnic populations.

Agents and Independent Sales Representatives. The Company supplements its direct sales efforts with a network of 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 16 full-time telemarketing sales persons to supplement sales efforts to ethnic residential consumers and small- and medium-sized business customers. From time to time, the Company also engages outside telemarketing agents to supplement its internal telemarketing efforts.

Associations. Axicorp successfully markets telecommunications services in Australia to members of trade and professional associations. Axicorp develops tailored marketing materials jointly with each association, attends meetings and trade shows, sponsors events and advertises in newsletters. These associations receive a fee based on revenue generated by sales to its members. The Company intends to employ similar marketing programs in the United Kingdom, the United States and in other markets as appropriate.

Media and Direct Mail. The Company uses a variety of print, television and radio to increase name recognition in new markets. The Company uses targeted media and direct mail primarily to reach specific small business or consumer groups. For example, the Company reaches ethnic residential consumers by print, media advertising campaigns in ethnic newspapers, and on ethnic 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, customer billing, and financial reporting. Management believes that its systems are adequate to meet the Company's needs in the near term, but as the Company continues to grow, it will invest additional capital to purchase hardware and software, license more specialized software, increase capacity and link its systems among different countries.

United States. In the United States, the Company operates systems for billing and financial reporting. The Company uses a customer billing system developed by Electronic Data Systems Inc. ("EDS"). Under an agreement with EDS through the year 2000, EDS 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. The Company direct bills its business, reseller, and the majority of its residential customers. The Company also has capabilities established through suppliers to bill certain residential customers through their respective LECs, which charge for the Company's service in a monthly, all inclusive invoice. In addition, the Company has developed a proprietary, local area network-based customer service and support information system which is on-line with the EDS platform. The Company believes that using an EDS billing platform ensures access to one of the most technologically advanced and feature rich multifunctional platforms in the industry. In addition to the billing capabilities, the platform includes on-line customer service, fraud control and the ability to generate a variety of reports. For financial reporting, the Company uses a combination of the EDS system and a PC-based accounting system package.

Australia. In Australia, prior to its acquisition by the Company, Axicorp had developed an in-house proprietary system for customer billing and customer service and support. The Axicorp billing system is technologically advanced and possesses features that allow Axicorp to provide its customers with a single integrated invoice for long distance, local, and cellular services. All customers are billed directly by Axicorp. Axicorp uses a purchased accounting system package for financial reporting.

United Kingdom. In the United Kingdom, the Company direct bills its customers through a billing system provided by Telia, which is the Company's main network provider. Customer service is supported by in-house systems and financial reporting is done through a PC-based accounting system package. The Company is evaluating use of a third party billing platform once the Company installs its own switch in the United Kingdom.

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. The Company's Operating Hubs have numerous competitors and there are limited barriers to entry in these markets. The Company believes that as 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.

Many of the competitors are significantly larger, have substantially greater financial, technical and marketing resources and larger networks than the Company. These competitors include, among others, AT&T, MCI, Sprint, WorldCom, Frontier and LCI in the United States; Telstra and Optus in Australia; and British Telecom, Mercury, WorldCom and ACC in the United Kingdom. Additionally, many larger competitors have formed global alliances, including WorldPartners (AT&T), Concert (MCI and British Telecom) and Global One (Sprint, France Telecom and Deutsche Telekom), in an attempt to capture market share on a global basis.

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 recently 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 anticipation of the scheduled 1998 deregulation of the telecommunications industry in most European Union countries.

The following is a brief summary of the competitive environment in each of the three Operating Hubs:

United States. In the United States, which is the most competitive and among the most deregulated markets in the world, competition in the long distance industry 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 and Sprint 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.

Australia. 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, Vodafone, AAPT and WXL, three other switched-based carriers and a number of switchless resellers, including PacStar and CorpTel. See "--Network." The Company believes that when certain carrier-status regulations are modified, currently expected to occur in June 1997, competition in Australia will increase. 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.

United Kingdom. The Company's principal competitors in the United Kingdom are British Telecom, the dominant supplier of telecommunications services in the United Kingdom, and Mercury, a subsidiary of Cable & Wireless. The Company also faces competition from licensed public telephone operators (which are constructing their own facilities-based networks) such as Energis, Colt and MFS, from cable companies such as Telewest and SBC CableComms, and from switch-based resellers such as WorldCom, ACC and Esprit. Other United States-based carriers also may enter the United Kingdom market. The Company competes in the United Kingdom by offering competitively-priced bundled and stand-alone services, personalized customer service and value-added services.

GOVERNMENT REGULATION

As a multinational telecommunications company, Primus 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." The regulatory framework in certain jurisdictions in which the Company provides its services is briefly described below.

United States. In the United States, the provision of the Company's services is subject to the provisions of the Communications Act, the 1996 Telecommunications Act and the FCC regulations thereunder, as well as the applicable laws and regulations of the various states. The FCC exercises jurisdiction over all facilities of, and services offered by, telecommunications common carriers to the extent such services involve jurisdictionally interstate communications, while state regulatory authorities retain jurisdiction over jurisdictionally intrastate communications.

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. The FCC requires domestic carriers, including the Company, to maintain tariffs on file at the Commission. Although the interstate tariffs of non-dominant carriers are subject to FCC review, they are presumed lawful and are seldom contested. As a domestic non-dominant carrier, the Company is permitted to make tariff filings on a single day's notice and without cost support to justify specific rates. The FCC is currently considering whether to exempt non-dominant domestic carriers from federal tariffing requirements, pursuant to authority granted to the Commission in the 1996 Telecommunications Act, although there can be no assurance that the FCC will adopt this policy.

DOMESTIC SERVICE REGULATION. The 1996 Telecommunications Act, enacted in February 1996, is intended to increase competition in the United States 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 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. As required by the legislation, the FCC will be conducting a large number of proceedings over the next year to adopt rules and regulations to implement the new statutory

provisions and requirements. 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.

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 vast majority of the states require the Company to apply for certification to provide intrastate telecommunications services, or at least to register or to be found exempt from regulation, before commencing intrastate service. 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.

The Company has received the necessary certificate and tariff approvals to provide intrastate long distance service in 37 states. Applications for certification are pending or will be filed in 11 other states. Although the Company intends and expects to obtain operating authority in each jurisdiction in which operating authority is required, there can be no assurance that one or more of these jurisdictions will not deny the Company's request for operating authority. The Company monitors regulatory developments in all 50 states to ensure regulatory compliance. The Company provides interstate service nationwide under FCC interstate tariffs. To the extent that any incidental intrastate service is provided in any state where the Company has not yet obtained any required certification, the state commissions in that state may impose penalties for any such unauthorized provision of service.

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. This could adversely affect the Company in several ways. If regulations are changed to allow variable pricing of access charges based on volume, the Company could be placed at a competitive disadvantage over larger long distance carriers. The Company also could face increased price competition from the RBOCs and other local exchange carriers for intra-LATA and inter-LATA long distance services, which competition may be increased by the removal of former restrictions on long distance service offerings by the RBOCs as a result of the 1996 Telecommunications Act.

INTERNATIONAL SERVICE REGULATION. International common carriers, such as 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.

Under new tariff rules applicable to international carriers, nondominant international carriers such as the Company must file their international tariffs and any revisions thereto with one day's notice in lieu of the 14-day notice previously required. The Company has filed international tariffs for switched and private line services with the FCC. Additionally, international telecommunications service providers are required to file copies of their contracts with other carriers, including correspondent agreements, with the FCC within 30 days of execution. The Company has filed each of its correspondent agreements with the FCC. The FCC's rules also require the Company to file periodically a variety of reports regarding its international traffic flows and use of international facilities. The FCC has recently proposed to reduce certain reporting requirements of common carriers, although the Company is unable to predict the outcome of this proposal.

In addition to the general common carrier principles, the Company must conduct its international business in compliance with the FCC's international settlements policy ("ISP"). The ISP establishes the permissible boundaries for U.S.-based carriers and their foreign correspondents to settle the cost of terminating each other's traffic over their respective networks. The amount of payments (the "settlement rate") is determined by the negotiated accounting rate specified in the correspondent agreement. Under the ISP, unless prior approval is obtained, the settlement rate generally must be one-half of the accounting rate. Carriers must obtain waivers of

the FCC's rules if they wish to use an accounting rate that differs from the prevailing rate or vary the settlement rate from one-half of the accounting rate. As a result of the FCC's pro-competition policies, the recent trend has been to reduce accounting rates.

As a U.S.-based international carrier, the Company is also subject to the FCC's "uniform settlements policy" designed to eliminate foreign carriers' incentives and opportunities to discriminate in their correspondent agreements among different U.S.-based carriers through "whipsawing." Whipsawing refers to the practice of a foreign carrier to vary the accounting and/or settlement rate offered to different U.S.-based carriers for the benefit of the foreign carrier, which could secure various incentives by favoring one U.S.-based carrier over another. Under the uniform settlements policy, U.S.-based carriers can only enter into correspondent agreements that contain the same accounting rate offered to all U.S.-based carriers. When a U.S.-based carrier negotiates an accounting rate with a foreign correspondent that is lower than the accounting rate offered to another U.S.-based carrier for the same service, the U.S.-based carrier with the lower rate must file a notification letter with the FCC. If a U.S.-based carrier varies the terms and conditions of its correspondent agreement in addition to lowering the accounting rate, then the U.S.-based carrier must request a waiver of the FCC's rules. Both the notification and the waiver requests are designed to ensure that all U.S.-based carriers have an opportunity to compete for foreign correspondent return traffic.

Among other efforts to prevent the practice of whipsawing and inequitable treatment of similarly situated U.S.-based carriers, the FCC adopted the principle of proportionate return to ensure that competing U.S.-based carriers have roughly equitable opportunities to receive the return traffic that reduces the marginal cost of providing international service. Consistent with its pro-competition policies, the FCC prohibits U.S.-based carriers from bargaining for special concessions from foreign partners.

FOREIGN OWNERSHIP 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. The Company does not currently hold any radio licenses. These ownership restrictions currently do not apply to non-radio facilities, such as fiber optic cable. There can be no assurance, however, that foreign ownership restrictions will not be imposed on the operation of non-radio facilities used for the provision of international services. The FCC recently adopted new rules relating to the entry and participation of foreign entities in the U.S. telecommunications market. Under those rules, the FCC will scrutinize an ownership interest greater than 25%, or a controlling interest at any level in a U.S. carrier by a dominant foreign carrier, to determine whether the destination market of the foreign carrier offers "effective, competitive opportunities" ("ECO"). The Commission imposes the same ECO test and affiliation standard on U.S.-based carriers that invest in dominant foreign carriers. The FCC may impose restrictions on affiliated carriers not meeting the ECO test. The new rules also require international carriers to notify the FCC 60 days in advance of an acquisition of a 10% or greater interest by a foreign carrier in that U.S. carrier. The FCC has discretion to determine that unique factors require application of the ECO test or a change in regulatory status of the U.S. carrier even though the foreign carrier's interest is less than 25%. These rules also reduce international tariff notice requirements for dominant, foreign-affiliated carriers from 45 days' notice to 14 days' notice. Such reduced tariff notice requirements may make it easier for dominant, foreign-affiliated carriers to compete with the Company. The 1996 Telecommunications Act partially amends existing restrictions on foreign ownership of radio licenses by allowing corporations with non-U.S. citizen officers or directors to hold radio licenses. Other non-U.S. ownership restrictions, however, remain unchanged. The effect on the Company of the 1996 Telecommunications Act or other new legislation or regulations which may become applicable to the Company cannot be determined.

CHANGING U.S. REGULATIONS. Regulation of the telecommunications industry is changing rapidly. The FCC is considering a number of international service issues in the context of several policy rulemaking proceedings and in response to specific petitions and applications filed by other international carriers. The FCC's resolution of some of these issues in other proceedings may adversely affect the Company's international business (by, for example, permitting larger carriers to take advantage of accounting rate discounts for high traffic

volumes). The Company is unable to predict how the FCC will resolve the pending international policy issues or how such resolution will affect its international business. There can be no assurance that future regulatory changes will not have a material adverse impact on the Company.

Australia. In Australia, the provision of the Company's services is subject to federal regulation pursuant to the Telecom Act and federal regulation of anti-competitive practices pursuant to the Trade Practices Act 1974. In addition, other federal legislation, various regulations pursuant to delegated authority and legislation, ministerial declarations, codes, directions, licenses, statements of the Commonwealth Government policy and court decisions affecting telecommunications carriers also apply to the Company.

The Australian market is undergoing deregulation in two phases. The first phase of the deregulation process commenced in 1991 and continued in 1992 with (1) the enactment of the Telecom Act, (2) the corporatization of the local PTT, Telecom Australia, into the corporation now known as Telstra, (3) the creation and licensing of a second general carrier, Optus, (4) an agreement by the Australian Government with Optus not to grant another general carrier license before July 1, 1997, (5) the creation of a system to enable service providers to compete with the carriers in the provision of telecommunications services from 1992, (6) the licensing of Vodafone as a third digital mobile carrier, and (7) a declared Government policy of achieving full competition by July 1, 1997, subject to regulation by the Australian Government and the telecommunications regulatory authority (at the present time, AUSTEL), and also by the competition regulatory authority (the Australian Competition and Consumer Commission or "ACCC"), which is expected to be given new jurisdiction over competition aspects of the Australian telecommunications industry. These regulatory authorities will have responsibility for economic and technical regulation of the telecommunications industry as well as promoting competition and protecting consumers.

The Australian telecommunications industry continues to undergo deregulation, and it is currently expected that the Australian Government will license additional carriers, including the Company, to own transmission facilities in July 1997. Amendments to the Telecom Act and possibly to Australia's competition law, the Trade Practices Act, are expected to be made prior to July 1, 1997 in order to change some aspects of, and to clarify, the regulatory framework for this second phase of deregulation. Both Telstra and Optus have requested that the Australian Government defer such date, and there can be no assurance that the deregulatory process will proceed in accordance with the Australian Government's announced timetable. Any delay in such deregulatory process or in the granting of a license to the Company would prohibit the Company from owning transmission facilities in Australia and thereby limit the Company's ability to realize additional efficiencies expected to result from the incorporation of owned facilities into its Network.

In the Australian context, a distinction is drawn between carriers licensed under the Telecom Act and all other providers of telecommunications services. Telstra, Optus and Vodafone are the only licensed facilities-based carriers currently operating in Australia with exclusive rights to the transmission facilities that constitute their networks. Both Telstra and Optus are licensed by the Australian Government as general carriers and mobile carriers. Telstra has been designated by AUSTEL as a dominant carrier for international services. However, Telstra is currently challenging AUSTEL's finding of dominance in the Australian federal courts.

Until July 1997, other operators may provide service on a resale basis pursuant to a class license established by Part 10 of the Telecom Act. These resellers operate in a switched-based or switchless environment and rely on one or more of the licensed carriers. There are currently three types of class licenses--service providers license, international service providers license, and the public access cordless telecommunications services license. The class licenses set forth the regulatory requirements applicable to all operators providing services governed by such license. As a reseller of domestic, local and long distance service, cellular service and international service, the Company must comply with the terms of the class license that applies to all service providers until July 1997, or later if the deregulatory process in Australia is delayed.

A service provider does not need to apply or register for a class license. However, a registration system does exist, providing some advantages of certainty to the service provider by ensuring that particular service is provided under the relevant class license. The system has the commercial disadvantage of disclosing certain information about a provider's activities. In addition, a system of forced enrollment exists for AUSTEL to monitor certain activities. This requirement for enrollment has been applied to eligible international services and eligible PACT services.

The remainder of the telecommunications services in Australia, including value-added services, is open to competition. From July 1997, operators other than Telstra, Optus and Vodafone may become general licensed carriers. Axicorp currently plans to become a licensed general carrier after July 1997. As a general licensed carrier, Axicorp will be required to comply with the terms of its own license and will be subject to the greater regulatory controls applicable to licensed facilities-based carriers.

United Kingdom. In the United Kingdom, the provision of the Company's services is subject to the provisions of the U.K. Telecommunications Act. The Secretary of State for Trade and Industry, acting on the advice of the U.K. 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. The Company is also subject to general European Union law.

Until 1981, British Telecom was virtually the sole provider of public telecommunications services throughout the United Kingdom. This virtual monopoly ended when, in 1981, the British government granted Mercury a license to run its own telecommunications system under the British Telecommunications Act 1981. Both British Telecom and Mercury are licensed under the subsequent U.K. Telecommunications Act to run transmission facilities-based telecommunications systems and provide telecommunications services. 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 will recommend 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 U.K. 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, Inc., holds an ISR license that authorizes it to provide switched voice services over leased private lines to all international points. In addition, the Company (along with approximately 45 other applicants, including AT&T, WorldCom and ACC) has recently made application to the U.K. Secretary for Trade and Industry for a license to provide international facilities-based voice services. Although the Company currently expects such license to be granted by the end of the first quarter of 1997, there can be no assurance that the Company will be granted the license by such time, or at all. Failure to obtain such license would prevent the Company from providing facilities-based services in the United Kingdom and would have an adverse effect on the Company's ability to expand its operations.

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. The current price caps on British Telecom expire at the end of July 1997. Oftel is considering whether it will be able to police anti-competitive behavior effectively and is currently conducting a price control review of the U.K. telecommunications industry. Key elements of Oftel's final proposals in connection with this review include terminating price controls on British Telecom in 2001, limiting increases in telecommunications services charges for residential customers to the rate of inflation, and continued

regulation of access charges by British Telecom to its competing telecommunications service providers. With respect to the creation of a detailed effective regulatory regime for the future, Oftel has published its proposals in July 1995 in a document entitled "Effective Competition: Framework for Action." Key elements of Oftel's plans included (1) moving to an incremental cost basis for interconnection charges from 1997, (2) withdrawing from detailed setting of some interconnection charges, (3) providing for industry-wide contribution to the cost of maintaining "universal service," (4) eliminating access deficit charges, (5) moving towards pricing based on capacity charging for interconnection services and (6) developing an interconnection regime for service providers. There can be no assurances that such proposals will be implemented, in whole or in part, in the time frame specified.

FAIR TRADING PRACTICES. Oftel is the principal regulator of the competitive aspects of the U.K. telecommunications industry. Oftel's limited authority in this area is derived from the powers given to Oftel under the U.K. Telecommunications Act and from the terms of the licenses granted under the U.K. Telecommunications Act. Any dispute between Oftel and a telecommunications service provider may be referred on appeal to the U.K. Monopolies and Mergers Commission, which may conduct a detailed and lengthy review of the facts surrounding such dispute. Furthermore, Oftel has no authority to impose fines for a breach of the terms of a license issued under the U.K. 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. Although Oftel is currently seeking more power to police the competitive aspects of the U.K. telecommunications industry, no assurances can be given that it will be successful in its efforts or that it will be able to prohibit anti-competitive conduct harmful to the Company. The Company is also subject to general European law, which, among other things, prohibits certain anti-competitive 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.

In March 1996, Oftel published an interim report on incremental costs detailing steps to develop a methodology to calculate such costs. The report has identified two models: "top-down" developed by British Telecom, and "bottom up" favored by the industry. Incremental costs play a key role in Oftel's proposals for the control of British Telecom's interconnection charges as of August 1997. There is a risk that if agreement to costing methodologies to be used by British Telecom is delayed or does not occur, the matter will be referred to the MMC which could mean that the implementation of proper transparency and allocation of costs when operators are seeking interconnection with British Telecom will be seriously delayed.

Mexico. In Mexico, the provision of the Company's services is subject to the provisions of the 1940 General Communications Law, 1995 Federal Telecommunications Law and 1990 Telecommunications Regulations, which provide the general legal framework for the regulation of telecommunications services in Mexico. Since the enactment of the 1995 Federal Telecommunications Law, the Mexican government has adopted several implementing rules regarding interconnection, long distance services, numbering and signaling, and other rules are pending.

Pursuant to the 1995 Federal Telecommunications Law, the Mexican government recently created an independent telecommunications commission that will regulate and oversee the telecommunications sector in Mexico. The Federal Telecommunications Commission will take over many of the functions and responsibilities of the Secretariat of Communications and Transportation ("SCT"). In particular, the Commission's powers and attributions include (i) the administration of the radioelectric spectrum, (ii) the administration of the Telecommunications Registry, (iii) to promote and oversee the efficient interconnection between the public telecommunications networks, (iv) to resolve interconnection disputes between the concessionaires, (v) to impose specific obligations on concessionaires that have substantial market power in the relevant market and (vi) to opine regarding the granting, extension, assignment or revocation of concessions and permits.

The 1995 Federal Telecommunications Law classifies telecommunications networks into public or private depending on the use of the network. Public telecommunications networks are those networks that are used to

provide commercial telecommunications services to the public. Private telecommunications networks are those that are used to satisfy the specific telecommunications needs of persons and that do not offer telecommunications services to the public.

Operators of private networks do not require any authority from the government unless they use the radio frequency spectrum. Public telecommunications network operators require specific authority from the government, which will vary depending on whether a carrier intends to resell or operate as a facilities-based carrier. "Concessionaires" of public telecommunications networks are those facilities-based carriers that require a concession from the federal government to use the radio spectrum, satellite links or any form of terrestrial cables to provide public telecommunications services. "Resellers" (or "vendors") of telecommunication services are those carriers that provide telecommunications services to the public through the use of capacity acquired from concessionaires of public telecommunications networks. Resellers only require a permit. No specific authority from the SCT is required to provide value-added services. However, parties that wish to provide value-added services must register in the SCT's Telecommunications Registry. The Company obtained registration to provide such services in August 1996, and currently plans to provide value-added services including Internet access, enhanced facsimile, voice mail retrieve functionalities, electronic mail and call store and forward.

The Company, through its subsidiary Primus Telecomunicaciones de Mexico, S.A. de C.V., is currently providing private network management services to companies that already have leased a private network to serve their internal corporate needs. Private network management services qualify as unregulated services in Mexico and do not require any type of authorization from any government authority.

In July 1994, the SCT issued the rules for the interconnection of competing long distance carriers with Telmex's network. The rules provide that Telmex is required to make 60 of its switches available to its competitors by January 1, 1997, and gradually increase the number of switches until all of its switches are available to competitors after January 1, 2001. In addition, the rules provide that as of January 1, 1997, competing carriers may, at their own cost, interconnect to other switches in Mexico even if they are not included in the list of 60 switches that Telmex has to make available by 1997.

In this regard, in April 1996, the SCT established the structure of the principal rates that Telmex will charge new long distance carriers for interconnection with its network and set the rates for 1997 and 1998. On June 21, 1996, the SCT issued rules governing long distance services, as well as the Basic Technical Plans for Numbering and for Signaling, which address a number of technical issues relating to the commencement of competition in long distance services. The new long distance rules establish the framework and schedule for the provision of competitive long distance services including rules regarding subscription, numbering access codes, allocation of service related liability, billing and collection and certain consultation and information sharing mechanisms among service providers and the SCT. The rules, however, do not address the transmission of international long distance traffic.

AXICORP

The Company acquired Axicorp, the fourth largest telecommunications provider in Australia, in March 1996. Axicorp provides the Company early entry into the deregulating Australian telecommunications market and will serve as the Company's gateway to the Asia-Pacific region. The Company believes that the ongoing transformation of Axicorp's strategy and operations to a facilities-based carrier focused on the provision of international and domestic long distance services is an example of the execution of the Company's business model. For the twelve months ended March 31, 1996, Axicorp generated net revenue of approximately \$144 million.

Axicorp began operations in September 1993 in order to capitalize on the opportunities arising from the advent of the deregulation of the telecommunications industry in Australia. Prior to the acquisition, Axicorp pursued a strategy of reselling long distance, local switched and cellular services at a discount to the prices charged by Telstra, the former monopoly telecommunications provider in Australia. Axicorp originally marketed

and sold its services through sales agents to professional and trade associations. All of Axicorp's billing and collection functions were conducted by Telstra.

Since acquiring Axicorp in March 1996, Primus has been investing 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. The Company has acquired five switches for use in Australia, which are expected to be operational by the end of the first quarter of 1997, and has focused on increasing the number of higher-margin, higher-volume business customers with significant international long distance traffic. As part of its increasing focus on business customers, the Company is increasing Axicorp's direct sales force and reducing its reliance on marketing through associations. In addition, Axicorp's switch network will be integrated into the Network and the Company intends to offer additional services in Australia, including prepaid and calling cards, audio-conferencing and toll-free services.

The Company believes that the integration of Axicorp into the Company's operations and strategy will be enhanced by certain Australian regulatory changes expected to become effective in July 1997. Under current regulations, only Telstra and Optus are licensed as full service facilities-based carriers. The Australian government, however, has indicated plans to deregulate the Australian telecommunications market in July 1997, which would permit Axicorp and others to own transmission facilities. Although both Telstra and Optus have requested the government to delay the July 1997 implementation of deregulation, the Company believes that any such delay would not affect the Company's ability to own and operate its network of switches within Australia. See "--Government Regulation."

The Company acquired Axicorp for \$5.7 million in cash, including transaction costs, 455,000 shares of Series A Stock and seller financing consisting of two notes (the "Seller Notes"), one for \$4.1 million payable to Fujitsu Australia Limited, and the other for \$4.0 million payable to the individual shareholder sellers. The sellers are holding as security approximately 25% of their shares in Axicorp under a share mortgage for the Seller Notes. These shares will be delivered to the Company when the notes are paid in full. In turn, the Company is holding 248,334 shares of the Series A Stock issued to the sellers as collateral for the Axicorp shares withheld. These shares of Series A Stock will be released to the sellers once the remaining Axicorp shares are received. Pursuant to its terms, the Series A Stock will be converted into Common Stock upon the completion of the Offering.

EMPLOYEES

The following table summarizes the number of full-time employees of the Company, by region and classification:

	NORTH AMERICA	UNITED KINGDOM/ EUROPE	ASIA- PACIFIC	TOTAL
Management and Administrative.....	7	6	22	35
Sales and Marketing.....	29	15	51	95
Customer Service and Support.....	11	7	26	44
Technical.....	8	6	33	47
	---	---	---	---
Total.....	55	34	132	221
	===	===	===	===

The Company never has experienced a work stoppage, and none of its employees is represented by a labor union or covered by a collective bargaining agreement. The Company considers its employee relations to be good.

PROPERTIES

The Company's headquarters in McLean, Virginia consist of approximately 4,585 square feet of office space under a lease that expires in September 1997. The Company anticipates extending this lease and to lease

additional space in the same building. In addition the Company leases a sales office in Tampa, Florida consisting of 2,859 square feet, which lease expires in April 1998. The Company also leases a 2,575 square foot facility which houses the Company's Washington, D.C. switch through May 1997, and leases a 5,350 square foot facility in Los Angeles, California at which it intends to locate an international gateway switch.

The Axicorp facilities consist of administrative offices and other facilities aggregating approximately 30,000 square feet. Axicorp's leases expire at varying times from January 1997 to August 1999. In the United Kingdom, the Company leases approximately 3,250 square feet of office space which expires in April 1999. In Mexico, the Company leases approximately 83 square feet of office space in Mexico City for a term expiring in October 1997. In Toronto, the Company leases approximately 420 square feet expiring July 2001.

Management believes that the Company's present office facilities, together with additional space currently under discussion with its Virginia landlord, are adequate for its anticipated operations, and that similar space can readily be obtained as needed. As its network of owned digital switches grows, the Company will have to lease additional locations to house these facilities.

LEGAL PROCEEDINGS

The Company is from time to time involved in litigation incidental to the conduct of its business. There is no pending legal proceeding to which the Company is a party which the Company believes is likely to have a material adverse effect on the Company's business, financial condition or results of operations.

MANAGEMENT

EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

The executive officers, directors and key employees of the Company are as follows:

NAME ----	AGE ---	POSITION -----	YEAR OF EXPIRATION OF TERM AS DIRECTOR -----
K. Paul Singh(1).....	45	Chairman of the Board of Directors, President, and Chief Executive Officer	1999
Neil L. Hazard.....	44	Executive Vice President and Chief Financial Officer	N/A
John F. DePodesta.....	51	Executive Vice President, Law and Regulatory Affairs, and Director	1999
George E. Mattos.....	46	Vice President of Operations	N/A
John Melick.....	37	Vice President of Sales and Marketing	N/A
Thomas R. Kloster.....	36	Corporate Controller	N/A
Ravi Bhatia.....	48	Chief Operating Officer, Axicorp	N/A
Peter Slaney.....	55	General Manager, Primus Telecommunications International, Inc.	N/A
Paul Keenan.....	37	General Manager of Mobile Services, Axicorp	N/A
Sim Thiam Soon.....	43	General Manager of Operations, Axicorp	N/A
Herman Fialkov(2).....	74	Director	1997
David E. Hershberg(2)...	59	Director	1997
Andrew B. Krieger(3)....	50	Director	1998
John Puente(1)(3).....	66	Director	1998

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

K. Paul Singh co-founded the Company in 1994 with Mr. DePodesta and serves as its Chairman, President and Chief Executive Officer. From 1991 until he co-founded the Company, 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 OTI, a provider of private digital communications in over 26 countries which he founded in 1984 and was purchased by MCI in 1991. See "Certain Transactions."

Neil L. Hazard joined the Company in 1996 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, 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 the Company in 1994 with Mr. Singh, and serves as a director and its Executive Vice President Law and Regulatory Affairs. In addition to his position with the Company, Mr. DePodesta serves as the Senior Vice President, Law and Public Policy for Genesis Health Ventures, Inc. and the Chairman of the Board of Iron Road Railways Incorporated, which he co-founded in 1994. Additionally, since 1994 he has been "of counsel" to the law firm of Pepper, Hamilton & Scheetz, where he was previously a partner. Before joining Pepper, Hamilton & Scheetz, Mr. DePodesta served as the General Counsel of Consolidated Rail Corporation. See "Certain Transactions."

George E. Mattos joined the Company in 1994 as its Vice-President of Operations. Prior to joining the Company, Mr. Mattos held several positions with MCI, most recently as a Senior Manager responsible for the development of a software monitoring system for customer service, installation, operation and maintenance of MCI's international telecommunications network. Mr. Mattos previously was part of MCI's switching and network intelligence facilities where he was responsible for commencing switched voice service to various countries.

John Melick joined the Company in 1994 as its Vice President of Sales and Marketing. Prior to joining the Company, he was a Senior Manager with MCI responsible for the day-to-day management of its global product portfolio in Latin American 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.

Thomas R. Kloster joined the Company in 1996 as its Corporate Controller. Prior to joining the Company, Mr. Kloster was employed by MCI as Senior Manager of Corporate Accounting and Reporting, responsible for various facets of MCI's consolidation of financial results, external and internal reporting, and accounting for ventures and emerging businesses. Prior to joining MCI in 1994, Mr. Kloster served as a Senior Manager with Price Waterhouse LLP.

Ravi Bhatia joined the Company in October 1995 as the Managing Director of Primus Telecommunications Pty., Ltd. (Australia) and in March 1996 became the Chief Operating Officer of Axicorp and as such is responsible for implementing the Company's business strategy in Australia. Mr. Bhatia has over 26 years of international experience in the telecommunications industry, which includes 9 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.

Peter Slaney joined the Company in 1996 as the Managing Director of Axicorp. Mr. Slaney was previously a co-founder and served as Managing Director of Axicorp since its inception in 1993. Prior to forming Axicorp, Mr. Slaney served as General Manager of the Telecommunications Group of Paxus Australia, a group that provided professional services and consulting to Telstra. The majority of Mr. Slaney's career was spent at IBM Corporation where he worked for 20 years in various capacities, including as an Account Executive Manager in the personal computer market.

Paul Keenan joined the Company in 1996 as General Manager of Axicorp's cellular business unit. Mr. Keenan co-founded Axicorp in 1993 and served as its General Manager, Finance and Administration until he joined the Company. Previously, Mr. Keenan held several positions, including that of Chief Manager, Accounting and Administration with the Victorian Development Fund, an investment banking organization.

Sim Thiam Soon joined the Company in 1996 as General Manager of Operations of Axicorp. Mr. Sim co-founded Axicorp in 1993 and served as its General Manager of Operations until joining the Company. Previously, Mr. Sim managed systems development and integration for financial institutions and consultants in Australia and New Zealand, including the ABN Bank, the Australian Bank and the DMR Group.

Herman Fialkov became a director of the Company in 1995. He is currently the 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 the Company in 1995. Mr. Hershberg is the founder, President and CEO of WorldComm 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.

Andrew B. Krieger became a director of the Company in 1995 while serving as the Managing Director of Horowitz and Goldman, a New York based law firm. In 1977, Mr. Krieger founded, and is President and Chief Executive Officer of what is currently Krieger Associates, an investment banking, asset management and estate planning financial services firm. He also serves on the board of WorldComm Systems, Inc. See "Certain Transactions."

John Puente became a director of the Company 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.

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. See "Description of Capital Stock--Takeover Protection."

DIRECTOR COMPENSATION

The Company pays cash compensation to outside board members who are not otherwise consultants to the Company. Each such board member is entitled to receive \$500 for each meeting of the Board of Directors, or any committee thereof, attended by such board member in person or by telephone. The Company also has adopted a Director Plan under which options for up to a total of shares of Common Stock will be issued to those directors of the Company that are not also employees of the Company. Under the Director Plan, each of the current non-employee directors has received options with respect to a total of shares at an exercise price of \$ per share.

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 Messrs. Krieger (Chairman) and Puente, 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, as well as making recommendations to the Board of Directors with respect to other compensation matters such as those relating to the operation of the Plans and approving certain aspects of the Company's management bonus plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee has any interlocking or other relationship with the Company that would call into question his independence with respect to his duties.

EXECUTIVE COMPENSATION

The following table sets forth the compensation paid by the Company for services rendered in all capacities during 1995 to the Company's chief executive officer. No other executive officer of the Company received total annual salary and bonus in excess of \$100,000 during 1995.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS		
		SALARY	BONUS	OTHER ANNUAL COMPENSATION (\$)	SECURITIES UNDERLYING OPTIONS (\$)	ALL OTHER COMPENSATION
K. Paul Singh, Chairman and Chief Executive Officer.....	1995	\$185,000(1)	--	--	--	--

(1) Of this amount, the payment of \$77,200 was deferred and subsequently paid on July 31, 1996. See"-Employment Contract."

STOCK OPTION PLANS

Employee Stock Option Plan. The Company established the Employee Plan for its employees on January 2, 1995 which provides for the grant to selected employees 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"). The total number of shares of Common Stock for which options may be granted pursuant to the Employee Plan is , subject to certain adjustments reflecting changes in the Company's capitalization. The Employee Plan is currently administered by the Board of Directors, although it provides for its administration by a Committee of the Board. The Board of Directors determines, among other things, which employees will receive options under the Employee 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 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 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 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.

Options are not assignable or transferrable other than by will or the laws of descent and distribution. If an employee's employment with the Company is terminated for any reason, such employee'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 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 terminate upon the earlier of the date of such determination or the date of termination. If an employee becomes disabled or deceased while an employee of the Company, such employee's options that are exercisable on the date of disability or death will remain exercisable for twelve months following the date of disability or death; provided, however, that if a disabled employee commences employment with a competitor of the Company during that twelve-month period, all options held by the employee terminate immediately.

Options issued pursuant to the Employee 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 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 shareholders of a merger, reorganization or consolidation of the Company in which the Company's shareholders 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 shareholders of an agreement of sale of all or substantially all of the Company's assets, and the acceptance by the Company's shareholders of a share exchange in which the Company's shareholders 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, 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 Plan allows an employee 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. The exercise of a NQSO requires an employee 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 the employee's wages on account of this income. The employee'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 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 the length of time that the employee held the shares. There are no tax consequences to an employee if a NQSO lapses before exercise or is forfeited. If an employee uses previously owned Common Stock as payment for the exercise price of a NQSO, to the extent the employee 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, moreover, will include the period the employee held the surrendered shares. To the extent the employee 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 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 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 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 Plan after January 2, 2005.

Mr. Singh did not receive a grant or exercise any stock option or stock appreciation right prior to or during the last fiscal year.

Director Stock Option Plan. The Company also established a Director Plan on July 27, 1995. The purpose of the Director Plan is to encourage ownership in the Company by outside directors (present or future incumbent directors who are not employees of the Company or any subsidiary) whose services are considered essential to the Company's continued progress. Options granted under the Director Plan are NQSOs. The Director 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 Plan is . On the effective date of the Director Plan or the first date thereafter that any director becomes eligible to receive an award under the Director Plan, each eligible director will

automatically receive an option to purchase _____ shares of Common Stock, exercisable for _____ shares immediately, and _____ 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 Plan are not transferrable 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 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.

EMPLOYMENT CONTRACT

The Company 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 the Company as Chairman of the Board, President and CEO. The Company is required to compensate Mr. Singh at an annual rate of \$185,000 (which amount is reviewed annually by the Board of Directors 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. The Company is also obligated to (i) allow Mr. Singh to participate in any bonus or incentive compensation plan approved for senior management of the Company, (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.

The Company 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 the Company at any time without penalty (other than the non-competition obligations discussed below). If the Company terminates the Singh Agreement for disability or cause, the Company will have no further obligations to Mr. Singh. If, however, the Company terminates the Singh Agreement other than for disability or cause, the Company will have the following obligations: (i) if the termination is after May 30, 1999, the Company 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, the Company must pay to Mr. Singh, as they become due, all amounts otherwise payable if he had remained employed by the Company until June 1, 1999. If Mr. Singh resigns, he may not directly or indirectly compete with the Company's business until six months after his resignation. If the Company terminates Mr. Singh's employment for any reason, Mr. Singh may not directly or indirectly compete with the Company's business until six months after the final payment of any amounts owed to him under the Singh Agreement become due.

CERTAIN TRANSACTIONS

PRIVATE EQUITY SALE

In July 1996, Primus completed the sale of _____ 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, for an aggregate purchase price of approximately \$8.0 million. The Soros/Chatterjee Group also purchased, for an additional \$8.0 million, the Soros/Chatterjee Warrants which afford the Soros/Chatterjee Group 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 _____ additional shares of Common Stock. Except for _____ shares (of the _____ shares) which are currently exercisable, the Soros/Chatterjee Warrants are exercisable on or after July 31, 1997 and until July 31, 1999. The Soros/Chatterjee Warrants are entitled to certain customary antidilution protection in the event of stock splits, stock dividends, reorganizations and other similar events.

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. Such rights with respect to this Offering have been waived. 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.

The Soros/Chatterjee Group also entered into a securityholders agreement with the Company and K. Paul Singh (the "Securityholders Agreement") under which the Soros/Chatterjee Group has the right to appoint a nominee for a position as a member of the Board of Directors of the Company (and Mr. Singh has agreed to vote shares over which he has voting control for such nominee). Pursuant to this agreement, members of the Soros/Chatterjee Group were granted preemptive rights in connection with most future issuances of capital stock, including public offerings. Such rights were waived with respect to this Offering. Additionally, members of the Soros/Chatterjee Group are entitled to tag-along 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. See "Description of Capital Stock--Registration Rights." 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 _____ shares of Common Stock for a total of \$1,458,060. The equity investment was consummated

in February 1996 as was by a loan by Teleglobe of \$2.0 million to the Company. The loan, which bears interest at 6.9% per annum (payable quarterly) and matures on February 9, 1998, is secured by all the assets of the Company, comprised principally of the stock of the subsidiaries (65% of the stock of foreign subsidiaries was pledged). 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.

As part of the transaction, Teleglobe, the Company and Mr. Singh are party to a shareholders' agreement (the "Teleglobe Agreement") providing Teleglobe the same consent, preemptive and registration rights as may be granted in the future to other shareholders of an equal or lesser percentage ownership in the Company, and participation and tag-along rights whereby Teleglobe is entitled to sell its shares of Common Stock when certain other shareholders sell or when the Company issues equity securities that would result in a change of control of the Company. The Teleglobe Agreement also obligates Teleglobe to sell its shares if certain other shareholders sell and specified conditions are met, and grants the Company a right of first refusal upon a sale of the Teleglobe-owned Common Stock to any competitor of the Company. Teleglobe waived any preemptive rights and registration rights that arose as a result of the Private Equity Sale. See "--Teleglobe".

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 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 \$77,000 for the performance of such services during 1995 and 1996 (to date). In addition, in connection with these private placements, the Company issued a total of 57,296 shares of Common Stock to Krieger Associates and Mr. Krieger, and at the direction of Mr. Krieger issued a total of 21,888 shares of Common Stock to other individuals associated with the transaction. The Company also issued, in connection with these private placements, a total of 72,628 shares of Common Stock to NSI and certain of its employees associated with the transactions. See "Management" and "Principal Stockholders."

LOAN FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In connection with the initial organization of the Company, K. Paul Singh, the Company's Chairman of the Board 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 164,318 shares of Common Stock, at a price per share of \$2.13, which shares were issued on such date.

MANAGEMENT FEES

Prior to the Company's acquisition of Axicorp, Axicorp paid a management fee based on a percentage of revenue to a company owned primarily by certain current officers of the Company, including Paul Keenan, Sim Thiam Soon and Peter Slaney. Total management fees for the nine month period ended March 31, 1995, and the twelve month period ended March 31, 1996 were \$616,000 and \$426,000, respectively.

LEGAL SERVICES

From time to time, the Company has retained the law firm of Pepper, Hamilton & Scheetz, of which John F. DePodesta, a director and an Executive Vice President of the Company, is "of counsel," to perform legal services for it and has paid such firm fees totaling \$151,807 in 1996 (to date). See "Legal Matters."

PRINCIPAL STOCKHOLDERS

The following table sets forth information as of July 31, 1996 concerning each person or group known to the Company to be the beneficial owner of more than 5% of Common Stock, and concerning the beneficial ownership of Common Stock by the Company's directors, K. Paul Singh and all executive officers and directors of the Company as a group. Except as otherwise noted and subject to community property laws, where applicable, each beneficial owner of the Common Stock listed below has sole investment and voting power.

NAME AND ADDRESS(2)	SHARES BENEFICIALLY OWNED(1)		
	PERCENT OF CLASS		
	NUMBER OF SHARES	BEFORE OFFERING(14)	AFTER OFFERING(15)
K. Paul Singh.....	(3)	%	%
Quantum Industrial Partners LDC..... c/o Curacao Corporation Company N.V. Kaya Flamboyen 9 Willemstad, Curacao Netherlands Antilles	(4)	%	%
Winston Partners II LLC..... c/o Chatterjee Advisors L.L.C. c/o The Chatterjee Group 888 Seventh Avenue New York, New York 10106	(5)		
S-C Phoenix Holdings, L.L.C. c/o The Chatterjee Group 888 Seventh Avenue New York, New York 10106	(6)		
Winston Partners II LDC..... c/o Curacao Corporation Company N.V. Kaya Flamboyen 9 Willemstad, Curacao Netherlands Antilles	(7)		
John F. DePodesta.....	(8)	%	%
Herman Fialkov.....	(9)	*	*
David E. Hershberg.....	(10)	*	*
Andrew B. Krieger.....	(11)	%	%
John Puente.....	(12)	%	*
All executive officers and directors as a group.....	(13)	%	%

* Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the 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 exercisable on or prior to October , 1996 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) Unless otherwise noted in the chart, the address of all persons listed is c/o Primus Telecommunications Group, Incorporated, 8180 Greensboro Drive, Suite 1100, McLean, Virginia 22102.
- (3) Includes shares of Common Stock issuable upon the exercise of options granted to Mr. Singh and exercisable on or prior to October , 1996 and shares of Common Stock owned by Mr. Singh's spouse and children.
- (4) Quantum Industrial Partners LDC ("Quantum Industrial") has vested investment discretion with respect to its portfolio investments, including the Common Stock, in an entity over which Mr. George Soros may be deemed to have sole and ultimate control. Mr. Soros and Dr. Purnendu Chatterjee, as a sub-advisor to Quantum Industrial, may be deemed to have shared beneficial ownership of Common Stock held by Quantum Industrial.
- (5) Winston Partners II LLC has vested investment discretion in its portfolio investments, including the Common Stock, in Chatterjee Management Company, an entity over which Dr. Chatterjee may be deemed to have sole and ultimate control. Dr. Chatterjee may be deemed to have beneficial ownership of Common Stock held by Winston Partners II LLC.
- (6) Mr. Soros and Dr. Chatterjee may be deemed to have shared beneficial ownership of Common Stock held by S-C Phoenix Holdings, L.L.C.
- (7) Winston Partners II LDC has vested investment discretion in its portfolio investments, including the Common Stock, in Chatterjee Management Company, an entity over which Dr. Chatterjee may be deemed to have sole and ultimate control. Dr. Chatterjee may be deemed to have beneficial ownership of Common Stock held by Winston Partners II LDC.

- (8) Includes shares of Common Stock issuable upon the exercise of options granted to Mr. DePodesta and exercisable on or prior to October , 1996.
- (9) Includes shares of Common Stock issuable upon the exercise of options granted to Mr. Fialkov and exercisable on or prior to October , 1996.
- (10) Includes shares of Common Stock issuable upon the exercise of options granted to Mr. Hershberg and exercisable on or prior to October , 1996.
- (11) Includes shares of Common Stock issuable upon the exercise of options granted to Mr. Krieger and exercisable on or prior to October , 1996 and shares of Common Stock owned by Mr. Krieger's spouse.
- (12) Includes shares of Common Stock issuable upon the exercise of options granted to Mr. Puente and exercisable on or prior to October , 1996.
- (13) Includes shares of Common Stock issuable upon the exercise of options granted to directors and executive officers and exercisable on or prior to October , 1996.
- (14) Applicable percentage of ownership as of August , 1996 is based upon shares of Common Stock outstanding.
- (15) Applicable percentage ownership after this Offering is based upon shares of Common Stock outstanding after giving effect to the issuance of the shares of Common Stock offered hereby.

DESCRIPTION OF CAPITAL STOCK

COMMON STOCK

The Company is authorized to issue up to 10,455,000 shares of Common Stock, par value \$0.01 per share. As of July 31, 1996, the Company had presently outstanding, _____ shares of Common Stock reserved for issuance upon exercise of options granted pursuant to the Plans. An additional _____ shares of Common Stock may be issued pursuant to the Soros/Chatterjee Warrants assuming such warrants were exercised on the date of the Offering at an assumed price of \$ _____. The actual number of shares of Common Stock issuable under the Soros/Chatterjee Warrants will be _____ shares plus an indeterminate number of shares having a fair market value of \$10 million as of the date of exercise. Holders of shares of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to such preferential rights of the issued and outstanding Series A Stock more particularly described below, and such preferential rights as the Company's Board of Directors may grant in connection with future issuances of Preferred Stock, holders of shares of Common Stock are entitled to receive such dividends as the Board of Directors may declare in its discretion out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the Company, after payment of liabilities and any liquidation preference on any shares of Preferred Stock then outstanding, the holders of shares of Common Stock are entitled to a distribution of any remaining assets of the Company. Holders of shares of Common Stock have no cumulative voting or preemptive rights. All outstanding shares of Common Stock are, and the shares of Common Stock offered hereby, when issued and paid for, will be, fully paid and nonassessable.

PREFERRED STOCK

The Company is authorized to issue up to 2,455,000 shares of Preferred Stock, par value \$0.01 per share, of which 455,000 shares are designated Series A Stock. All shares of the Series A Stock were issued to the sellers in the Axicorp transaction, 206,666 shares of which were delivered at closing and the balance of which are being held by the Company to secure certain post-closing obligations of the sellers. As a consequence of the consummation of the Offering, all of the Series A Stock will convert into Common Stock.

Dividends are paid on Series A Stock when, as and in the same amount as paid from time to time on the Common Stock. Holders of Series A Stock are not entitled to vote on matters related to the Company other than certain matters related to the capital structure of the Company or matters for which the law provides for such vote. If the Company grants preemptive rights in connection with certain issuances, sales or exchanges of Common Stock of the Company or of securities convertible into Common Stock of the Company, holders of Series A Stock are also granted such preemptive rights. A holder of Series A Stock has the right at any time after March 1, 1998 to convert its Series A Stock, share for share, into Common Stock of the Company. Upon the occurrence of certain events, including the elimination of certain foreign ownership restrictions on the Company, the occurrence of certain transfers of the Company's stock or assets, or the public offering of more than 20% of the Company's Common Stock, shares of Series A Stock automatically convert into shares of Common Stock of the Company. Any particular conversion of shares of Series A Stock held by certain foreign owners into shares of Common Stock of the Company may be limited by foreign ownership restrictions applicable to the Company.

In addition to the Series A Stock, the Company, without further action by the Stockholders, is also authorized to issue up to 2,000,000 shares of other Preferred Stock, par value \$0.01 per share ("Other Preferred Stock"). The Company's Board of Directors may determine the timing, series, designation and number of shares of Other Preferred Stock to be issued, as well as the rights, preferences and limitations of such shares, including those related to voting power, redemption, conversion, dividend rights and liquidation preferences. The issuance of Other Preferred Stock could adversely affect the voting power of the holders of Common Stock of the Company or have the effect of deterring or delaying any attempt by a person, entity or group to obtain control of the Company. See "--Takeover Protection."

WARRANTS

As of _____, 1996, there were outstanding Soros/Chatterjee Warrants granting the Soros/Chatterjee Group the right to receive, upon exercise, _____ shares of Common Stock plus an indeterminate number of shares the fair market value of which is \$10.0 million on the date of exercise. _____ of the Soros/Chatterjee Warrants are currently exercisable, with the remainder being exercisable on or after July 31, 1997 and until July 31, 1999. The Soros/Chatterjee Warrants are entitled to certain customary antidilution protection in the event of stock splits, stock dividends, reorganizations and other similar events. The shares of Common Stock issued pursuant to the Soros/Chatterjee Warrants as entitled to certain registration rights described below. See "Certain Transactions-- Private Equity Sale."

REGISTRATION RIGHTS

Soros. Pursuant to a registration rights agreement dated July 31, 1996, the Soros/Chatterjee Group is entitled to demand registration of its shares of Common Stock after July 31, 1998, up to three times, the third demand being available only if the first two did not result in the Soros/Chatterjee Group having registered 80% of its shares of Common Stock. 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. Such rights with respect to this Offering have been waived. 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 registrable securities. The Company and the Soros/Chatterjee Group have entered into customary indemnification and contribution provisions.

Teleglobe. Under a shareholders' agreement between the Company, Mr. Singh and Teleglobe, Teleglobe has the same consent, preemptive and registration rights as may be granted in the future to other shareholders of an equal or lesser percentage ownership in the Company. No such rights have been granted to other shareholders other than in one instance in which Teleglobe waived its rights. The shareholders' agreement also provides Teleglobe participation and tag-along rights whereby Teleglobe is entitled to sell its shares of Common Stock when certain other shareholders sell or when the Company issues equity securities that would result in a change of control of the Company. The agreement also obligates Teleglobe to sell its shares if certain other shareholders sell and specified conditions are met, and grants the Company a right of first refusal upon a sale of the Teleglobe-owned Common Stock to any competitor of the Company.

TAKEOVER PROTECTION

The Company is subject to Section 203 of the DGCL which, subject to certain exceptions, prohibits a Delaware corporation, the voting stock of which is generally publicly traded (i.e., listed on a national securities exchange or authorized for quotation on an inter-dealer quotation system of a registered national securities association) or held of record by more than 2,000 stockholders, from engaging in any "business combination" (as defined below) with any "interested stockholder" (as defined below) for a period of three years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers, and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an

annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder. Section 203 of the DGCL defines "business combination" to include: (i) any merger or consolidation involving the corporation and the interested stockholder; (ii) any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation; (iii) subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder, or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an "interested stockholder" as any person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting stock of a Delaware corporation.

Pursuant to the Company's Certificate of Incorporation, the Company's 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.

The Company's By-Laws allow the Board of Directors to increase the number of directors from time to time (though a decrease in the number of directors may not have the effect of shortening the term of any incumbent director) and to fill any vacancies on the Board of Directors, including vacancies resulting from an increase in the number of directors. This provision is designed to provide the Board of Directors with flexibility to deal with an attempted hostile takeover by a stockholder who may acquire a majority voting interest in the Company without paying a premium therefor. This provision allows the Board of Directors to increase its size and prevent a "squeeze-out" of any remaining minority interest soon after a new majority stockholder gains control over the Company. Further, the By-Laws limit the new majority stockholder's power to remove a current or all current directors before the annual meeting in the absence of "cause." Cause for removal of a director is limited to (i) a judicial determination that a director is of unsound mind, (ii) a conviction of a director of an offense punishable by imprisonment for a term of more than one year, (iii) a breach or failure by a director to perform the statutory duties of said director's office if the breach or failure constitutes self-dealing, willful misconduct or recklessness, or (iv) a failure of a director, within 60 days after notice of his or her election, to accept such office either in writing or by attending a meeting of the Board of Directors and fulfilling such other requirements of qualification as the By-Laws or Certificate of Incorporation may provide.

Options under the Employee 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 this exercise right 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 shareholders of a merger, reorganization or consolidation of the Company in which the Company's shareholders 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 shareholders of an agreement of sale of all or substantially all of the Company's assets, and the acceptance by the Company's shareholders of a share exchange in which the Company's shareholders do not own 50% or more of the voting power of the stock of the entity surviving such exchange.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is StockTrans, Inc.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have _____ shares of Common Stock outstanding. Of these shares, the _____ shares of Common Stock offered hereby (plus up to _____ additional shares if the Underwriters exercise in full their over-allotment option), will be freely tradeable without restriction or further registration, except for shares purchased by "affiliates" or "underwriters" of the Company, as these terms are defined under the Securities Act, subject to the resale limitations of Rule 144 under the Securities Act and the regulations promulgated thereunder. The remaining _____ shares of Common Stock are restricted securities (the "Restricted Shares") and may not be sold unless they are registered under the Securities Act or are sold pursuant to an exemption from registration, such as the exemption provided by Rule 144 under the Securities Act. Of these _____ Restricted Shares, _____ shares will be subject to 180-day "lock-up" agreements with Lehman Brothers more particularly described below. Upon expiration of such lock-up agreements, _____ of the Restricted Shares will become eligible for sale, subject to compliance with Rule 144. The remaining _____ Restricted Shares, _____ shares are immediately eligible for sale and _____ shares will become eligible for sale at various times over a period of less than two years. In addition, the shares underlying certain warrants and options will become eligible for sale subject to applicable lock-up agreements and compliance with Rule 144.

In general, Rule 144 allows a person who has beneficially owned Restricted Shares for at least two years, including persons who may be deemed affiliates of the Company, to sell, within any three-month period, up to the number of Restricted Shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock, and (ii) the average weekly trading volume during the four calendar weeks preceding the date on which notice of the sale is filed with the Commission. A person who is not deemed to have been an affiliate of the Company at any time during the 90 days preceding a sale and who has beneficially owned his or her Restricted Shares for at least three years would be entitled to sell such Restricted Shares without regard to the volume limitations described above and certain other conditions of Rule 144. The Commission has proposed certain amendments to Rule 144 that would reduce by one year the holding periods required for shares subject to Rule 144 and 144(k) to become eligible for resale in the public market. This proposal, if adopted, would increase the number of shares of Common Stock eligible for immediate resale following the expiration of the lock-up to _____ agreements described below. No assurance can be given concerning whether or when the proposal will be adopted by the Commission.

Under Rule 701, any employee, officer or director or consultant to the Company who purchased shares pursuant to a written compensatory plan or contract, including the Employee Plan and the Director Plan, who is not an affiliate of the Company, is entitled to sell such shares without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell such shares without having to comply with the Rule 144 period restrictions, in each case commencing 90 days after the Effective Date.

The Company intends to file one or more registration statements under the Securities Act to register Common Stock to be issued pursuant to the exercise of options, including options granted or to be granted under the Employee Plan and the Director Plan.

The holders of approximately _____ shares of Common Stock upon the closing of this Offering and _____ shares of Common Stock issuable upon the exercise of outstanding warrants and their permitted transferees and entitled to certain demand and piggy-back registration rights in respect of their shares. See "Description of Capital Stock--Registration Rights."

Prior to this Offering, there has been no public market for the securities of the Company. No predictions can be made of the effect, if any, that the sale or availability for sale of shares of additional Common Stock will have on the market price of the Common Stock. Nevertheless, sales of a substantial number of such shares by existing stockholders or by stockholders purchasing in this Offering could have a negative impact on the market price of the Common Stock.

UNDERWRITING

Under the terms and subject to the conditions contained in the Underwriting Agreement, dated _____, 1996 (the "Underwriting Agreement") between the Company and the Underwriters named below (the "Underwriters"), for whom Lehman Brothers Inc. and Donaldson, Lufkin & Jenrette Securities Corporation are acting as representatives (the "Representatives"), the Underwriters have severally agreed to purchase from the Company, and the Company has agreed to sell to each Underwriter, the aggregate number of shares of Common Stock set forth opposite the name of each such Underwriter below:

UNDERWRITERS	NUMBER OF SHARES
Lehman Brothers Inc.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	---
Total.....	===

The Company has been advised by the Representatives that the Underwriters propose to offer the shares of Common Stock to the public at the public offering price set forth on the cover page hereof, and to certain dealers at such public offering price less a selling concession not in excess of \$ _____ per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ _____ per share to certain other Underwriters or to certain other brokers or dealers. After the offering to the public, the offering price and other selling terms may be changed by the Representatives.

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to approval of certain legal matters by counsel and to certain other conditions, including the condition that no stop order suspending the effectiveness of the Registration Statement (of which this Prospectus forms a part) is in effect and no proceedings for such purpose are pending or threatened by the Commission and that there has been no material adverse change in the condition of the Company from that set forth in the Registration Statement otherwise than as set forth or contemplated in this Prospectus, and that certain certificates, opinions and letters have been received from the Company and its counsel and independent auditors. The Underwriters are obligated to take and pay for all of the above shares of Common Stock if any such shares are taken.

The Company and the Underwriters have agreed in the Underwriting Agreement to indemnify each other against certain liabilities, including liabilities under the Securities Act.

The Company has granted to the Underwriters an option to purchase up to an additional _____ shares of Common Stock, exercisable solely to cover over-allotments, at the public offering price, less the underwriting discounts and commissions shown on the cover page of this Prospectus. Such option may be exercised at any time until 30 days after the date of the Underwriting Agreement. To the extent that the option is exercised, each Underwriter will be committed to purchase a number of the additional shares of Common Stock proportionate to such Underwriter's initial commitment as indicated in the table above.

The Representatives have informed the Company that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority.

Stockholders of the Company, including all directors and officers, beneficially owning an aggregate of _____ shares of Common Stock and certain common stock equivalents have agreed not to offer, sell or otherwise dispose of their shares, with certain limited exceptions, for a period of 180 days after the Effective Date, without the prior written consent of Lehman Brothers Inc. on behalf of the Representatives. Except for the

Common Stock to be sold in this offering, the Company has agreed not to offer, sell, contract to sell or otherwise issue any Common Stock or other capital stock with certain limited exceptions, prior to the expiration of 180 days after the Effective Date, without the prior written consent of Lehman Brothers Inc. on behalf of the Representatives.

Prior to this Offering, there has been no public market for the Common Stock. The public offering price was negotiated between the Company and the Representatives. The material factors considered in determining the public offering price of the Common Stock, in addition to the prevailing market conditions, were the Company's historical performance, capital structure, estimates of the business potential, revenues and earnings prospects of the Company, an assessment of the Company's management and consideration of the above factors in relation to the market values of companies in related businesses.

Application will be made to have the Common Stock approved for quotation on the Nasdaq National Market under the symbol "PRTL."

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby is being passed upon for the Company by Pepper, Hamilton & Scheetz, Philadelphia, Pennsylvania and for the Underwriters by Shearman & Sterling, New York, New York. Mr. John DePodesta, "of counsel" to Pepper, Hamilton & Scheetz, is a director and an Executive Vice President of the Company, and the beneficial owner of shares of Common Stock.

EXPERTS

The Consolidated Financial Statements of the Company as of December 31, 1994 and 1995, and for the period from inception (February 4, 1994) to December 31, 1994 and the year ended December 31, 1995 included in this Prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein. Such Consolidated Financial Statements have been included herein in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The Financial Statements of Axicorp, as of March 31, 1995 and 1996, and for the nine months ended March 31, 1995 and the twelve months ended March 31, 1996 included in this Prospectus and in the Registration Statement have been audited by Price Waterhouse, independent chartered accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

	PAGE

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED:	
Independent Auditors' Report.....	F-2
Consolidated Balance Sheets as of December 31, 1994 and 1995 and June 30, 1996 (unaudited).....	F-3
Consolidated Statements of Operations for the period from February 4, 1994 (inception) to December 31, 1994, the year ended December 31, 1995 and the six months ended June 30, 1995 (unaudited) and 1996 (unaudited).....	F-4
Consolidated Statements of Stockholders' Equity (Deficit) for the period from February 4, 1994 (inception) to December 31, 1994, the year ended December 31, 1995 and the six months ended June 30, 1996 (unaudited)...	F-5
Consolidated Statements of Cash Flows for the period from February 4, 1994 (inception) to December 31, 1994, the year ended December 31, 1995 and the six months ended June 30, 1995 (unaudited) and 1996 (unaudited).....	F-6
Notes to Consolidated Financial Statements.....	F-7
AXICORP PTY., LTD.:	
Report of Independent Accountants.....	F-16
Balance Sheets as of March 31, 1995 and 1996.....	F-17
Statements of Operations for the nine months ended March 31, 1995 and for the twelve months ended March 31, 1996.....	F-18
Statements of Stockholders' Equity for the nine months ended March 31, 1995 and for the twelve months ended March 31, 1996.....	F-19
Statements of Cash Flows for the nine months ended March 31, 1995 and for the twelve months ended March 31, 1996.....	F-20
Notes to Financial Statements.....	F-21

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 as of December 31, 1994 and 1995, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the period from February 4, 1994 (date of incorporation) to December 31, 1994 and for the year ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the 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, 1994 and 1995, and the results of their operations and their cash flows for the period from February 4, 1994 (date of incorporation) to December 31, 1994 and the year ended December 31, 1995, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Washington, D.C.

April 23, 1996, except for the first and second paragraphs of Note 13, as to which the dates are July 31, 1996, and the effective date of the Registration Statement, respectively

The foregoing report is in the form that will be signed upon the completion of the restatement of capital accounts to effect the conversion of all outstanding shares of preferred stock into shares of common stock and the split of all shares of common stock at a ratio to be determined.

Washington, D.C.

April 23, 1996

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		JUNE 30,
	----- 1994	1995	----- 1996
			----- (UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 220,904	\$ 2,295,843	\$ 4,397,604
Accounts receivable (net of allowance of \$132,353 at December 31, 1995 and \$1,605,570 (unaudited) at June 30, 1996).....	--	664,697	24,848,696
Prepaid expenses and other current as- sets.....	42,743	388,263	557,103
	-----	-----	-----
Total current assets.....	263,647	3,348,803	29,803,403
PROPERTY AND EQUIPMENT--Net.....	116,919	948,876	5,570,230
INTANGIBLES.....	--	--	22,002,091
DEFERRED INCOME TAXES.....	--	--	4,211,808
OTHER ASSETS.....	106,250	743,932	709,278
	-----	-----	-----
TOTAL ASSETS.....	\$ 486,816	\$ 5,041,611	\$ 62,296,810
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
(DEFICIT)			
CURRENT LIABILITIES:			
Accounts payable.....	\$ 92,273	\$ 1,284,341	\$ 25,329,431
Accrued expenses and other current lia- bilities.....	122,300	667,748	3,501,252
Due to related party.....	330,850	--	--
Deferred income taxes.....	--	--	4,737,298
Current portion of long-term obliga- tions.....	12,882	101,804	10,626,541
	-----	-----	-----
Total current liabilities.....	558,305	2,053,893	44,194,522
LONG-TERM OBLIGATIONS.....	--	425,866	6,302,152
	-----	-----	-----
Total liabilities.....	558,305	2,479,759	50,496,674
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY (DEFICIT):			
Preferred stock, \$.01 par value-- 2,455,000 shares authorized; issued and outstanding, 455,000 shares of Series A Convertible (unaudited) at June 30, 1996.....	--	--	4,550
Common stock, \$.01 par value-- authorized 5,000,000 shares in 1994 and 1995; 10,455,000 shares (unaudited) June 30, 1996; issued and outstanding, 1,194,835 shares in 1994; 2,089,172 shares in 1995; 2,817,034 shares (unaudited) at June 30, 1996...	11,948	20,891	28,170
Additional paid-in capital.....	493,843	5,545,960	18,052,312
Accumulated deficit.....	(577,280)	(3,002,518)	(6,234,944)
Cumulative translation adjustment.....	--	(2,481)	(49,952)
	-----	-----	-----
Total stockholders' equity (defi- cit).....	(71,489)	2,561,852	11,800,136
	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS'	\$ 486,816	\$ 5,041,611	\$ 62,296,810
EQUITY (DEFICIT).....	\$ 486,816	\$ 5,041,611	\$ 62,296,810
	=====	=====	=====

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	CUMULATIVE TRANSLATION ADJUSTMENT	STOCKHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT	SHARES	AMOUNT				
BALANCE, FEBRUARY 4, 1994 (DATE OF INCORPORATION).....	--	\$ --	--	\$ --	\$ --	\$ --	\$ --	\$ --
Issuance of "founder's stock" to the Company's incorporator.....	--	--	52,817	528	--	--	--	528
Investment made by Chairman and Chief Executive Officer....	--	--	1,003,521	10,035	239,965	--	--	250,000
Common shares issued for services performed.....	--	--	21,127	211	5,052	--	--	5,263
Shares purchased by outside investors in the form of a trust...	--	--	117,370	1,174	248,826	--	--	250,000
Net loss.....	--	--	--	--	--	(577,280)	--	(577,280)
<hr/>								
BALANCE, DECEMBER 31, 1994.....	--	--	1,194,835	11,948	493,843	(577,280)	--	(71,489)
Common shares sold through private placement, net of transaction costs....	--	--	660,697	6,607	4,011,228	--	--	4,017,835
Conversion of related party debt to common stock.....	--	--	164,318	1,643	348,357	--	--	350,000
Common shares issued for services performed.....	--	--	69,322	693	692,532	--	--	693,225
Foreign currency translation adjustment.....	--	--	--	--	--	--	(2,481)	(2,481)
Net loss.....	--	--	--	--	--	(2,425,238)	--	(2,425,238)
<hr/>								
BALANCE, DECEMBER 31, 1995.....	--	--	2,089,172	20,891	5,545,960	(3,002,518)	(2,481)	2,561,852
Common shares sold through private placement, net of transaction costs (unaudited).....	--	--	523,867	5,239	4,678,118	--	--	4,683,357
Common shares sold, net of transaction costs (unaudited).....	--	--	121,505	1,215	1,383,729	--	--	1,384,944
Common shares issued for services performed (unaudited).....	--	--	82,490	825	989,055	--	--	989,880
Preferred shares issued for Axicorp acquisition (unaudited).....	455,000	4,550	--	--	5,455,450	--	--	5,460,000
Foreign currency translation adjustment (unaudited).....	--	--	--	--	--	--	(47,471)	(47,471)
Net loss (unaudited)...	--	--	--	--	--	(3,232,426)	--	(3,232,426)
<hr/>								
BALANCE, JUNE 30, 1996 (UNAUDITED).....	455,000	\$ 4,550	2,817,034	\$ 28,170	\$ 18,052,312	\$ (6,234,944)	\$ (49,952)	\$ 11,800,136
	=====	=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD FROM FEBRUARY 4, 1994 TO		SIX MONTHS ENDED JUNE 30,	
	DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	1995	1996
			----- (UNAUDITED) -----	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss.....	\$ (577,280)	\$ (2,425,238)	\$ (793,080)	\$ (3,232,426)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization.....	12,474	160,024	64,763	790,420
Sales allowances.....	--	132,353	--	614,738
Foreign currency transaction loss.....	--	--	--	268,120
Deferred income taxes...	--	--	--	299,962
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable..	--	(797,050)	(199,200)	(8,040,516)
(Increase) decrease in prepaid expenses and other current assets.....	(42,743)	(26,925)	(46,703)	(53,862)
(Increase) decrease in deferred costs.....	(25,000)	(35,234)	--	--
(Increase) decrease in other assets.....	(81,453)	(532,530)	(98,250)	(213,920)
Increase (decrease) in accounts payable....	92,273	1,194,991	209,442	4,717,673
Increase (decrease) in accrued expenses and other liabilities....	135,656	321,697	246,069	614,686
	-----	-----	-----	-----
Net cash used in operating activities.....	(486,073)	(2,007,912)	(616,959)	(4,235,125)
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment.....	(105,547)	(396,281)	(88,116)	(1,452,340)
Cash used in business acquisition, net of cash acquired.....	--	--	--	(1,700,674)
	-----	-----	-----	-----
Net cash used in investing activities.....	(105,547)	(396,281)	(88,116)	(3,153,014)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on capital lease.....	(2,230)	(63,595)	(31,948)	(35,486)
Principal borrowed from Chairman and Chief Executive Officer.....	314,754	--	--	--
Sale of common stock.....	500,000	4,542,727	964,591	7,376,776
Proceeds from notes payable--related party...	--	--	--	2,000,000
	-----	-----	-----	-----
Net cash provided by financing activities.....	812,524	4,479,132	932,643	9,341,290
	-----	-----	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	--	--	--	148,610
	-----	-----	-----	-----
NET INCREASE IN CASH.....	220,904	2,074,939	227,568	2,101,761
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	--	220,904	220,904	2,295,843
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 220,904	\$ 2,295,843	\$ 448,472	\$ 4,397,604
	=====	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest....	\$ --	\$ 36,249	\$ 14,397	\$ 39,354
	-----	-----	-----	-----
Non-cash investing and financing activities:				
Common stock issued for services.....	\$ 5,263	\$ 693,225	\$ --	\$ 989,880
	-----	-----	-----	-----
Conversion of related party debt to common				

stock.....	\$ --	\$ 350,000	\$ 350,000	\$ --
	-----	-----	-----	-----
Increase in capital lease liability for acquisition of property and equipment.....	\$ 15,112	\$ 578,381	\$ 543,689	\$ 168,302
	-----	-----	-----	-----
Increase in notes payable for acquisition of switch equipment....	\$ --	\$ --	\$ --	\$ 2,362,500
	-----	-----	-----	-----

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Primus Telecommunications Group, Incorporated (the "Company"), formerly Global Telecommunications, Inc., was incorporated in Delaware in February 1994. The Company was formed to capitalize on the increase in business and consumer demand for international telecommunication services. The Company operates as a holding company and currently has wholly-owned subsidiaries in the United States, United Kingdom, Australia, and Mexico. Subsequent to December 31, 1995, the Company purchased all of the outstanding capital stock of Axicorp, Pty., Ltd. ("Axicorp"), an Australian telecommunications company (see Note 12).

In 1994, the Company, as a development stage enterprise, was involved in various start-up activities including raising capital, obtaining licenses, acquiring equipment, leasing space, developing markets, and recruiting and training personnel. During 1995, the Company began revenue generating operations and is no longer in the development stage.

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.

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 included in Other Income (Expense) in the consolidated statements 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 as cash and cash equivalents.

Property and Equipment--Property and equipment, which consists of furniture, leasehold improvements, 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 are computed using the straight-line method over estimated useful lives of the assets, less their net salvage value, which range from three to eight years, or for leasehold improvements and leased equipment, over the terms of the leases, whichever is shorter.

Intangible Assets--At June 30, 1996, intangible assets consist of goodwill of \$17,733,000 (unaudited) and customer lists of \$4,269,000 (unaudited). Goodwill is being amortized over 30 years on a straight-line basis and customer lists over the estimated run-off of the customer base not to exceed five years. Accumulated amortization at June 30, 1996, was \$199,248 (unaudited) and \$304,920 (unaudited) related to the goodwill and customer lists, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

New Accounting Pronouncements--As of January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. The adoption had no effect on the financial position or results of operations of the Company. SFAS No. 123, Accounting for Stock Based Compensation, becomes effective and will be adopted by the Company as of December 31, 1996. The Company does not plan to adopt the recognition and measurement provisions of SFAS No. 123.

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 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 consists of trade accounts receivable. The Company's six largest customers account for approximately 52% of gross accounts receivable as of December 31, 1995. At June 30, 1996, no customer accounted for more than 10% (unaudited) of accounts receivable. The Company performs ongoing credit evaluations of its customers but generally does not require collateral to support customer receivables. Losses on uncollectible accounts have consistently been within management's expectations.

Income Taxes--The Company recognizes income tax expense for book purposes following the asset and liability approach for computing deferred income taxes. Under this method, the deferred tax asset and liability are determined based on the difference between financial reporting and tax basis of assets and liabilities. 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.

Deferred Costs--Legal, investment banking, and other incremental costs associated with raising capital are recorded as deferred costs and are included in Other Assets on the consolidated balance sheet. Such costs are subsequently netted against the proceeds of the stock offerings to which they relate. In the event that the offering is not successful, such costs would be written off to operations in the period in which the related offering is abandoned. Such amounts total \$30,263 and \$60,125 at December 31, 1994 and 1995, respectively. Subsequent to December 31, 1995, these costs have been netted against the respective transactions. The Company has also capitalized \$92,609 related to the Axicorp acquisition at December 31, 1995 (see Note 12). Such amounts were included in the purchase price accounting at acquisition. There are no deferred costs included in the consolidated balance sheet at June 30, 1996 (unaudited).

Net Loss Per Share--Net loss per common and common share equivalents at the effective date of the Registration Statement will be computed based upon the weighted average number of common and common share equivalents, outstanding during each period. Common share equivalents consist of stock options calculated using the treasury stock method. Retroactive restatement will be made to share and per share amounts for the stock split contemplated by the Company as part of its initial public offering. Primary and fully diluted loss per share are the same. Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common stock and options to purchase common stock issued subsequent to August , 1995 at prices below the assumed initial public offering price will be included as outstanding for all periods presented, using the treasury stock method at the assumed initial public offering price even though the effect is to reduce the net loss per share.

Interim Financial Information--The interim financial data as of June 30, 1996 and for the six-month periods ended June 30, 1995 and 1996, is unaudited. The information reflects all adjustments, consisting only of normal recurring adjustments that, in the opinion of management, are necessary to present fairly the financial position and results of operations of the Company for the periods indicated. Results of operations for the interim periods are not necessarily indicative of the results of operations for the full year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
			(UNAUDITED)
Network equipment.....	\$ --	\$ 849,062	\$5,237,817
Furniture and equipment.....	55,625	161,071	417,701
Billing system software.....	--	--	153,398
Leasehold improvements.....	68,302	88,457	174,182
	123,927	1,098,590	5,983,098
Less: Accumulated depreciation and amor- tization.....	(7,008)	(149,714)	(412,868)
	\$116,919	\$ 948,876	\$5,570,230
	=====	=====	=====

Equipment under capital leases totaled \$578,382 and \$746,685 (unaudited) with accumulated depreciation of \$75,501 and \$130,956 (unaudited) at December 31, 1995 and June 30, 1996, respectively.

4. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
			(UNAUDITED)
Obligations under capital leases.....	\$ 12,882	\$ 527,670	\$ 643,682
Equipment financing.....	--	--	2,362,500
Note payable--related party.....	--	--	2,000,000
Notes payable relating to Axicorp ac- quisition.....	--	--	8,378,761
Settlement obligation.....	--	--	3,543,750
	12,882	527,670	16,928,693
Less: Current portion of long-term obli- gations.....	(12,882)	(101,804)	(10,626,541)
	\$ --	\$ 425,866	\$ 6,302,152
	=====	=====	=====

At June 30, 1996, the following describes the components of long-term obligations (unaudited):

Equipment financing represents the purchase of network switching equipment for use in its Australian network financed by the vendor. Beginning in January 1997, 16 monthly payments of approximately \$100,000 are due to the vendor. In addition, a payment of approximately \$788,000 plus accrued interest is due in May 1998. Interest will accrue at the Corporate Overdraft Reference Rate plus 1%. At June 30, 1996, the Corporate Overdraft Reference Rate was 10.75%.

In connection with an investment agreement, in February 1996 the Company issued a \$2,000,000 note payable to Teleglobe, due February 9, 1998 which bears interest at 6.9% per annum payable quarterly.

In connection with the acquisition of Axicorp on March 1, 1996, the Company issued two notes to the sellers for a total of \$8.4 million (see Note 12).

In addition, in conjunction with the Axicorp acquisition, the Company accrued approximately \$3.5 million under a settlement obligation. This amount is expected to be paid during the next year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

5. INCOME TAXES

The tax expense (deferred) recorded for the six-month period ended June 30, 1996 results from foreign taxes on earnings at the Company's Australian subsidiary.

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.

	PERIOD ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1994	1995	1995	1996
	(UNAUDITED)			
Tax benefit at federal statutory rate.....	\$ (196,275)	\$ (824,581)	\$ (268,967)	\$ (941,801)
State income tax, net of federal benefit.....	(22,860)	(91,069)	(30,852)	(108,030)
Foreign taxes.....	--	--	--	462,423
Unrecognized benefit of net operating loss.....	218,659	911,036	297,566	1,040,502
Other.....	476	4,614	2,253	9,329
Income taxes.....	\$ --	\$ --	\$ --	\$ 462,423

The significant components of the Company's deferred tax asset and liability are as follows:

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
	(UNAUDITED)		
Deferred tax asset (non-current):			
Cash to accrual basis adjustments (U.S.).....	\$ 93,012	\$ 366,783	\$ --
Accrued expenses.....	--	--	824,006
Net operating loss carryforward.....	126,435	720,452	5,370,862
Valuation allowance.....	(219,447)	(1,087,235)	(1,983,060)
	\$ --	\$ --	\$ 4,211,808
Deferred tax liability (current):			
Accrued income.....	\$ --	\$ --	\$ 4,158,040
Cash to accrual basis adjustments (U.S.).....	--	--	454,677
Depreciation.....	--	--	124,581
	\$ --	\$ --	\$ 4,737,298

At December 31, 1995, the Company had a U.S. Federal net operating loss carryforward of approximately \$2,000,000, (\$6,000,000 (unaudited) at June 30, 1996) that may be applied against future U.S. taxable income until it expires between the years 2009 and 2010. The Company also has an Australian Federal net operating loss carryforward of approximately \$8.5 million (unaudited) at June 30, 1996.

Due to the "ownership change" of the Company in early 1996, pursuant to Section 382 of the Internal Revenue Code, the utilization of the net operating loss carryforward will be limited to approximately \$1.3 million per year during the carryforward period. A further "ownership change" resulting from the Company's planned initial public offering (see Note 13) could cause further limitations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents--The carrying amount reported in the balance sheets for cash and cash equivalents approximates fair value.

Accounts Receivable and Accounts Payable--The carrying amounts reported in the balance sheets for accounts receivable and accounts payable approximate fair value.

Guarantee Required Under Telecommunications Agreement--The carrying amount reported in the balance sheets for the deposit held in the form of a certificate of deposit (see Note 7) approximates fair value plus accrued interest.

7. COMMITMENTS AND CONTINGENCIES

The Company has entered into an employment contract with its Chairman and Chief Executive Officer through May 30, 1999. Minimum payments over the remaining period approximate \$632,000 as of December 31, 1995 and \$540,000 (unaudited) as of June 30, 1996.

Future minimum lease payments under capital lease obligations and operating leases as of December 31, 1995, are as follows:

YEAR ENDING DECEMBER 31, -----	CAPITAL LEASES -----	OPERATING LEASES -----
1996.....	\$ 158,113	\$ 246,089
1997.....	158,113	124,121
1998.....	158,113	--
1999.....	158,113	--
2000.....	39,533	--
	-----	-----
Total minimum lease payments.....	671,985	\$ 370,210
		=====
Less: Amount representing interest.....	(144,315)	

	\$ 527,670	
	=====	

Rent expense under operating leases was \$37,709, \$214,508, \$72,111 (unaudited) and \$223,347 (unaudited) for the periods ended December 31, 1994, December 31, 1995, June 30, 1995, and June 30, 1996, respectively.

The Company began sending outbound traffic to India during 1995 and, in connection with its international telecommunication services agreement with Videsh Sanchar Nigan Limited of India, was required to provide a bank guarantee of \$400,000 in the form of a certificate of deposit that is included in Other Assets at December 31, 1995.

8. STOCKHOLDERS' EQUITY

The Company was incorporated in February 1994 through the issuance of 52,817 shares of common stock issued to the founder of the Company.

In January 1995, the Company established an Employee Stock Option Plan (the "Employee Plan"). The total number of shares of common stock authorized to be issued under the Employee Plan was 250,000. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

exercise price of no less than 100% (110% in the case of Incentive Stock Options granted to employees holding more than ten percent of the voting stock of the Company at the date of grant) 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. There were 96,450 shares of common stock that remain eligible for future issuance under the Employee Plan at December 31, 1995. Subsequent to year end, an additional 250,000 shares of common stock were authorized to be issued under the Employee Plan.

Effective March 13, 1995, the Company's Amended and Restated Certificate of Incorporation were 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 stock split.

In December 1995, \$358,500 was committed to the Company in exchange for 35,850 shares of the Company's common stock in conjunction with a private placement. The shares were paid for and issued in January 1996. This amount, net of transaction costs, is recorded in Prepaid Expenses and Other Current Assets at December 31, 1995.

During 1995, the Board of Directors authorized the Director Stock Option Plan (the "Director Plan") for nonemployee directors. Under the Director Plan, an option is automatically granted to each nonemployee director to purchase 15,000 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 100,000 shares of common stock were reserved for issuance under the Director Plan.

A summary of stock option activity during the year ended December 31, 1995, and the six months ended June 30, 1996, is as follows:

	EMPLOYEE PLAN	DIRECTOR PLAN
	-----	-----
Outstanding, January 1, 1995.....	--	--
Granted during 1995.....	153,550	60,000
	-----	-----
Outstanding, December 31, 1995.....	153,550	60,000
Granted during the six-months ended June 30, 1996 (unaudited).....	270,200	--
	-----	-----
Outstanding, June 30, 1996 (unaudited).....	423,750	60,000
	-----	-----
Exercisable options at December 31, 1995.....	45,000	20,000
	=====	=====
Exercisable options at June 30, 1996 (unaudited).....	55,000	20,000
	=====	=====

No shares have been exercised as of December 31, 1995. The price per share under the Employee Plan ranges from \$2.25 to \$12.00 per share of common stock. Under the Director Plan, the option price per share equals \$10.00 per share.

9. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) employee benefit plan (the "401(k) Plan") that covers substantially all employees. The 401(k) Plan provides that employees may contribute amounts not to exceed statutory limitations. No employer contributions were made during 1995 or for the six months ended June 30, 1996 (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

10. RELATED PARTIES

In connection with capital raised by the Company, a director of the Company received 21,127 shares of common stock during 1994 for services rendered. During 1995, the director received commissions of 32,814 shares of common stock and was paid \$541,921 in connection with the Company's first private placement. Commissions due to the director under the first private placement equal \$40,510 at December 31, 1995. Consulting fees earned under this placement equal to \$169,000 are due to the director, of which \$145,000 was owed at December 31, 1995. During early 1996, the same director received 24,482 shares of common stock and fees equal to \$424,543 which relate to the second private placement (see Note 12). Consulting fees earned in connection with this second placement equal \$157,160.

Debt owed to the Company's Chairman and Chief Executive Officer of \$330,850 at December 31, 1994 was converted into 164,318 shares of the Company's common stock at \$2.13 per share in March 1995, for a balance due at the time of conversion of \$350,000.

At December 31, 1994 and 1995, deferred salary owed to the Company's Chairman and Chief Executive Officer was \$112,598 and \$201,341, respectively.

Deferred salary of \$40,000 owed to an officer of the Company for services performed during 1995 were accrued at December 31, 1995. This balance was paid in early 1996.

During 1995, the Company purchased consulting services and certain computer network equipment from a firm whose president is a brother of the Company's Chairman and Chief Executive Officer for approximately \$40,000.

11. VALUATION AND QUALIFYING ACCOUNTS

Activity in the Company's allowance for doubtful accounts for the year ended December 31, 1995 was as follows:

BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
-----	-----	-----	-----
\$ --	\$132,353	\$ --	\$132,353

12. SUBSEQUENT EVENTS

Capital Stock--In February 1996, the Company's Amended and Restated Certificate of Incorporation was amended to authorize 2,455,000 shares of Preferred Stock (nonvoting) with a par value of \$0.01 per share and to increase the number of shares of Common Stock authorized to 10,455,000 shares 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; and are convertible into common shares at the option of the Company and under certain defined events on a 1-to-1 basis.

Private Placement--In early 1996, the Company raised approximately \$4,700,000, net of transaction costs, in a private placement. This placement included the sale of 523,867 shares of common stock to numerous investors. The Company also issued 82,490 shares of common stock for services rendered in conjunction with this offering.

Investment Agreement--In January 1996, the Company entered into an agreement with Teleglobe, sold 121,505 shares of Common Stock for approximately \$1,400,000 and borrowed \$2,000,000 (see Note 4).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Acquisition of Axicorp--On March 1, 1996, the Company completed the acquisition of the outstanding capital stock of 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. The Company also issued two notes to the sellers. One note is for \$4.1 million payable to Fujitsu Australia Limited which is due in February 1997, and the other note is for a total of \$4.0 million payable to the individual shareholder sellers, which are due in two equal installments in February 1997, and February 1998. These notes have been recorded at their discounted value at the date of acquisition at an interest rate of 10.18%. The portion of the shareholder note due in February 1997 can be extended for an additional year at the Company's option. If the option is exercised the note will accrue interest at the prime rate plus 1%.

The sellers are holding as security approximately 25% of their shares in Axicorp under a share mortgage for the unpaid notes. These shares will be delivered to the Company when the notes are paid in full. In turn, the Company is holding 248,334 shares of the Series A Convertible Preferred Stock issued to the sellers as collateral for the Axicorp shares withheld. These shares will be released to the sellers once the remaining Axicorp shares are received.

For accounting purposes, the Company has treated the acquisition as a purchase. Accordingly, the results of Axicorp's operations are included in the consolidated results of operations of the Company beginning March 1, 1996.

Pro forma operating results for the year ended December 31, 1995, and the six months ended June 30, 1996, as if Axicorp had been acquired as of January 1, 1995, are as follows (unaudited):

	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
	-----	-----
Net revenue.....	\$125,628,000	\$ 91,783,000
Net loss.....	\$ (4,685,000)	\$ (3,299,000)
Earnings per share.....	\$ --	\$ --

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 acquisition been consummated as of the above dates, nor are they necessarily indicative of future operations.

The following summarizes the allocation of the purchase price to the major categories of assets acquired and liabilities assumed:

Current assets.....	\$ 20,136,000
Customer lists.....	4,574,000
Goodwill.....	17,932,000
Other assets.....	1,506,000

	44,148,000
Liabilities assumed.....	(24,863,000)
Notes payable.....	(8,110,000)

Cash paid and preferred shares issued.....	\$ 11,175,000
	=====

13. SUBSEQUENT EVENTS--OTHER

Private Equity Placement--On July 31, 1996 four affiliated institutional investors purchased 285,714 shares of the Company's common stock for \$8 million, and for an additional \$8 million received warrants to purchase an additional \$10 million of common stock (measured on the basis of fair market value of the common stock on the date of exercise) and up to another 185,714 shares of Common Stock.

Conversion of Preferred Stock and Common Stock Split--In connection with the Company's planned initial public offering the Company contemplates converting all outstanding shares of Preferred Stock into shares of Common Stock on the effective date of the Registration Statement. The Company additionally intends to split all shares of Common Stock at a ratio to be determined as of the same date.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Axicorp Pty., Ltd.

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of Axicorp Pty., Ltd. at March 31, 1995 and 1996, and the results of its operations and its cash flows for the period from July 1, 1994 to March 31, 1995 and for the year ended March 31, 1996, all expressed in United States Dollars, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE
Melbourne, Australia
July 31, 1996

AXICORP PTY., LTD.

BALANCE SHEETS
(IN US DOLLARS, EXCEPT SHARE INFORMATION)

	MARCH 31,	
	1995	1996
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,435,723	\$ 3,218,079
Accounts receivable--trade, net of allowances of \$1,171 and \$377,699, respectively.....	7,893,146	23,715,321
Other current assets.....	299,126	300,928
	-----	-----
Total current assets.....	9,627,995	27,234,328
Plant, equipment and computer software, net.....	365,532	844,337
Deferred tax assets.....	320,774	2,997,919
Other non-current assets.....	7,275	7,785
	-----	-----
Total assets.....	\$10,321,576	\$31,084,369
	=====	=====
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable--trade creditors.....	\$ 8,633,069	\$23,616,272
Accrued expenses and other liabilities.....	677,156	1,229,173
Deferred tax liabilities.....	324,380	3,517,062
Note payable to related party.....	261,879	1,677,668
	-----	-----
Total current liabilities.....	9,896,484	30,040,175
	-----	-----
Total liabilities.....	9,896,484	30,040,175
	-----	-----
Commitments and Contingencies (Note 7)		
Stockholder's equity:		
Ordinary Shares, AUS\$1 par value; 10,000,000 shares authorized; 590,000 shares issued and outstanding at March 31, 1995, and March 31, 1996.....	427,514	427,514
Special Cumulative Redeemable Preference Shares, AUS\$1 par value; 100,000 shares authorized; 1,180 shares issued at March 31, 1995 and March 31, 1996.....	--	855
Retained (loss) earnings.....	(5,931)	560,751
Cumulative translation adjustment.....	3,509	55,074
	-----	-----
Total stockholders' equity.....	425,092	1,044,194
	-----	-----
Total liabilities and stockholders' equity.....	\$10,321,576	\$31,084,369
	=====	=====

The accompanying notes are an integral part of these financial statements.

AXICORP PTY., LTD.
 STATEMENTS OF OPERATIONS
 (IN US DOLLARS)

	NINE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED MARCH 31, 1996
	-----	-----
Net Revenue.....	\$44,796,839	\$144,344,739
Cost of Revenue.....	40,404,651	131,712,076
	-----	-----
Gross Margin.....	4,392,188	12,632,663
	-----	-----
Operating Expenses		
Selling, General and Administrative.....	4,276,902	11,558,216
Depreciation and Amortization.....	42,955	234,610
	-----	-----
Total Operating Expenses.....	4,319,857	11,792,826
	-----	-----
Income from Operations.....	72,331	839,837
Interest Income.....	29,654	219,300
	-----	-----
Income before Income Taxes.....	101,985	1,059,137
Income Tax Provision.....	3,753	492,455
	-----	-----
Net Income.....	\$ 98,232	\$ 566,682
	=====	=====

The accompanying notes are an integral part of these financial statements.

AXICORP PTY, . LTD.

STATEMENTS OF STOCKHOLDERS' EQUITY
(IN US DOLLARS, EXCEPT SHARE INFORMATION)

	ORDINARY SHARES	SHARES	REDEEMABLE PREFERENCE SHARE CAPITAL AMOUNT	SUBSCRIPTION RECEIVABLE FROM STOCKHOLDERS	RETAINED EARNINGS (DEFICIT)	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT JULY 1, 1994.....	590,000	\$427,514	\$ --	\$ --	\$(104,163)	\$ --	\$ 323,351
Issuance of Shares.....	--	--	855	(855)	--	--	--
Foreign currency translation adjustment.....	--	--	--	--	--	3,509	3,509
Net income.....	--	--	--	--	98,232	--	98,232
BALANCE AT MARCH 31, 1995.....	590,000	427,514	855	(855)	(5,931)	3,509	425,092
Issuance of shares.....	--	--	--	855	--	--	855
Foreign currency translation adjustment.....	--	--	--	--	--	51,565	51,565
Net income.....	--	--	--	--	566,682	--	566,682
BALANCE AT MARCH 31, 1996.....	590,000	\$427,514	\$ 855	\$ --	\$ 560,751	\$55,074	\$1,044,194

The accompanying notes are an integral part of these financial statements.

AXICORP PTY., LTD.

STATEMENTS OF CASH FLOWS
(IN US DOLLARS)

	NINE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED MARCH 31, 1996
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 98,232	\$ 566,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	42,955	234,610
Allowance for bad and doubtful accounts.....	1,201	359,569
Deferred tax expense.....	3,729	492,746
Changes in assets and liabilities:		
Accounts receivable.....	(7,688,030)	(15,822,175)
Other current assets.....	(99,137)	36,895
Accounts payable.....	9,066,970	14,983,203
	-----	-----
Net cash provided by operating activities.....	1,425,920	851,530
	-----	-----
Cash flows from investing activities:		
Purchase of plant, equipment and software.....	(342,030)	(667,526)
Purchase of investments.....	(161,325)	--
Proceeds from investments.....	--	150,355
	-----	-----
Net cash used in investing activities.....	(503,355)	(517,171)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of shares.....	22,374	877
Proceeds from notes payable--due to related party..	268,429	1,637,800
Payments on short-term debt--due to related party..	--	(267,637)
	-----	-----
Net cash provided by financing activities.....	290,803	1,371,040
	-----	-----
Effect of exchange rate changes on cash.....	(26,687)	76,957
Increase in cash.....	1,213,368	1,705,399
Cash at the beginning of the period.....	249,042	1,435,723
	-----	-----
Cash at the end of the period.....	\$1,435,723	\$ 3,218,079
	=====	=====
Supplemental disclosures:		
Cash paid for interest.....	\$ 2,008	\$ --
Cash paid for income taxes.....	--	139,726

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these statements.
AXICORP PTY., LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--THE COMPANY

The Company

Axicorp Pty., Ltd. ("Axicorp") was incorporated in Victoria, Australia in 1993. Axicorp's principal line of business is the provision of telecommunication services.

On March 1, 1996 Primus Telecommunications International, Inc. ("PTII"), a wholly owned subsidiary of Primus Telecommunications Group Incorporated ("Primus"), a United States based long-distance telephone company, acquired beneficial ownership of all of the outstanding capital stock in Axicorp in issue at that date.

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States.

Revenue recognition

Axicorp's revenues are derived primarily from long-distance, mobile, local and data telecommunication charges and are recognized when such services are provided. Axicorp also derives revenue from sale of mobile equipment and sale of valued added services. Revenue from such services are recognized when delivered and provided.

Cost of revenue

Cost of revenue comprises telecommunications network usage charges and other direct costs incurred in providing telecommunication services to customers, and are recognized as services are provided.

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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Plant, Equipment and Computer Software

Plant, equipment and computer software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight line basis over the estimated useful lives of the assets.

Axicorp has capitalized external software costs in relation to the development of certain computer software, including a billing system, used by Axicorp in its operations. As of March 31, 1995 and 1996 the accumulated amortization for computer software is \$20,145 and \$137,404, respectively.

Plant, equipment and computer software classes and their respective useful lives are as follows:

YEARS

. Computer equipment.....	3
. Furniture, leasehold improvements and equipment.....	5 to 7
. Computer software.....	2 to 3

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The accompanying notes are an integral part of these statements.
Foreign currency translation

To date, Axicorp has conducted most of its business in Australian dollars. The financial statements have been presented herein in U.S. dollars because Primus's reporting currency is the U.S. dollar. All assets and liabilities are translated into the U.S. dollar at the rate effective at the reporting date and elements of the income statement are translated at average exchange rates for the period. Translation differences are included in the foreign currency translation adjustment (a component of stockholders' equity).

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws.

Concentration of credit risk

Financial instruments that potentially subject Axicorp to credit risk consist principally of trade receivables from its customers in Australia. Axicorp generally requires no collateral from its customers. However, Axicorp maintains an allowance for bad and doubtful accounts receivable based on the expected collectibility of all accounts receivable. At March 31, 1995 and 1996 no customer accounted for more than 10% of accounts receivable.

Accounting for impairment of long-lived assets

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 121 requires impairment losses to be recorded for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. SFAS 121 also addresses the accounting for impairment losses associated with long-lived assets to be disposed of. Axicorp adopted SFAS 121 in the first quarter of fiscal 1996. Adoption of SFAS 121 did not have a material impact on Axicorp's results of operations.

Dividends

Any dividend payments made by Axicorp would, under Australian Corporation Law, be limited to Axicorp's retained earnings, which aggregated \$560,751 at March 31, 1996.

Cash Equivalents

Axicorp considers all liquid investments with a maturity of three months or less to be cash equivalents.

NOTE 3--PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	MARCH 31, 1995	MARCH 31, 1996
	-----	-----
Plant, equipment and computer software:		
Computer software.....	\$157,028	\$ 479,414
Computer hardware.....	143,372	429,057
Furniture, leasehold improvement and equipment.....	112,224	232,929
	-----	-----
	412,624	1,141,400
Less: accumulated depreciation and amortization.....	(47,092)	(297,063)
	-----	-----
Net plant and equipment.....	\$365,532	\$ 844,337
	=====	=====

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The accompanying notes are an integral part of these statements.

NOTE 4--INCOME TAXES

The provision for income taxes is attributable to:

	NINE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED MARCH 31, 1996
	-----	-----
Current.....	\$ --	\$ --
Deferred.....	3,753	492,455
	-----	-----
	\$3,753	\$492,455
	=====	=====

The provision for income taxes differs from the amount computed by applying the Australian statutory federal income tax rate to income before provision for income taxes. The sources and tax effect of the differences are as follows:

	NINE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED MARCH 31, 1996
	-----	-----
Income tax at the Australian federal statutory rate of 36% (1995-33%).....	\$33,655	\$381,289
Nondeductible expenses.....	--	86,764
Other.....	(29,902)	24,402
	-----	-----
	\$ 3,753	\$492,455
	=====	=====

Net deferred tax liabilities and assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Axicorp's deferred tax liabilities and assets are as follows:

	MARCH 31, 1995	MARCH 31, 1996
	-----	-----
Deferred tax liabilities:		
Accrued income.....	\$541,325	\$4,234,068
Capitalized software.....	41,321	171,305
	-----	-----
Total deferred tax liabilities.....	582,646	4,405,373
	-----	-----
Deferred tax assets:		
Plant and equipment.....	--	47,570
Accrued employee entitlement.....	20,520	59,797
Other accruals.....	196,425	657,920
Net tax loss carry forward.....	362,095	3,120,943
	-----	-----
Total deferred tax assets.....	579,040	3,886,230
	-----	-----
Net deferred tax liabilities.....	\$ (3,606)	\$ (519,143)
	=====	=====

Axicorp's carry forward tax losses of \$8,669,286 are available to be offset against future taxable income, without limitation, provided Axicorp continues to maintain the same business in the year of loss recoupment which it carried on prior to its acquisition by PTII. The losses arise principally because of the treatment for

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The accompanying notes are an integral part of these statements. taxation purposes of amounts recorded as income receivable at year end which are not taxable until their receipt in the following year of income. Management believes that, based on the evidence of the performance of Axicorp and other factors, the weight of available evidence indicates that it is more likely than not that Axicorp will be able to utilize the carry forward tax loss.

NOTE 5--RELATED PARTY TRANSACTIONS

During the period April 1, 1994 to March 31, 1995 and the twelve months ended March 31, 1996 Axicorp paid management fees of \$616,000 and \$426,000, respectively, to a company owned primarily by officers and directors of Axicorp. At March 31, 1995, Axicorp owed management fees of \$238,000.

At March 31, 1995 and 1996 Axicorp owed related parties \$262,000 and \$1,678,000 respectively. The balance at March 31, 1996 is an unsecured loan, interest at the prime rate of 12% and is repayable on demand.

NOTE 6--EMPLOYEE BENEFIT PLAN

Axicorp is currently required by law to contribute 6% of each employee's salary to a pension fund for the employee's retirement. Axicorp's contribution to the pension fund aggregated approximately \$44,000 and \$157,000 during the period July 1, 1994 to March 31, 1995 and the twelve months ended March 31, 1996, respectively.

NOTE 7--COMMITMENTS AND CONTINGENCIES

Leases

Axicorp leases its office facility and certain equipment under cancellable lease arrangements. The cancellable office facility lease expires in 1997.

Rental expense under all leases totalled \$88,000 for the period from July 1, 1994 to March 31, 1995 and \$238,000 during the twelve months ended March 31, 1996.

NOTE 8--SALES BY GEOGRAPHIC AREA

Substantially all of the sales of Axicorp have been to customers in Australia.

 NO DEALER, SALESPERSON OR ANY OTHER 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 REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

 TABLE OF CONTENTS

	Page

Additional Information.....	3
Summary.....	4
Risk Factors.....	9
Use of Proceeds.....	18
Dilution.....	19
Dividend Policy.....	19
Capitalization.....	20
Selected Financial Data.....	21
Unaudited Pro Forma Consolidated Statements of Operations.....	22
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	26
Business.....	36
Management.....	57
Certain Transactions.....	64
Principal Stockholders.....	66
Description of Capital Stock.....	68
Shares Eligible for Future Sale.....	71
Underwriting.....	72
Legal Matters.....	73
Experts.....	73
Index to Financial Statements.....	F-1

 UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

 SHARES

[LOGO OF PRIMUS TELECOMMUNICATIONS GROUP APPEARS HERE]

COMMON STOCK

 PROSPECTUS
 , 1996

 LEHMAN BROTHERS

DONALDSON, LUFKIN & JENRETTE
 SECURITIES CORPORATION

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth an itemization of all estimated expenses, all of which will be paid by the Company, in connection with the issuance and distribution of the securities being registered:

NATURE OF EXPENSE	AMOUNT
SEC Registration Fee.....	\$29,742
NASD Fee.....	9,125
Nasdaq National Market Fee.....	47,500
Printing and engraving fees.....	*
Registrant's counsel fees and expenses.....	*
Accounting fees and expenses.....	*
Blue Sky expenses and counsel fees.....	*
Transfer agent and registrar fees.....	*
Miscellaneous.....	*
TOTAL.....	\$ *

* To be supplied by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law (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 the Company's Amended and Restated By-Laws provides that the Company, to the full extent permitted by Section 145 of the DGCL, shall indemnify all past and present directors or officers of the Company and may indemnify all past or present employees or other agents of the Company. To the extent that a director, officer, employee or agent of the Company 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 the Company against actually and reasonably incurred expenses in connection therewith. Such expenses may be paid by the Company 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 the Company's Amended and Restated Certificate of Incorporation provides that no director of the Company shall be liable to the Company 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 the Company 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 the Company's capital stock, or (iv) for any transaction from which the director derived an improper personal benefit.

The Company expects to obtain a policy insuring it and its directors and officers against certain liabilities, including liabilities under the Securities Act.

The Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the Underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The Company issued shares of Common Stock to John F. DePodesta, its incorporator, on February 4, 1994 for consideration of \$250. Additionally, Mr. Singh purchased shares of Common Stock from the Company on June 1, 1994 for \$250,000. A trust, the voting power of which is vested in Mr. Singh, purchased shares of Common Stock from the Company on September 30, 1994 for \$250,000. During the fourth quarter of 1994, the Company issued to Mr. Krieger, a director of the Company, in recognition of the support he gave to the Company, shares of Common Stock. No underwriter or placement agent participated in any of the foregoing issuances of securities.

During the first quarter of 1995, the Company sold its Common Stock to a group of private investors consisting of certain family members and colleagues of Mr. Singh and Mr. DePodesta. The investors paid \$300,000 for shares of Common Stock in this transaction. On March 31, 1995, pursuant to an agreement whereby Mr. Singh forgave certain indebtedness in the amount of \$350,000 owed him by the Company, the Company issued Mr. Singh shares of Common Stock. No underwriter or placement agent participated in any of the foregoing issuances of securities.

As of December 31, 1995, shares of the Company's Common Stock were sold for an aggregate price of \$5,198,500 to investors familiar with Mr. Singh and the Company. This sale was placed by Northeast Securities, Inc. ("NSI"), which used Andrew Krieger as a selling agent. Underwriting commissions and other expenses in this transaction were \$787,440 and shares of the Company's Common Stock. On January 31, 1996, NSI and Mr. Krieger, both acting as placement agents, privately placed shares of the Company's Common Stock for an aggregate price of \$6,286,404 to other investors familiar with Mr. Singh and the Company. Underwriting commissions and other expenses in this transaction totalled \$613,167 and shares of the Company's Common Stock.

On February 15, 1996, Teleglobe USA, Inc. invested in the Company by purchasing shares of the Company's Common Stock for \$1,458,060. On March 1, 1996, in connection with the Company's purchase of Axicorp, certain vendors of Axicorp received 455,000 shares of the Company's Series A Convertible Preferred Stock, par value \$.01 per share. In addition, on July 31, 1996, the Soros/Chatterjee Group bought shares of the Company's Common Stock for approximately \$8,000,000 and for \$8,000,000 was issued warrants to purchase additional shares of Common Stock. No underwriter or placement agent participated in any of the foregoing issuances of securities.

The Company believes that the foregoing described issuances of securities, if they constitute sales, are exempt from registration under the Act by virtue of the exemption provided by Section 4(2) thereof for transactions not involving a public offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS:

EXHIBIT NO.	DESCRIPTION
1.1	Form of Underwriting Agreement(/1/)
3.1	Amended and Restated Certificate of Incorporation.
3.2	Amended and Restated By-Laws.
4.1	Specimen Certificate of the Company's Common Stock, par value \$.01 per share.
5.1	Opinion of Pepper, Hamilton & Scheetz respecting the Common Stock registered hereby.(/1/)
10.1	Share Acquisition Deed, dated March 1, 1996, between the Company and the shareholders of Axicorp Pty., Ltd.
10.2	Switched Transit Agreement, dated June 5, 1995, between Teleglobe USA, Inc. and the Company for the provision of services to India.
10.3	Hardpatch Transit Agreement, dated February 29, 1996, between Teleglobe USA, Inc. and the Company for the provision of services to Iran.

EXHIBIT NO.	DESCRIPTION
10.4	Agreement for Billing and Related Services, dated February 23, 1995, between the Company and Electronic Data Systems Inc.
10.5	Employment Agreement, dated June 1, 1994, between the Company and K. Paul Singh.
10.6	Primus Telecommunications Group, Incorporated 1995 Stock Option Plan.
10.7	Primus Telecommunications Group, Incorporated 1995 Director Stock Option Plan.
10.8	International Operating Agreement between the Honduras Telecommunications Company and the Company dated November 30, 1995.
10.9	Shareholders Agreement, dated February 22, 1996, among Teleglobe USA, Inc., K. Paul Singh and the Company.
10.10	Securityholders' Agreement, dated July 31, 1996, among the Company, K. Paul Singh, Quantum Industrial Partners LDC, S-C Phoenix Holdings, L.L.C., Winston Partners II LDC and Winston Partners LLC.
10.11	Registration Rights Agreement, dated July 31, 1996, among the Company, Quantum Industrial Partners LDC, S-C Phoenix Holdings, L.L.C., Winston Partners II LDC and Winston Partners LLC.
11.1	Statement re: Computation of Per Share Earnings.
22.1	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP (included on page II-5 of this Registration Statement).
23.2	Consent of Price Waterhouse (included on page II-6 of this Registration Statement).
23.3	Consent of Pepper, Hamilton & Scheetz (included in Exhibit 5.1).(1/)
24.1	Powers of Attorney (included on page II-7 of this Registration Statement).
27.1	Financial Data Schedule for the Company for the year ended December 31, 1995.
27.2	Financial Data Schedule for the Company for the six months ended June 30, 1996.
27.3	Financial Data Schedule for Axicorp Pty., Ltd. for the twelve months ended March 31, 1996.

(1) To be filed by amendment.

(B) CONSOLIDATED 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 17. UNDERTAKINGS

The undersigned registrant undertakes that insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant 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 Registrant will, unless in the opinion of its 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 Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Act, each post-effective amendment that contains a form of prospectus 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.

The undersigned registrant hereby undertakes to provide to the Underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Primus Telecommunications Group, Incorporated on Form S-1 of our report dated April 23, 1996, except for the first and second paragraphs of Note 13, as to which the dates are July 31, 1996, and the effective date of the Registration Statement, respectively, appearing in the Prospectus, which is part of this Registration Statement, and to the reference to us under the headings "Selected Financial Data" and "Experts" in such Prospectus.

Deloitte & Touche LLP

Washington, D.C.
, 1996

The foregoing consent is in the form that will be signed upon the completion of the restatement of capital account to effect the conversion of all outstanding shares of preferred stock into shares of common stock and the split of all shares of common stock at or ratio to be determined.

Washington, D.C.
August 22, 1996

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of the Registration Statement on Form S-1 (File No. 333-) of our report dated July 31, 1996, relating to the financial statements of Axicorp Pty., Ltd., which appears in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that Price Waterhouse has not prepared or certified such "Selected Financial Data."

Price Waterhouse

Melbourne, Australia
August 26, 1996

SIGNATURES AND POWER OF ATTORNEY

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 the City of Philadelphia, Commonwealth of Pennsylvania, on the 26 day of August, 1996.

Primus Telecommunications Group,
Incorporated

/s/ K. Paul Singh

By: _____
K. Paul Singh
Chairman, President and Chief
Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints K. Paul Singh and Neil L. Hazard, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments (including, without limitation, post-effective amendments) to this Registration Statement and any registration statement filed under Rule 462 under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his 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 on August 26, 1996 in the capacities indicated:

SIGNATURES	TITLE
/s/ K. Paul Singh	Director, Chairman, President and Chief Executive Officer (principal executive officer)
----- K. PAUL SINGH /s/ Neil L. Hazard	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)
----- NEIL L. HAZARD /s/ John F. DePodesta	Executive Vice President, Law and Regulatory Affairs and Director
----- JOHN F. DEPODESTA /s/ Herman Fialkov	Director
----- HERMAN FIALKOV /s/ David E. Hershberg	Director
----- DAVID E. HERSHBERG /s/ Andrew B. Krieger	Director
----- ANDREW B. KRIEGER /s/ John Puente	Director
----- JOHN PUENTE	

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
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3.2	Amended and Restated By-Laws.
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27.3	Financial Data Schedule for Axicorp Pty., Ltd. for the twelve months ended March 31, 1996.

CERTIFICATE OF INCORPORATION
OF
GLOBAL TELECOMMUNICATIONS, INC.

1. The name of the corporation is Global Telecommunications, Inc.

2. The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware and to possess and exercise all of the power and privileges granted by such law and other law of Delaware.

4. The total number of shares of capital stock which the corporation shall have authority to issue is one million (1,000,000) shares of common stock, par value \$.01 per share.

5. The name and mailing address of the sole incorporator is as follows:

Name	Address
------	---------

John F. DePodesta	224 North Royal Street Alexandria, VA 22314
-------------------	--

6. The corporation is to have perpetual existence.

7. The by-laws of the corporation may be altered, amended or repealed by a vote of a majority of the board of directors or by a vote of holders of a majority of the stock entitled to vote.

8. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the corporation may be kept (subject to any provision contained in applicable statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation.

9. The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation and in any certificate amendatory hereof, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders or others hereunder or thereunder are granted subject to this reservation.

10.1 Any transfer or attempted or purported transfer of any shares of capital stock of the corporation to any alien, which would place the corporation in violation of Section 310(b) of the Communication Act (47 USC Section 310(b)), shall be void and shall be ineffective as against the corporation and the corporation shall not recognize the purported transferee as a stockholder of the corporation for any purpose whatsoever.

10.2 The by-laws of the corporation shall contain provisions to implement and enforce the provisions and intent of this Article. In addition, the board of directors shall make such rules and regulations as it deems necessary and desirable to implement and enforce the provisions and intent of this Article

to ensure the corporation's compliance with 47 USC Section 310(b) and to maintain accurate records of the shares of capital stock of the corporation.

11. No director of the corporation shall be personally liable to the corporation or to any stockholder of the corporation 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 the corporation or its stockholders, (ii) for acts of omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law, and such elimination or limitation of liability shall be in addition to, and not in lieu of, the limitation on the liability of a director provided by the foregoing provision of this Eleventh Article. Any repeal or modification of this paragraph by the stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of

the corporation existing at the time of such repeal or modification.

12. The corporation shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, as amended from time to time, indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person's behalf in connection with such action, suit or proceeding any appeal therefrom.

Indemnification may include payment by the corporation of expenses in defending an action or proceeding in advance of the final disposition of such action or proceeding upon receipt of an undertaking by the person indemnified to repay such payment if it is ultimately determined that such person is not entitled to indemnification under this Twelfth Article, which undertaking

may be accepted without reference to the financial ability of such person to make such repayment.

The corporation shall not indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person unless the initiation thereof was approved by the board of directors of the corporation.

The indemnification rights provided in this Twelfth Article (i) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any law, agreement or vote of stockholders or disinterested directors or otherwise, and (ii) shall inure to the benefit of the heirs, executors and administrators of such persons. The corporation may, to the extent authorized from time to time by its board of directors, grant indemnification rights to other employees or agents of the corporation or other persons serving the corporation and such rights may be equivalent to, or greater or less than, those set forth in this Twelfth Article.

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 4th day of February, 1994.

John F. DePodesta

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

Global Telecommunications, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, at a meeting duly held adopted a resolution proposing and declaring advisable the following amendment to this Certificate of Incorporation of said corporation:

RESOLVED: that the Certificate of Incorporation of Global Telecommunications, Inc. be amended by changing the Fourth Article thereof so that, as amended, said Article shall be and read as follows:

"4. The total number of shares of capital stock which the corporation shall have authority to issue is five million (\$5,000,000) shares of common stock, par value \$.01 per share."

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware and written notice of the adoption of the amendment has been given as provided in Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

John F. DePodesta, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
GLOBAL TELECOMMUNICATIONS, INC.

GLOBAL TELECOMMUNICATIONS, INC., (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Board of Directors of the Corporation, duly adopted a resolution declaring advisable the amendment of the certificate of incorporation of the Corporation and submitting the same to the stockholders of the Corporation for approval. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the certificate of incorporation of the Corporation be amended by deleting the text of the FIRST ARTICLE thereof and substituting therefor the following:

FIRST: That the name of the Corporation is: Primus Telecommunications Group, Incorporated.

SECOND: That the stockholders of the Corporation duly consented in writing to the aforesaid amendments in accordance with the provisions of (S) 228 of the General Corporation Law of the State of Delaware.

THIRD: That the amendments were duly adopted in accordance with the provisions of (S) 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, GLOBAL TELECOMMUNICATIONS, INC., has caused this certificate to be signed by John F. DePodesta its Secretary effective as of December 21, 1995.

By: _____
John F. DePodesta
Secretary

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Primus Telecommunications Group, Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, at a meeting duly held, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

RESOLVED: that the Certificate of Incorporation of Primus Telecommunications Group, Incorporated be amended by changing the Fourth Article thereof so that, as amended, said Article shall be and read as follows:

4. Authorized Shares: Powers, Preferences and Rights.

4.1. Authorized Shares. The aggregate number of shares that the

Corporation shall have authority to issue shall be twelve million nine hundred ten thousand (12,910,000), ten million four hundred fifty-five thousand (10,455,000) of which shall be shares of common stock ("Common Stock"), par value \$.01 per share, four hundred fifty-five thousand (455,000) of which shall be shares of convertible preferred stock ("Series A Preferred Stock"), par value \$.01 per share and having such rights, designations, preferences and limitations as set forth in Section 4.2 hereof, and two million (2,000,000) of which shall be shares of preferred stock, par value \$.01 per share and having such rights, designations, preferences and limitations and such series and such number as designated by the board of directors of the corporation pursuant to the authority expressly granted hereby to the board of directors to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications, limitations or restrictions of certain series and number thereof which are permitted by Section 151 of the General Corporation Laws of the State of Delaware (or any successor provision thereto) in respect of any class or classes of stock or any series of any class of stock of the corporation.

4.2 Rights, Designations, Preferences and Limitations.

a. Dividends. Holders of Series A Preferred Stock shall be

entitled, as may be determined by the board of directors of the corporation, to receive dividends out of any funds legally available therefor when and as declared and in the same amounts as paid on Common Stock on a per share Common Stock equivalent basis based on the then effective conversion ratio of Series A Preferred Stock to Common Stock.

b. Liquidation. Upon any liquidation, dissolution or winding

up of the corporation the holders of outstanding shares of Series A Preferred Stock will be entitled to be paid out of the assets of the corporation before any distribution or payment is made upon the Common Stock or any other equity securities of the corporation ranking junior in liquidation to the Series A Preferred Stock, and pari passu with any other preference stock of the corporation, an amount in cash equal to the sum of \$0.01 per share, plus the amount of all accrued and unpaid dividends with respect to such share of Series A Preferred Stock, plus the amount that would be paid on such liquidation to the holders of Series A Preferred Stock if all such holders had, immediately prior to such liquidation, converted their shares of Series A Preferred Stock to shares of Common Stock (the "Liquidation Value"). If, upon any such liquidation, dissolution or winding up of the corporation, the corporation's assets to be distributed among the holders of the Series A Preferred Stock are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid pursuant to the preceding sentence, then the entire assets to be distributed will be distributed ratably among such holders based upon the aggregate Liquidation Value of the shares of Series A Preferred Stock held by each such holder. The corporation will mail written notice of such liquidation, dissolution or winding up, not less than 60 days prior to the effective date thereof to each record holder of Series A Preferred Stock.

c. Voting Rights. Except as provided otherwise herein or

as required by the General Corporation Law of Delaware, holders of Series A Preferred Stock shall not be entitled to vote either individually or as a single class with the holders of Common Stock; provided, however, that in the event

that the General Law of Delaware or any other applicable law should entitle the holders of Series A Preferred Stock to vote, the holders of Series A Preferred Stock shall be entitled to vote together with holders of Common Stock in a single class with holders of Series A Preferred Stock entitled to cast the number of votes that they would have were the Series A Preferred Stock to be converted into Common Stock prior to such vote, unless, however, the applicable law expressly requires a separate class vote.

d. Class Voting Rights. Holders of Series A Preferred Stock

shall vote as a separate class on, and the affirmative vote of a majority of the outstanding shares of Series A Preferred Stock shall be required to authorize, any action which would:

(1) in any manner authorize, create or issue any class or series of capital stock ranking, as to distribution of assets on liquidation, prior to the Series A Preferred Stock, or authorize, create or issue any shares of any class or series or any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having optional rights to purchase, any shares having any such priority over with the Series A Preferred Stock;

(2) in any manner alter or change the designation or the powers, preferences or rights, or the qualifications, limitations or restrictions of the Series A Preferred Stock;

(3) reclassify the shares of Common Stock, or any other shares of any class or series of capital stock hereafter created junior to the Series A Preferred Stock into shares of any class or series of capital stock ranking, as to distribution of assets on liquidation, prior to the Series A Preferred Stock.

(4) increase the aggregate number of Shares of Series A Preferred Stock which the corporation shall have the authority to issue.

e. Conversion into Common Stock.

(1) (i) Subject in all cases to the limitations set forth in this Section 4.2e, the holders of each share of Series A Preferred Stock shall have the right at any time following the Nonconversion Period to convert each such share of Series A Preferred Stock into one fully paid and nonassessable share of Common Stock or such number of shares of Common Stock as determined in accordance with clause (ii) of this Section 4.2e(1).

(ii) In case of any capital reorganization, reclassification, stock split, combination, or exchange of shares, or in the case of a merger or consolidation of the corporation with another entity (in the case of a merger, wherein the corporation is the surviving entity), each share of Series A Preferred Stock, after such reorganization, reclassification, stock split, combination, exchange of shares, merger or consolidation, shall be convertible into that kind and number of shares of Common Stock of the corporation or surviving corporation as to which such share of Series A Preferred Stock

would have been entitled if such share of Series A Preferred Stock had been converted into Common Stock immediately prior to any of those events.

(2) Upon the occurrence of a Mandatory Event of Conversion, all shares of Series A Preferred Stock then outstanding shall, by virtue of, and simultaneously with, the occurrence of the Mandatory Event of Conversion and without any action on the part of the holder thereof, automatically become shares of Common Stock; provided, however, that:

(i) upon the occurrence of a Mandatory Event of Conversion specified in clause (ii) or (iii) of the definition of "mandatory Event of Conversion," shares of Series A Preferred Stock held by persons who are then listed in the corporation's records as Aliens shall only be converted to the extent there are Available Shares (as calculated as of the applicable Mandatory Event of Conversion). For purposes of this clause (i), Available Shares shall be divided among the Alien holders of Series A Preferred Stock ratably according to their respective Alien Percentage Interests. Shares of Series A Preferred Stock not converted due to insufficient Available Shares shall continue as shares of Series A Preferred Stock with all the rights, designations, preferences and limitations set forth herein and shall be converted when and as Available Shares become available; and

(ii) upon the occurrence of the Mandatory Event of Conversion specified in clause (iv) of the definition thereof, only those shares of Series A Preferred Stock held by stockholders who did not approve the corporate action subject to vote (such non-assenting stockholders, the "Non-Assenting Stockholders"; stockholders who failed to vote their shares shall not be considered Non-Assenting Stockholders) shall be converted and, with respect to Non-Assenting Stockholders who are then listed in the corporation's records as Aliens ("Non-Assenting Aliens"), such shares shall only be converted to the extent there are Available Shares (as calculated as of the applicable Mandatory Event of Conversion). For purposes of this clause (ii), Available Shares shall be divided among the Non-Assenting Aliens ratably in accordance with the proportion that their individual Alien Percentage Interest bears to the aggregate Alien Percentage Interests of all Non-Assenting Aliens. In the event that the number of Available Shares (as calculated as of the applicable Mandatory Event of Conversion) is less than the number of shares of Series A Preferred Stock held by non-Assenting Aliens, the board of directors of the corporation may, in its discretion, waive, for purposes of this clause (ii) only, the Alien Percentage Limitation with respect to the shares held by the Non-Assenting Aliens. Should the board of directors of the corporation not waive the Alien Percentage Limitation in accordance with the foregoing sentence within thirty (30) days

after the applicable Mandatory Event of Conversion, the corporation shall have the right, for a period of one-hundred and twenty (120) days following the date of the applicable Mandatory Event of Conversion, at its option and to the extent there are funds of the corporation available therefor, to redeem the unconverted shares of Series A Preferred Stock held by Non-Assenting Aliens at ninety-five percent (95%) of the fair market value of such shares as determined by an independent appraiser selected by the board of directors and the Non-Assenting Aliens, which fair market value shall include the value of all accrued but unpaid dividends with respect to such shares. If the Board of Directors of the corporation and the Non-Assenting Aliens cannot agree upon a person to act as independent appraiser within thirty (30) days after the applicable Mandatory Event of Conversion, the board of directors shall request Deloitte & Touche to appoint an independent appraiser. In the event that the funds of the corporation are insufficient to redeem all the shares of Series A Preferred Stock of the Non-Assenting Aliens at such time, funds then available shall be distributed ratably among such Non-Assenting Aliens when and as they become available, and such redemption right shall continue until such time as the corporation's funds become available therefor; provided, however, that if the redemption right is not exercised within six (6) months after the determination of the fair market value, then at any time after the expiration of the six (6) month period either the corporation or the Non-Assenting Aliens shall be entitled to require a new determination of the fair market value of the shares of the Series A Preferred Stock.

(3) The holder of any shares of Series A Preferred Stock who is a Citizen may exercise the conversion right under Section 4.2e(1) hereof with respect to all or any part of his shares of Series A Preferred Stock by delivering to the office of any transfer agent of the corporation for the Series A Preferred Stock, or to such other place as may be designated by the corporation, his certificates for the shares to be converted, duly endorsed or assigned in blank or to the corporation (if required by it), and a written notice stating the Citizen name of names (with address) in which the certificate(s) for the shares of Common Stock are to be issued.

(4) The holder of any shares of Series A Preferred Stock who is an Alien ("Alien Converting Stockholder") may exercise the conversion right under Section 4.2e(1) hereof, subject to the Alien Percentage Limitation, with respect to all or part of his shares of Series A Preferred Stock by following the procedures set forth in this Section 4.2e(4). Each alien Converting Stockholder shall be entitled to convert that number of shares calculated by dividing the Available Shares, as calculated on the close of business of the last day of the 30-Day Period (as defined in clause (i) below), by the number resulting from the division of the Alien Percentage Interest of the

relevant Alien Converting Stockholder by the aggregate Alien Percentage Interests of all Alien Converting Stockholders.

(i) The Alien Converting Stockholder shall deliver to the corporation written notice of such holder's intent to convert. Such notice shall set forth the exact number of shares of Series A Preferred Stock which the holder owns, the number of shares of Series A Preferred Stock the holder desires to convert and the present citizenship of the holder. Upon receipt of such notice, the corporation shall, in turn, send notice to all the record owners of Series A Preferred Stock (the "Conversion Notice") which Conversion Notice shall state (a) that the corporation has received notice of a stockholder's intent to convert and (b) the number of Available Shares which the corporation anticipates will be available for conversion. For a period of 30 days from the date of the Conversion Notice (the "10-Day Period"), the corporation shall not convert any shares of Series A Preferred Stock pursuant to this Section 4.2e(4).

(ii) Any other Alien holder of Series A Preferred Stock who also desires to have some or all of his shares of Series A Preferred Stock converted shall provide written notice to the corporation prior to the expiration of the 30-Day Period of his intent to convert, the exact number of shares of Series A Preferred Stock which such holder owns, the number of shares of Series A Preferred Stock such holder desires to convert and the present citizenship of such holder.

(iii) within five (5) days after the expiration of the 30-Day Period, the corporation shall provide notice to all Alien Converting Stockholders who or which deliver notices to convert under clauses (i) or (ii) of this Section 4.2e(4) during the applicable 30-Day Period of how many shares within ten (10) days after the Alien Converting Stockholder's receipt of such notice, the Alien Converting Stockholder must deliver to the office of any transfer agent of the corporation for the Series A Preferred Stock, or to such other place as may be designated by the corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the corporation (if required by it) and a written notice stating the name or names (with address) in which the certificate or certificates for the shares of Common Stock are to be issued.

(5) Conversion shall be deemed to have been effected (i) with respect to conversion effected pursuant to clause (3) or (4) above, on the date when the delivery of certificates is made and (ii) with respect to conversion effected pursuant to clause (2) above, on the date of occurrence of the Mandatory Event of Conversion.

(6) As promptly as practicable after conversion, the corporation shall issue and deliver to or upon the written order of the holder, to the place designated by such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled. The person in whose names the certificate or certificates for Common Stock are to be issued shall be deemed to have become a stockholder of record on the applicable Conversion Date unless the transfer books of the corporation are closed on that date, in which event he shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Series A Preferred Stock, surrendered for conversion, the corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the corporation, a new certificate covering the number of shares of Series A Preferred Stock, representing the unconverted portion of the certificate so surrendered.

(7) With respect to any conversion of Series A Preferred Stock pursuant to Section 4.2e(1) hereof, the calculation of the Alien Percentage Limitation shall be made by disregarding any Common Stock issuable upon conversion of other convertible securities issued by the corporation and outstanding at the time of the calculation.

f. Preemptive Rights

(1) Except with respect to Excluded Shares or as otherwise provided herein, in the event that (i) the corporation shall issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange, any shares of Common Stock or Convertible Securities (any such issuance, sale or exchange, an "Issuance"), and (ii) the corporation shall have granted preemptive rights in or to such Issuance to other holders of individual percentage equity interests in the corporation equal to or less than any of the individual equity percentage interests in the corporation of any of the holders of the Series A Preferred Stock (calculated on a Fully Diluted Basis), then the holders of Series A Preferred Stock with individual equity percentage interests equal to or greater than those individual equity percentage interests of holders of preemptive rights shall each be granted comparable preemptive rights in or to the Issuance.

g. Legends. Each share of Series A Preferred Stock shall bear

a legend on the face or back of the certificate representing such share either an accurate or complete summary of the powers, designations, preferences and other special rights of the Series A Preferred Stock set forth herein, or a statement that the corporation shall furnish without charge to each

stockholder who so requests, a copy of the powers, designations, preferences and other special rights of the Series A Preferred Stock set forth herein.

h. Definitions. For purposes of this Section 4.2, the following

terms shall have the following meanings:

"Alien" means any person, corporation, joint venture, association or

other organization who or which is not a Citizen or Entity.

"Alien Percentage Interest" means, as to any Alien holder of Series A

Preferred Stock, the percentage that the outstanding shares of Series A Preferred Stock then owned by such Alien stockholder is of the aggregate outstanding number of shares of Series A Preferred Stock then owned by all Alien stockholders of Series A Preferred Stock.

"Alien Percentage Limitation" means, at any given time, that number of

shares of Common Stock equal to five percent (5%) of all the issued and outstanding Common Stock of the corporation calculated on a Fully Diluted Basis.

"Available Shares" means that number of shares of Common Stock

available for issuance on a given date to holders of Series A Preferred Stock who are Aliens calculated by subtracting from the Alien Percentage Limitation that number of shares of Common Stock issued to Aliens on a Fully Diluted Basis (excluding the dilution which may be effected by the Series A Preferred Stock).

"Citizen" means any person (not controlled by or representing any (i)

alien, (ii) foreign government, or (iii) corporation organized under the laws of a foreign country) who has obtained the status, whether through right of birth or naturalization, of citizenship of the United States and continues to possess such status as provided for under Title 8 United States Code Sections 1401 et seq. and 1421 et seq.

"Conversion Date" means with respect to a share of Series A Preferred

Stock the date on which conversion of the share into Common Stock is deemed to occur pursuant to Section 4.2e(5).

"Convertible Securities" means all debt instruments, securities or

other equity interests (including the Series A Preferred Stock) convertible into or exchangeable for Common Stock other than Excluded Shares.

"Entity" means any corporation, joint venture, partnership,

association or other organization organized under the laws of the United States, a state of the United States or

the District of Columbia, which corporation is not controlled, directly or indirectly, by any other corporation of which any officer or more than one-fourth of the directors are aliens or of which more than one-fourth of the capital stock of such other corporation is owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof, or by any corporation organized under the laws of a foreign country.

"Excluded Shares" means, collectively:

(i) shares issued as a stock dividend;

(ii) shares of any class of the corporation's capital stock issued upon any subdivision, combination, stock split or reverse stock split of the entire class of such capital stock of the corporation;

(iii) any shares issued by the corporation pursuant to the acquisition by the corporation of any Person by means of merger, stock purchase, reorganization, purchase of substantially all the assets or otherwise in which the corporation, or any of its stockholders of record immediately prior to the effective date of such transaction, directly or indirectly, own at least a majority of the voting power of the acquired or resulting entity after such transaction;

(iv) any shares issued pursuant to an underwritten public offering of the type described in clause (iii) of the definition of Mandatory Event of Conversion; and

(v) any shares issued or issuable upon the exercise of options, warrants or other rights to acquire shares of Common Stock or on the conversion or exchange of securities (including the Series A Preferred Stock) convertible into or exchangeable for Common Stock.

"Fully Diluted Basis" means, as of applicable time of calculation, the

number of shares of Common Stock that would be issued and outstanding if there were added to the number of issued and outstanding shares of common stock the number of shares of Common Stock then issuable upon the exercise of all outstanding, vested or unvested, warrants, options or other rights to acquire shares of Common Stock and on the conversion or exchange of all debt instruments and securities (including the Series A Preferred Stock) convertible into or exchangeable for Common Stock.

"Mandatory Event of Conversion" means the occurrence of any of the

following events:

(i) both (A) the repeal or inapplicability to the corporation of the restrictions on alien ownership set forth in Section 310(b) of the Communications Act of 1934 (47 U.S.C. 310(b), as amended) and any succeeding or comparable legislation, and (B) the expiration of the Nonconversion Period.

(ii) consummation of the sale (A) of more than fifty percent (50%) of the capital stock of the corporation to a single purchaser or more than one related purchasers, (B) by K. Paul Singh of all of the capital stock of the corporation owned by him at the time of such sale, or (C) of substantially all of the assets of the corporation; provided, however, that a merger of the corporation with another entity shall not be deemed a Mandatory Event of Conversion if the corporation is the surviving entity;

(iii) consummation of an underwritten public offering of more than twenty percent (20%) of the corporation's Common Stock registered under the Securities Act of 1933; or

(iv) the failure of a majority of the holders of Series A Preferred Stock to approve, ratify or otherwise consent to the corporate actions specified in Section 4.2d(1) or (3) hereof.

"Nonconversion Period" means, as to each share of Series A Preferred Stock, the period of time ending March 1, 1998, during which period such share may not be converted into Common Stock.

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware and written notice of the adoption of the amendment has been given as provided in Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

Primus Telecommunications Group, Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation adopted a resolution declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

RESOLVED: that the Certificate of Incorporation of Primus Telecommunications Group, Incorporated be amended by adding an Article Thirteenth which shall read:

Thirteenth: Any action required by the Delaware General Corporation Law to be taken at any annual or special meeting of the stockholders of the corporation or any action which may be taken at any annual or special meeting of the stockholders of the corporation shall not be taken without a meeting, notwithstanding (S)228 of the Delaware General Corporation Law.

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware and written notice of the adoption of the amendment has been given as provided in Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Amendment to be duly executed as of the ___ day of August, 1996.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED

By: _____
K. Paul Singh,
Chairman and Chief
Executive Officer

ATTEST:

Secretary

[Corporate Seal]

BY-LAWS

OF

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

(As Amended and Restated, August __, 1996)

ARTICLE I

Stockholders Meetings

Section 1. Place of Meetings. The meetings of the stockholders shall

be held at such time and at such place within or without the State of Delaware as shall be designated by the Board of Directors.

Section 2. Annual Meeting. The annual meeting of stockholders shall

be held on such date as may be fixed by the Board of Directors, or if no such date is fixed, then on the first Monday in June in each year, or if such day is a legal holiday, then on the first day following that is not a legal holiday.

Section 3. Special Meetings. Special meetings of the stockholders

may be called at any time by the Chairman, the Chief Executive Officer, the President or the Board of Directors.

Section 4. Notice of Meetings. Written notice stating the place, day

and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be mailed or personally delivered not less than ten (10) nor more than sixty (60) days prior to the date of the meeting, by the Secretary, to each stockholder of record entitled

to vote at such meeting. Waiver by a stockholder of notice of a stockholders meeting, signed by him or her, whether before or after the time of such meeting, or attendance at such meeting, shall be equivalent to the giving of such notice.

Section 5. Voting Rights. Subject to Article VII, every holder of

record, as provided below, of common stock shall be entitled to vote, in person or by proxy executed in writing and delivered to the Secretary, at or before the meeting, and shall be entitled to one vote for each share of stock standing in his or her name; provided that no revocable proxy shall be voted if executed more than three years prior to the date of such meeting. Except as may otherwise be provided by the Board of Directors from time to time, only stockholders of record at the close of business on a day twenty (20) days prior to the date of a meeting shall be entitled to vote at such meeting.

Section 6. Quorum. Subject to Article VII, and except as otherwise

provided by statute or the Certificate of Incorporation, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote at a meeting shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting may be adjourned from time to time. When a quorum is present at a meeting, the vote of the holders of a majority of the shares present in person or by proxy shall decide any matter brought before such meeting unless statute or the Certificate of Incorporation requires a different vote.

ARTICLE II

Directors

Section 1. Number of Directors. The business of the Corporation

shall be managed by or under the direction of a Board of Directors consisting of _____ directors, or such number of directors as the directors may from time to time by resolution direct. Each and every Director shall be a Citizen so long as there is a prohibition in the Communications Act against a corporation that holds Title 3 licenses having a non-Citizen director. Directors need not be stockholders.

Section 2. Tenure and Classification. Directors shall be classified,

with respect to the duration of the term for which they severally hold office, into three classes as nearly equal in number as possible. Such classes shall originally consist of one class of _____ directors who shall be elected for a term expiring at the annual meeting of stockholders to be held in 1997, the members of which class shall be _____; a second class of _____ directors who shall be elected for a term expiring at the annual meeting of stockholders to be held in 1998, the members of which class shall be _____; and a third class of _____ directors who shall be elected for a term expiring at the annual meeting of stockholders to be held in 1999, the members of which class shall be _____. The Board of Directors shall increase or decrease the number of directors pursuant to this Article II, Section 2 in order to ensure that the three classes shall be as nearly equal in number as possible. At each annual meeting of stockholders

beginning in 1997, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 3. Resignations. Any director of the Corporation may resign

at any time by giving written notice to the Board of Directors or to the President or to the Secretary of the Corporation. The resignation of any director shall take effect at the time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal of Directors. A director may be removed only for

cause, at any time by the affirmative vote of a majority in voting power at a special meeting of the stockholders called for the purpose. The vacancy in the Board of Directors caused by any such removal shall be filled by the directors in accordance with the provisions of Article II, Section 5 hereof. Cause for purposes of this Article II, Section 4 is limited to (i) a judicial determination that a director is of unsound mind, (ii) a conviction of a director of an offense punishable by imprisonment for a term of more than one year, (iii) a breach or failure by a director to perform the statutory duties of said director's office if the breach or failure constitutes self-dealing, willful misconduct or recklessness, or (iv) a failure of a director, within 60 days after notice of his or her election, to accept such office either in writing or by attending a meeting

of the Board of Directors and fulfilling such other requirements of qualification as the By-Laws or Certificate of Incorporation may provide.

Section 5. Vacancies. Any vacancy occurring in the Board of

Directors, including vacancies resulting from an increase in the number of directors, shall be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, provided that at the annual meeting of the stockholders following the election of such director, the stockholders confirm such election by vote. A director so elected shall hold office for a term expiring at the annual meeting of stockholders at which the term of the class to which he or she has been elected expires, and until such director's successor shall have been duly elected and qualifies or until his or her earlier death, resignation or removal.

Section 6. Meetings of the Board; Notice. Meetings of the Board of

Directors may be held upon the call of the Chief Executive Officer or a majority of the directors then in office by mailing a written notice of the same to each director at his or her last known post office address at least two (2) days before the meeting or by causing the same to be delivered personally or to be transmitted by telegraph, cable, wireless, telephone or verbally at least twenty-four (24) hours before the meeting to each director. Notice may be waived in writing before or after the time of such meeting, and attendance of a director at a meeting shall constitute a waiver of notice thereof.

Neither the business to be transacted at, nor the purpose of, any meeting need be specified in the notice of such meeting.

Section 7. Quorum and Manner of Action. Except as otherwise provided

by statute, the Certificate of Incorporation or these By-laws, a majority of the whole Board of Directors shall be required to constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present and voting at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum be had. Notice of any adjourned meeting need not be given.

Section 8. Written Consent in Lieu of a Meeting. Unless otherwise

restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

Section 9. Compensation of Directors. The Board of Directors shall

have the authority to fix the compensation of directors, except that in no event shall the compensation of a director who is not employed by or who is not a party to an agreement with the Corporation to perform services for the

Corporation consist of other than \$500 for each meeting in which such director participates, such \$500 to be paid in cash. For purposes of the preceding sentence, a meeting in which a director participates does not include any meeting of directors or any meeting of a committee of directors held as the result of adjournment of a prior meeting.

Section 10. Participation in Meeting by Telephone. Members of the

Board of Directors or any committee designated by such Board may participate in a meeting of the Board or of a committee of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

ARTICLE III

Committees

Section 1. Committees of Directors. The Board of Directors may, by

resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the

extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation of the Corporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution or amending the By-laws of the Corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. The Board of Directors shall establish and maintain a Compensation Committee, an Audit Committee and a Stock Option Committee, whose duties and powers shall be as described herein.

Section 2. Compensation Committee. The Compensation Committee will

establish remuneration levels for officers of the Corporation, review management organization and development, review significant employee benefit programs and establish and administer executive compensation programs, including bonus plans, deferred compensation plans and any other cash incentive

programs, but not including stock option and other equity-based programs or stock incentive programs.

Section 3. Audit Committee. The Audit Committee will recommend to

the Board of Directors the independent public accountants to be selected to audit the Corporation's annual financial statements and will approve any special assignments given to such accountants. The Audit Committee will also review the planned scope of the annual audit and the independent accountants' letter of comments and management's responses thereto, possible violations of the Corporation's business ethics and conflicts of interest policies, any major accounting changes made or contemplated and the effectiveness and efficiency of the Corporation's internal audit staff.

Section 4. Stock Option Committee. The Stock Option Committee will

administer the operation of the Corporation's Stock Option Plan and Director Stock Option Plan, as amended, as well as any other stock option or other equity-based program(s) or stock incentive program(s) subsequently adopted by the Corporation, and shall have the authority to grant awards under such plans to the full extent permitted by such plans.

ARTICLE IV

Officers

Section 1. Number of Officers. The Board may elect a Chairman, a

Chief Executive Officer, a President, a Chief Operating Officer, one or more Vice Presidents, a Secretary, a Chief Accounting Officer, a Treasurer and such other officers and

assistant officers and agents as may be chosen by the Board from time to time. Any two offices may be held by one person unless statute or the Certificate of Incorporation provides otherwise. One of the officers shall have the duty to record the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose.

Section 2. Tenure. Officers shall serve at the pleasure of the

Board of Directors.

Section 3. Chairman. The Chairman of the Board of Directors shall

preside at all meetings of stockholders and directors. The Chairman shall represent the Corporation in all matters involving the Corporation's stockholders. He or she shall have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The Chairman shall also perform such other duties as the Board of Directors may from time to time assign to him or her.

Section 4. Chief Executive Officer. The Chief Executive officer

shall have general supervision of the affairs of the Corporation, subject to the policies and direction of the Board of Directors, and shall supervise and direct all of the officers and employees of the Corporation but may delegate in his or her discretion any of his or her powers to any officer or such

other executives as he or she may designate. He or she shall have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. In the absence of the Chairman of the Board of Directors, or during any disability on the part of the Chairman to act, the Chief Executive Officer shall preside at all meetings of stockholders and directors, and shall perform such other duties as the Board of Directors may bestow upon him or her.

Section 5. President. The President shall see that all orders and

resolutions of the Board of Directors are carried into effect and shall have general and active management of the business of the Corporation. He or she shall have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. If, for any reason, the Corporation does not have a Chairman or Chief Executive Officer, or such officers are unable to act, the President shall assume the duties of those officers as well.

Section 6. Chief Operating Officer. The Chief Operating Officer

shall have supervision of the operation of the Corporation, subject to the policies and directions of the Board of Directors. He or she shall provide for the proper operation of the Corporation and oversee the internal interrelationship amongst any and all departments of the Corporation. He or she shall submit to the Chief Executive Officer, President and the Board of Directors timely reports on the operations of the Corporation.

Section 7. Vice President. Each Vice President shall, in the absence

or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties as may be prescribed from time to time by these ByLaws or by the Board of Directors.

Section 8. Secretary. Unless otherwise provided by the Board of

Directors, the Secretary shall attend all meetings of the stockholders and Board of Directors and shall record all the proceedings of such meetings in the minute book of the Corporation. He or she shall give proper notice of meetings of the stockholders and the Board of Directors and other notices required by law or by these By-Laws. He or she shall perform such other duties as these By-Laws or the Board of Directors may from time to time prescribe.

Section 9. Chief Accounting Officer. The Chief Accounting Officer

shall be the chief accounting officer of the Corporation and shall arrange for the keeping of adequate records

of all assets, liabilities and transactions of the Corporation. He or she shall provide for the establishment of internal controls and see that adequate audits are currently and regularly made. He or she shall submit to the Chief Executive Officer, President and the Board of Directors timely statements of the accounts of the corporation and the financial results of the operations thereof.

Section 10. Treasurer. Unless otherwise provided by the Board of

Directors, the Treasurer shall keep correct and complete financial records of the Corporation and shall have custody of the corporate funds, securities, and other valuable effects of the Corporation. He or she shall deposit all monies and other valuable effects, in the name of the Corporation, in such depositories as may be designated by the Board of Directors. He or she shall furnish at meetings of the Board of Directors, or whenever requested, a statement of the financial condition of the Corporation, and shall perform all such other duties as these By-Laws or the Board of Directors may from time to time prescribe.

ARTICLE V

Indemnification -----

Section 1. Indemnification by Corporation. The Corporation shall

indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or

she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner 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 or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act 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 or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Suit by or in the Right of the Corporation. The

Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the

Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Success on the Merits. To the extent that a director,

officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 4. Determination That Indemnification is Proper. Any

indemnification under Sections 1 or 2 of this

Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such section. Such determination shall be made:

(a) By the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or

(b) If such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or

(c) By the stockholders.

Section 5. Expenses (including attorneys' fees) incurred

by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 6. Personal Liability of Director or Officer. No director or

officer of the Corporation shall be personally liable to the Corporation or to any stockholder of the Corporation for monetary damages for breach of fiduciary duty as a director or officer, provided that this provision shall not limit the liability of a director or officer (i) for any breach of the director's or the officer's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of Delaware, or (iv) for any transaction from which the director or officer derived an improper personal benefit.

Section 7. Non-Exclusivity of Indemnification Rights. The

indemnification and advancement of expenses provided by or granted pursuant to the other sections of this Article V shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

Section 8. Insurance. The Corporation shall have the power to

purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the

Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article V.

Section 9. Continuance of Indemnification. The indemnification and advancement of expenses provided by or granted pursuant to this Article V shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article V shall constitute a contract between the Corporation and each director, officer, employee or agent of the Corporation in each circumstance, and each such person shall have all rights available in law or equity to enforce such contract rights against the Corporation. Any repeal or modification of any provision of this Article V shall not adversely affect or deprive any director, officer, employee or agent of any right or protection offered by such provision prior to such repeal or modification.

Section 10. Definition of "the Corporation". For purposes of this Article V, references to "the Corporation" shall

include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article V with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation of its separate existence had continued.

Section 11. Definition of "Other Enterprises". For purposes of this

Article V, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not

opposed to the best interests of the Corporation" as referred to in this Article V.

ARTICLE VI
Capital Stock

Section 1. Certificate of Stock. Subject to Article VII, every

holder of stock in the Corporation shall be entitled to have a Domestic Share Certificate or Unrestricted Share Certificate signed by, or in the name of the Corporation by, the Chairman or Vice Chairman of the Board of Directors, or President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Transfer of Shares. Subject to Article VII, the shares of

the Corporation shall be transferable on the books of the Corporation only upon the surrender of each certificate representing the same, properly endorsed by the registered holder or by his or her duly authorized attorney, or with separate written assignment accompanying the certificates.

Section 3. Lost, Destroyed and Mutilated Certificates. The holder of

any stock issued by the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, or failure to receive a certificate of stock issued by the Corporation, and the Board of Directors or the Secretary of the Corporation, may, in its or his or her discretion, cause to be issued to him or her a new certificate or certificates of stock, in accordance with Article

VII of these By-Laws and upon compliance with such rules and regulations and/or procedures as may be prescribed or have been prescribed by the Board of Directors with respect to the issuance of new certificates in lieu of such lost, destroyed or mutilated certificate or certificates of stock issued by the Corporation which are not received.

ARTICLE VII

Domestic and Unrestricted Share Certificates

Section 1. Capitalized terms herein shall have the following meanings:

"Alien": Means any person, corporation, joint venture, association or other organization who or which is not a Citizen or Entity.

"Citizen": Means any person (not controlled by or representing any (i) alien, (ii) foreign government, or (iii) corporation organized under the laws of a foreign country) who has obtained the status, whether through right of birth or naturalization, of citizenship of the United States and continues to possess such status as provided for under Title 8 United States Code Sections 1401 et seq. and 1421 et seq.

"Domestic Share Certificates": Means capital stock of the corporation that may be transferred to only Citizens or Entities.

"Entity": Means any corporation, joint venture, partnership, association or other organization organized under the laws of the United States, a state of the United States or

the District of Columbia, which corporation is not controlled, directly or indirectly, by any other corporation of which any officer or more than one-fourth of the directors are aliens or of which more than one-fourth of the capital stock of such other corporation is owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof, or by any corporation organized under the laws of a foreign country.

"Permanently Unrestricted Share Certificate": Means capital stock of -----
the corporation that may be transferred to any person, corporation, partnership, association or other organization."

"Unrestricted Share Certificates": Means capital stock of the -----
corporation that may be transferred to any person, corporation, partnership, association or other organization subject to Article VII of the By-laws concerning transfer to Citizens or Entities.

Section 2. No Alien shall be a stockholder of record, own or hold on behalf of any Citizen, Entity or Alien, or vote or vote on behalf of any Citizen, Entity or Alien, capital stock of the corporation evidenced by Domestic Share Certificates.

Section 3. Any transfer or attempted or purported transfer of any shares of the capital stock of the corporation evidenced by Domestic Share Certificates or any interest therein or right thereof to any Alien shall be void and shall be ineffective as against the corporation and the corporation shall

not recognize the purported transferee as a stockholder of the corporation for any purpose whatsoever.

Section 4. No director or officer of the corporation may be an Alien or be controlled by an Alien.

Section 5. Capital stock represented by Domestic Share Certificates shall have the following legend noted conspicuously on its face:

"DOMESTIC SHARE CERTIFICATE"

"The transfer of the capital stock represented by this Domestic Share Certificate is restricted by the Certificate of Incorporation and By-laws of this Corporation. Such documents are available from the Corporation, without charge, for inspection. Any transfer to any person or entity other than (i) a Citizen of the United States who is free from any direct or indirect foreign control or (ii) a corporation or other entity free from any direct or indirect foreign control, organized or existing under the laws of the United States or a state of the United States, is in contravention of the Certificate of Incorporation and the By-laws and is void."

Capital stock represented by an Unrestricted Share Certificate shall have the following legend noted conspicuously on its face:

"UNRESTRICTED SHARE CERTIFICATE"

"The transfer of capital stock represented by this Unrestricted Share Certificate is subject to certain provisions of the Certificate of Incorporation and By-laws of this Corporation. Such documents are available from the Corporation, without charge, for inspection. Such documents do not restrict the transfer of the capital stock of the Corporation evidenced by Unrestricted Share Certificates. However, upon transfer of the capital stock of the

corporation evidenced by this Certificate to an individual or entity, who or which is not an Alien and who or which does not hold such capital stock on behalf of Aliens, the Corporation shall issue such transferee capital stock of the Corporation evidenced by Domestic Share Certificates, the subsequent transfer of which will be restricted by the Certificate of Incorporation and the By-laws of the Corporation."

Section 6. At any special or annual meeting of the stockholders of the corporation, any director or officer of the corporation may by notice in writing filed at the meeting challenge the right of any holder of record of the capital stock of the corporation evidenced by Domestic Share Certificates or person voting on behalf of such recordholder to vote such shares on the ground that the shares of capital stock of the corporation evidenced by such certificates are not owned by a Citizen or Entity. In the event that said shares, the vote of which is thus challenged, together with other shares challenged at the same meeting and for the same cause, together with the total amount of shares represented by share certificates other than "Domestic Share Certificates" then issued and outstanding, amount in the aggregate to be more than twenty percent (20%) of the total shares of the corporation at the time outstanding, the meeting shall proceed to record the votes of the other stockholders not challenged and provisionally to record the votes of the challenged shares. If the result of the voting would not be changed or altered by the receipt of all the challenged votes, then such challenge shall be disregarded. If the contrary appears, the meeting shall not proceed further, but shall adjourn

for a period fixed by the Chairman. The Board of Directors shall thereafter meet and promptly investigate the challenges by such method and insofar as they deem expedient, with or without according an opportunity for cross-examination, but according to the person or persons who represented the challenged shares at such stockholders' meeting an opportunity to make a statement in regard to the challenge. At the adjourned date of such meeting, the Board of Directors shall report their opinion. If they then report that the majority of those directors present taking part in their deliberation as to the challenge or challenges are of opinion that such challenges or any of them were well founded, such challenged votes as to which their opinion in favor of the challenge applies shall be rejected. Otherwise the challenges shall be deemed ineffective and the votes received. No director shall be personally liable to any stockholder for any action taken by him in the course of such investigation or because of the rejection of any challenged vote or the failure to support any challenge.

Section 7. At any special or annual meeting of the stockholder of the corporation, any director or officer of the corporation may, by notice in writing filed at the meeting, challenge the vote of any holder of record of the capital stock of the corporation evidenced by Domestic Share Certificates or person voting on behalf of such holder of record (whether or not a Citizen and whether or not it be an Entity) on the ground that such recordholder of such person voting on the behalf of such

recordholder holds or votes such shares (other than shares represented by Unrestricted Share Certificates) wholly or partly in the interest of any Alien; such challenge shall be acted on and decided by the Board of Directors in the same manner as provided in Section 6 of this Article for other challenges, and the Board may decline to receive the vote of shares so challenged.

Section 8. The Board of Directors shall provide separate and distinct forms of proxy to be distributed in connection with each and every annual or special meeting of stockholders. Proxies delivered to the recordholder of the capital stock of the corporation evidenced by Domestic Share Certificates shall contain a representation and certification to the effect that such recordholder or the person or entity voting such capital stock is a Citizen or Entity and that such shares are not held on behalf of persons who are not Citizens or Entities and the votes cast thereby are not voted at the direction of any Alien or representative or any foreign government or representative thereof or any corporation organized under the laws of a foreign country.

Section 9. In the event that a holder of record of the capital stock of the corporation evidenced by Domestic Share Certificates (a) does not furnish the corporation with the identity of each person or entity on whose behalf he or it holds such shares of the capital stock of the corporation and any interest therein or right thereof or (b) does not furnish the

corporation with a representation, satisfactory to the Board of Directors of the corporation, (i) that such recordholder is not an Alien and (ii) that such recordholder does not hold such shares of the capital stock of the corporation, any interest therein or right thereof on behalf of any Alien, the Board of Directors of the corporation may presume conclusively that such shares of the capital stock of the corporation are held in contravention of the Certificate of Incorporation and the By-laws of the corporation.

Section 10. In the event that the Board of Directors of the corporation (i) concludes, pursuant to Section 9 of the By-laws that shares of the capital stock of the corporation evidenced by Domestic Share Certificates are held in contravention of the Certificate of Incorporation and the By-laws of the corporation or (ii) otherwise determine that such shares of capital stock of the corporation are held in contravention of the Certificate of Incorporation and By-laws of the corporation, the Board of Directors shall so notify the recordholder of such shares in writing and the Board of Directors shall take the following actions, which shall be binding upon the recordholder of such shares:

(a) The Board of Directors may demand that, within sixty (60) days of the date of such notice, such recordholder shall sell such shares of the capital stock of the corporation to a Citizen or Entity, who or which has provided satisfactory identification and satisfactory representation to

the Board of Directors of the corporation. Solely for purposes of this Section 10(a), such transfer shall be effected as if such transferor had been a valid recordholder of such shares of capital stock of the corporation and the transferee Citizen or Entity shall be entitled to be listed on the stock ledger books of the corporation as a recordholder of shares of the capital stock of the corporation evidenced by Domestic Share Certificates.

(b) If, upon the demand of the Board of Directors of the corporation, the recordholder holding shares of the capital stock of the corporation evidenced by Domestic Share Certificates in contravention of the Certificate of Incorporation and the By-Laws of the corporation has not sold such shares within sixty (60) days of such notice, the Board of Directors shall have the following options:

(i) The Board of Directors may, but shall not be obligated to, require the exchange of Domestic Share Certificates for Unrestricted Share Certificates (on a share-for-share basis) only to the extent that, as a result of such exchange, the percentage of issued and outstanding capital stock of the corporation evidenced by Unrestricted Share Certificates does not exceed twenty percent (20%) of all of the issued and outstanding capital stock of the corporation. For purposes of computing such percentage, it shall be assumed that all outstanding options, warrants or rights to receive or require the issuance of capital stock of the corporation evidenced by

Unrestricted Share Certificates had been exercised and such shares had been issued prior to such exchange.

(ii) The Board of Directors may, but shall not be obligated to, repurchase all of the shares of capital stock of the corporation evidenced by Domestic Share Certificates from such holder at a price per share equal to the average (unweighted) closing price for such shares on the New York Stock Exchange for each of the 45 trading days on which such shares of stock shall have been traded preceding the day on which notice of repurchase shall be then deemed to have been given pursuant to this section that some or all of the Domestic Share Certificates held by Aliens shall be purchased by the corporation; provided, however, that if such capital stock shall not be traded on the New York Stock Exchange, then such closing prices shall be those on any other national security exchange on which the Common Stock is listed, and, if not listed on any such exchange, the closing prices (or, if closing prices are not reported, then the average of reported bid and asked quotations) shall be those reported by any recognized national securities reporting service, and, if not traded, the repurchase price shall be determined by the Board of Directors on such basis as it shall deem reasonable.

In the event the corporation chooses, in its absolute discretion, to exercise its right to purchase the shares of capital stock represented by Domestic Share Certificates held by an Alien pursuant to this Section 10 the corporation shall pay one-fifth of the purchase price determined in accordance with

this subsection (b) of this Section 10 in cash on the date on which such shares of capital stock are to be delivered to the corporation ("Closing Date") and deliver a promissory note to evidence its obligation to pay one-fifth of the purchase price together with interest at a rate of six percent per annum (6%) on the outstanding balance on each of the next four succeeding anniversary dates of the Closing Date.

(iii) If and to the extent that (A) such recordholder fails to comply with the requirements of the Board of Directors pursuant to subsections (a) and (b) of this Section 7.10 or (B) the Board of Directors determines, in its absolute discretion, not to exercise its options to exchange such share certificates or repurchase such shares, any shares of the capital stock of the corporation evidenced by Domestic Share Certificates which continue to be held by or on behalf of Aliens shall be deemed void, the corporation shall not recognize the purported recordholder as a stockholder of the corporation for any purpose whatsoever and the corporation shall take all necessary and appropriate action, to the extent permitted by law, to remove such shares of capital stock from the stock records of the corporation.

Section 11. The corporation may, to the full extent permitted by law, so long as Domestic Share Certificates are held in contravention of the Certificate of Incorporation and the By-laws of the corporation, exclude from, or withhold, the payment

of dividends and/or other distributions of assets in respect of such shares.

Section 12. Notwithstanding anything contained in these By-laws to the contrary, the affirmative vote of at least 80 percent of the Directors valid in office or at least 80 percent of the outstanding shares of stock of the corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required to alter, amend, or repeal this Article or to adopt any provision inconsistent herewith.

Section 13. The Board of Directors of the corporation is hereby authorized and directed to make such rules and regulations and to delegate such power and authority to the Officers of the corporation as are necessary or appropriate to implement and enforce the intent of this Article and maintain accurate records of compliance herewith.

Section 14. Any share of capital stock of the Corporation evidenced by Unrestricted Share Certificates shall be automatically converted into and exchangeable for Domestic Share Certificates when such shares of stock are transferred to Citizens or Entities.

Section 15. Any shares of capital stock of the corporation issued to Teleglobe USA, Inc. or any of its affiliates shall be Permanently Unrestricted Share Certificates and no such shares shall at any time (whether or not owned by Teleglobe USA, Inc. or any of its affiliates) be required to bear

any legend contained in this Article VII or be subject to any restriction contained in this Article VII or any similar restriction.

ARTICLE VIII

Miscellaneous

Section 1. Seal. The corporate seal shall have inscribed thereon

the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be imposed or affixed or in any manner reproduced.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be

the calendar year.

ARTICLE IX

Amendments

Subject to Article VII, these By-laws may be altered or repealed at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors, if notice of such alteration or repeal be contained in the notice of such special meeting.

NUMBER [LOGO OF PRIMUS TELECOMMUNICATIONS APPEARS HERE] SHARES

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE
TOTAL AUTHORIZED ISSUE

5,000,000 SHARES PAR VALUE \$.01 EACH

DOMESTIC SHARE CERTIFICATE

THE TRANSFER OF CAPITAL STOCK REPRESENTED BY THIS CERTIFICATE
IS SUBJECT TO CERTAIN RESTRICTION LISTED ON THE REVERSE SIDE.

THIS CERTIFIES THAT _____ is the
owner of _____ shares of the Capital Stock of PRIMUS
TELECOMMUNICATIONS GROUP, INCORPORATED, fully paid and non-assessable,
transferable only on the books of the Corporation in person or by Attorney upon
surrender this Certificate properly endorsed.

IN WITNESS WHEREOF, the said Corporation has caused this Certificate to be
signed by its duly authorized officers and its Corporate Seal to be hereunto
affixed this _____
day of _____ A.D. 19_____.

SECRETARY TREASURER

PRESIDENT

[SEAL]

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS (THE "LAWS") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE ACT OR QUALIFICATION UNDER THE LAWS UNLESS THE COMPANY AND ITS COUNSEL ARE SATISFIED THAT SUCH REGISTRATION AND QUALIFICATION IS NOT THEN REQUIRED UNDER THE CIRCUMSTANCES OF SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION.

THE TRANSFER OF THE CAPITAL STOCK REPRESENTED BY THIS DOMESTIC SHARE CERTIFICATE IS RESTRICTED BY THE CERTIFICATE OF INCORPORATION, AND BY-LAWS OF THIS CORPORATION. SUCH DOCUMENTS ARE AVAILABLE FROM THE CORPORATION, WITHOUT CHARGE, FOR INSPECTION. ANY TRANSFER TO ANY PERSON OR ENTITY OTHER THAN (I) A CITIZEN OF THE UNITED STATES WHO IS FREE FROM ANY DIRECT OR INDIRECT FOREIGN CONTROL OR (II) A CORPORATION OR OTHER ENTITY FREE FROM ANY DIRECT OR INDIRECT FOREIGN CONTROL, ORGANIZED OR EXISTING UNDER THE LAWS OF THE UNITED STATES OR A STATE OF THE UNITED STATES IS IN CONTRAVENTION OF THE CERTIFICATE OF INCORPORATION AND THE BY-LAWS AND IS VOID.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT -Custodian ...under
TEN ENT - as tenants by entireties	(Cust) (Minor)
JT TEN - as joint tenants with right of survivorship and not as tenants in common	Uniform Gifts to Minors Act..... (State)

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

Shares represented by the within Certificate and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said Shares on the books of the within named Corporation with full power of substitution in the premises.

Dated _____ 19__

In presence of _____

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLAREMENT, OR ANY CHANGE WHATEVER.

1st March 1996

PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC

and

ASPECT COMPUTING PTY LTD ACN 005 083 670

ALTA TELECOMMUNICATIONS PTY LTD as trustee of the Caravias Family
Trust ACN 067 270 375

CCT AUSTRALIA PTY LTD as trustee of the Burns Family Trust ACN 006 955 111

CT CORPORATION PTY LTD as trustee of the Lucas Family Trust ACN 062 380 803

WILLOWARE PTY LTD as trustee of the Keenan Family Trust ACN 065 497 458

INCO PTY LTD as trustee of the Damn Slaney Family Trust ACN 066 926 403

LPS INVESTMENTS PTY LTD as trustee of the Peter Slaney Family
Trust ACN 066 926 494

SMNR CONSULTING PTY LTD as trustee of the SMNR Family Trust ACN 062 871 381

FUJITSU AUSTRALIA LIMITED ACN 001 011 427

and

GEORGE DIOMEDEES CARAVIAS
PAUL JEFFREY KEENAN
THIAM SOON SIM
DARREN PETER NEVILLE SLANEY
PETER EDWARD RUSSELL SLANEY
CAMPBELL COLIN BURNS
CHRISTOPHER CON LUCAS

SHARE ACQUISITION DEED

BLAKE DAWSON WALDRON
Solicitors
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 9679 3000
Fax: (03) 9679 3111
DX: 187
File Ref: JWLA:337889

SHARE ACQUISITION DEED

TABLE OF CONTENTS

Clause

Page No.

-i-

SHARE ACQUISITION DEED made 1st March 1996.

BETWEEN:

- (1) PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC. a company incorporated in Delaware (the "Purchaser");
- (2) The Shareholders of AXICORP PTY LIMITED ACN 061 754 943 as set out in schedule 1 in the capacities there set out (who are collectively referred to in this Deed as the "Vendors" and individually as a "Vendor"); and
- (3) The persons set out in schedule 1 (who are collectively referred to in this Deed as the "Principals and individually as a "Principal").

RECITALS

- A. The Original Vendors are the registered holders of the numbers of ordinary shares ("Ordinary Shares") and Special Cumulative Redeemable Preference Shares ("SRPs") in the capital of Axicorp Pty Limited (the "Company") set out in schedule 1 opposite their respective names.
- B. Fujitsu is the registered holder and sole and absolute beneficial owner of the number of Ordinary Shares in the capital of the Company set out in Schedule I opposite its name.
- C. The Ordinary Shares and SRPs held by the Original Vendors and Fujitsu (collectively the "Shares") together constitute the whole of the issued share capital of the Company.
- D. The Company is in 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, reservers, associations, affinity groups, direct marketing and others and providing voicemail equipment to carriers, in Australia (the "Business").
- E. Fujitsu has agreed to sell and the Purchaser has agreed to purchase 354,000 Ordinary Shares (the "Fujitsu Ordinary Shares") on the terms and conditions set out below.
- F. The Original Vendors have agreed to sell and the Purchaser has agreed to purchase 78,667 Ordinary Shares ("Original Vendors Sale Shares").

- G. The Purchaser has agreed to grant put options and the Original Vendors have agreed to grant call options in respect of 157,333 Ordinary Shares on the terms and conditions set out below ("Original Vendors Optioned Shares").

THE PARTIES AGREE AND DECLARE AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

In this Deed, unless the context otherwise requires:

"Auscorp" means Auscorp Telecommunications Pty Ltd (formerly named Ultimate Communications (Australia) Pty Ltd) ACN 072 365 747;

"Auscorp Management Agreement" means the agreement set out in schedule 12;

"Balance Date" means 31 December 1995;

"Balance Sheet" means the balance sheet and profit and loss statement of the Company as at the Balance Date, being Annexure 4;

"Business Day" means a day on which banks are open in Melbourne for general banking business;

"Charge" means the charge created by the agreement dated 22 December 1994 between Fujitsu and the Company and registered at the Australian Securities Commission (No 477739);

"Completion" means completion of the sale and purchase of the Fujitsu Ordinary Shares and the Original Vendors' Sale shares pursuant to clause 5;

"Completion Date" means 2 Business Days (or such sooner time as the parties may agree) after the date of this Deed and it is acknowledged that Completion may occur on the same day as the signing of this Deed;

"Convertible Preferred Stock" means Series A Convertible Preferred Stock in the capital of PTGI to be issued on the terms specified in schedule 4;

"Directors" in relation to the Company means the persons so specified in schedule 2;

"Disclosure Book" means Annexure 3

"Encumbrance" means any mortgage, lien, charge, pledge, claim, covenant, encumbrance or other interest including any right of any person to purchase any of the Shares whether under an option, agreement to purchase or otherwise and, in relation to the assets of the Company, including any retention of title or any right of any person to purchase, occupy or use any of those assets whether under an option, agreement to purchase, license, lease, hire-purchase or otherwise; "First Call Option" has the meaning set out in clause 7.1(a);

"First Call Option" has the meaning set out in clause 7.1(a);

"First Option Completion Date" means the day of exercise of the First Call Option or First Put Option;

"First Put Option" has the meaning set out in clause 7.2(a);

"First Tranche" has the meaning set out in clause 7.1(a);

"Fujitsu" means Fujitsu Australia Limited ACN 001 011 427;

"Fujitsu Final Payment" has the meaning set out in clause 8.11(g);

"Fujitsu Loan" means moneys advanced by Fujitsu to the Company pursuant to an Agreement dated 22 December 1994 of not more than \$2,155,000 or such higher amount as may be advanced to the Company by Fujitsu with the prior consent of the Purchaser;

"Fujitsu Ordinary Shares" has the meaning set out in recital E;

"Fujitsu Purchase Price" has the meaning set out in clause 3;

"Globenet Claim " means any threat, claim or action brought or made against the Company or its directors and officers by Globenet Pty Ltd ACN 063 576 953 related to any events which have occurred prior to the date of this Deed;

"Management Agreement" means the Management Agreement dated 22 December 1994 between the Company and Ultrasys;

"Original Vendors" means the Vendors other than Fujitsu;

"Original Vendors Final Payment" has the meaning set out in clause 8.11(h);

"Original Vendors Optioned Shares" has the meaning set out in Recital G;

"Original Vendors Sale Shares" has the meaning set out in Recital F;

"PTGI" means Primus Telecommunications Group, Incorporated of 8180 Greensboro Drive, McLean, Virginia, USA;

"Prime Rate" means the ANZ Bank Index Rate last published in The Australian Financial Review immediately prior to execution of this Deed or, in the case of a default, immediately prior to the default or in the case of payment of interest pursuant to clause 6.2 or 7.6, immediately prior to the due date for payment of the interest;

"Related Corporation" means a body corporate which is related to another body corporate under section 50 of the Corporations Law.

"Second Call Option" has the meaning set out in clause 7.1(b);

"Second Option Completion Date" means the day of exercise of the Second Call Option or Second Put Option;

"Second Put Option" has the meaning set out in clause 7.2(b);

"Second Tranche" has the meaning set out in clause 7.1(b);

"Secretary" and "Public Officer" in relation to the Company means the person(s) so specified in schedule 2;

"Shareholders Agreement" means the Shareholders Agreement dated 22 December 1994 between the Vendors and the Company;

"Telstra" means Telstra Corporation Ltd ACN 051 775 556 or, as the case requires, any of its Related Corporations;

"Ultrasys" means Ultrasys Pty Ltd ACN 067 581 613; and

"Warranties" means the representations and warranties referred to in clause 8.

1.2 General

In this Deed unless the context otherwise requires:

- (a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision;
- (b) the singular includes the plural and vice versa;
- (c) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, trust, state or government and vice versa;

- (d) a reference to any gender includes all genders;
- (e) a reference to a recital, clause, schedule, annexure or exhibit is to a recital, clause, schedule, annexure or exhibit of or to this Deed;
- (f) a recital, schedule, annexure or a description of the parties forms part of this Deed;
- (g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- (h) a reference to any party to this Deed or any other document or arrangement includes that party's executors, administrators, substitutes, successors and permitted assigns;
- (i) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (j) "notice" or "consent" means a written communication;
- (k) a reference to "dollars" or "\$" is to Australian currency;
- (l) a reference to a matter being "to the knowledge" of a person means that the matter is to the best of the knowledge and belief of that person after making reasonable enquiries in the circumstances;
- (m) where any party to @ Deed is contracting in its capacity as trustee, any reference to that party shall include any person from time to time appointed as trustee of the relevant trust in addition to or in substitution for that party;
- (n) any reference to a breach of any of the Warranties includes any of the Warranties not being complete, true or correct;
- (o) words and phrases defined in the recitals or elsewhere in this Deed shall have the meaning there ascribed to them;
- (p) where any obligation under this Deed falls to be performed on a day other than a Business Day, this Deed shall be construed as requiring that obligation to be performed on the next Business Day;
- (q) a reference to a "subsidiary" of a body corporate is to a subsidiary of that body corporate within the meaning of Part 1.2, Division 6 of the Corporations Law;

- (r) a reference to a "relevant interest" has the meaning set out in Division 5 of Part 1.2 of the Corporations Law;
- (s) where any time period is required to be calculated from a specified date, that date shall be excluded from the calculation-(t) any reference to dates and times are to Australian Eastern Standard or Summer Time as is appropriate;
- (u) all moneys payable under this Deed shall be by bank cheque drawn on a bank registered under the Banking Act.

1.3 Headings

In this Deed, headings are for convenience of reference only and do not affect interpretation.

2. ACQUISITION OF ORDINARY SHARES

2.1 Fujitsu agrees to sell the Fujitsu Ordinary Shares to the Purchaser and the Purchaser agrees to purchase the Fujitsu Ordinary Shares from Fujitsu free from all Encumbrances and with all rights attaching to them upon and subject to the terms and conditions of this Deed.

2.2 The Original Vendors agree to sell the Original Vendors Sale Shares to the Purchaser and the Purchaser agrees to purchase the Original Vendors' Sale Shares from the Original Vendors free from all Encumbrances and with all rights attaching them upon and subject to the terms and conditions of this Deed.

3. PURCHASE PRICE

3.1 The purchase price for the Fujitsu Ordinary Shares ("Fujitsu Purchase Price") is \$10,222,043 which shall be satisfied as set out in clause 6.

3.2 The purchase price for the Original Vendors Sale Shares ("Original Vendors Purchase Price") is \$3,333,065 which shall be satisfied as set out in clause 6.

4. CONDITIONS PRECEDENT TO COMPLETION

4.1 The Purchaser shall have no obligation in respect of Completion unless and until each of the following conditions is satisfied (or waived in writing by the Purchaser, in its absolute discretion and subject to such conditions (if any) as the Purchaser thinks fit):

- (a) the Original Vendors have delivered to the Purchaser:

- (i) a certificate signed by each of them, dated the Completion Date, which certifies that each of the Warranties given by each of them is, by reference to the facts subsisting on the Completion Date, complete, true and accurate as if made and given on that date and that there has been no breach by them of their obligations under this Deed; and
 - (ii) evidence satisfactory to the Purchaser that all of the SRPs have been redeemed in accordance with the Corporations Law and any other applicable legal requirements,
- (b) Fujitsu has delivered to the Purchaser a certificate signed by it, dated the Completion Date, which certifies that each of the Warranties given by Fujitsu is, by reference to the facts subsisting on the Completion Date, complete, true and accurate as if made and given on that date and that there has been no breach by Fujitsu of its obligations under this Deed.

4.2 Where any of the conditions in clause 4.1 contemplates action by a Vendor, that party shall be contractually obliged to take that action in accordance with that condition.

5. COMPLETION

5.1 Subject to clause 4, completion of the sale and purchase of the Fujitsu Ordinary Shares and the Original Vendors Sale Shares shall take place at 11:00 AM on the Completion Date at the offices of Baker & McKenzie, 39th Floor, 525 Collins Street, Melbourne.

5.2 At Completion:

- (a) Fujitsu shall deliver to the Purchaser instruments of transfer of the Fujitsu Ordinary Shares in favour of the Purchaser which have been duly executed by Fujitsu and are in registrable form and any other documents which the Purchaser reasonably requests in order to vest full legal and beneficial ownership in the Fujitsu Ordinary Shares in the Purchaser other than the share certificates for the Fujitsu Ordinary Shares;
- (b) the Original Vendors shall deliver to the Purchaser instruments of transfer of the Original Vendors' Sale Shares in favour of the Purchaser which have been duly executed by the Original Vendors and are in registrable form and any other documents which the Purchaser reasonably requests in order to vest full legal and

beneficial ownership in the Original Vendors' Sale Shares in the Purchaser other than the share certificates for the Original Vendors' Sale Shares;

- (c) the Original Vendors shall procure delivery to the Purchaser of all of the following items and Fujitsu shall procure delivery of the items referred to in paragraphs (i), (ii), (iii), (iv), (v), (vi), (viii) and (ix) below:
- (i) the certificate of incorporation of the Company (and any certificate of incorporation on change of name of the Company) and certificate for any registered business name;
 - (ii) the common seal (and any duplicate council seal or official seal) of the Company;
 - (iii) one copy of the memorandum and articles of association of the Company and any other undistributed copies of such documents;
 - (iv) the balance sheets, profit and loss statements and cash flow statements (all with accompanying supplementary notes) of the Company as at, and for the period ended on, the Balance Date;
 - (v) the minute books and other records of meetings or resolutions of shareholders or directors of the Company and any registers and other statutory records, books of account, trading and financial records, copies of taxation returns and notices of assessment and all other documents, papers and records of the Company relating to its business activities, property or financial affairs (in all cases in good order and fully and accurately maintained up to Completion and in accordance with any applicable legal requirements);
 - (vi) the written resignations of each Director, Secretary and Public Officer of the Company in accordance with clause 5.3(c);
 - (vii) a Deed between the Company and Ultrasys in the form of schedule 9 duly executed by the Company and Ultrasys;
 - (viii) a Deed in the form of schedule 8 between the Vendors and the Company terminating the Shareholders Agreement duly executed by the Vendors and the Company;

- (ix) an irrevocable waiver in the form of schedule 10 duly executed by each Vendor;
- (x) proxies in respect of the Original Vendor Optioned Shares in the form of schedule 7;
- (xi) an agreement between the Company and Alta Telecommunications Pty Limited terminating the Services Agreement dated 1 June 1995 and releasing the Company from any claims in relation to that Services Agreement or its termination;
- (xii) an agreement between the Company and C.T. Corporation Pty Limited terminating the Services Agreement dated 24 November 1995 and releasing the Company from any claims in relation to that Service Agreement or its termination;
- (xiii) releases and discharges of charge, and Corporations Forms 312, in relation to shares in the Company which are the subject of a charge by CCT Australia Pty Limited in favour of National Australia Bank dated 13 June 1995 (ASC Charge No. 498571) and a charge by Aspect Computing Pty Limited in favour of Westpac Banking Corporation dated 27 March 1986 (ASC Charge No 80589); and
- (xiv) the Auscorp Management Agreement.

5.3 At Completion, the Vendors shall also procure that a duly convened meeting of the Directors of the Company is held at which it is resolved:

- (a) that each of the transfers of the Fujitsu Ordinary Shares and the Original Vendors Sale Shares be approved for registration (subject only to the payment of stamp duty) and that upon registration, the appropriate share certificate be issued in the name of the Purchaser;
- (b) to a point the persons nominated in writing by the Purchaser as Directors, Secretary and Public Officer of the Company with effect from the end of the meeting of the Directors of the Company;
- (c) to accept the resignation of the existing Directors, Secretary and Public Officer of the Company with effect from the end of the meeting which resignation shall acknowledge that it takes effect without any

compensation or entitlement (whether damages for loss of office or otherwise) as a result;

- (d) to revoke all existing authorities to operate bank accounts and to procure new authorities in favour of the persons nominated by the Purchaser; and
- (e) to transact such other business as the Purchaser may reasonably require.

5.4 At Completion the Purchaser shall:

- (a) deliver to Fujitsu a share mortgage in the form of Annexure 1 duly executed by the Purchaser, together with relevant share transfers signed in blank;
- (b) deliver to the Original Vendors a share mortgage in the form of Annexure 2 duly executed by the Purchaser, together with relevant share transfers signed in blank;

5.5 At Completion:

- (a) the Purchaser shall procure that the Company repays the Fujitsu Loan; and
- (b) Fujitsu shall deliver to the Purchaser a release and discharge of the Charge in the form of schedule 11 and a Corporations Form 312 to the Company.

5.6 Fujitsu, the Original Vendors and the Purchaser agree that the sale and purchase of the Fujitsu Ordinary Shares and the sale and purchase of the Original Vendors Sale Shares are interdependent and no party shall complete the sale and purchase of any such shares unless the sale and purchase of all other such shares is completed.

5.7 Fujitsu, the Original Vendors and the Purchaser agree that the Purchaser shall not pay and Fujitsu shall not accept payment of the payment due to Fujitsu under clause 6.1 (d) until the later of February 17, 1997 or the date upon which the aggregate number of Ordinary Shares in respect of which the First Put Option or First Call Option have been exercised equals or exceeds 39,333. This clause 5.7 will cease to have any effect on February 16, 1998 and is without prejudice to the rights of the Purchaser to defer payment to Fujitsu pursuant to clause 6.2 and to defer the first date for exercise of the First Put Option pursuant to clause 7.6.

5.8 Immediately after Completion, the Purchaser shall submit the transfers of the Fujitsu Ordinary Shares referred to in clause 5.2(a), to the Victorian Stamps Office for assessment

and stamping and after those transfers have been stamped the Purchaser shall procure the Company to issue new share certificates for 354,000 ordinary shares in the name of the Purchaser and shall then deliver those share certificates to Baker & McKenzie, in exchange for the share certificates for the Fujitsu Ordinary Shares, which the Purchaser will then procure the Company to cancel.

5.9 Immediately after Completion, the Purchaser shall submit the transfers of the Original Vendors Sale Shares referred to in clause 5.2(b), to the Victorian Stamps Office for assessment and stamping and after those transfers have been stamped the Purchaser shall procure the Company to issue new share certificates for 78,667 ordinary shares in the name of the Purchaser and shall then deliver those share certificates to Rawling & Co., in exchange for the share certificates for the Original Vendors Sale Shares, which the Purchaser will then procure the Company to cancel.

6. PAYMENT OF PURCHASE PRICE

6.1 Subject to clause 5, the Purchaser shall satisfy the Fujitsu Purchase Price by paying to Fujitsu or procuring the delivery to Fujitsu of the following:

- (a) the sum of \$1 million on the date of execution of this Deed to be held in the trust account of Baker & McKenzie until the irrevocable bank guarantee is delivered to Blake Dawson Waldron in accordance with clause 6.3(a);
- (b) the sum of \$3 million on Completion;
- (c) certificates registered in the name of Fujitsu for 82,500 Convertible Preferred Stock issued at US\$2.00 per share within seven days of Completion; and
- (d) subject to clause 6.2, the sum of \$6 million on or before 12 noon 17 February 1997.

6.2 The Purchaser may from time to time defer payment of the sum of \$6 million referred to in clause 6.1(d) for a period of up to one year by giving written notice to Fujitsu prior to 17 February 1997 of its intention to do so. Such notice or notices must specify the date (being not later than 16 February 1998) upon which the said sum of \$6 million will be paid by the Purchaser. The Purchaser must pay to Fujitsu interest at the Prime Rate, plus an additional 1% per annum, calculated and payable monthly in advance in respect of that sum of \$6 million on and from 17 February 1997 until the date of payment of that sum.

6.3 If Fujitsu fails to deliver the certificate referred to in clause 4.1(b) or fails to meet its obligations for Completion (and such failure continues for 10 Business Days) or if any of the Original Vendors fails to deliver the certificate or provide the evidence referred to in clause 4.1(a) or fails to meet its obligations at Completion (and such failure continues for 10 Business Days) then:

(a) Fujitsu shall repay the sum of \$1 million referred to in clause 6.1(a) (together with interest at the Prime Rate calculated from the date of execution of this Deed until the date of repayment) to the Purchaser on 1 April 1996. Repayment of this sum is to be secured by an irrevocable bank guarantee in terms reasonably acceptable to the Purchaser to be delivered by Fujitsu to Blake Dawson Waldron on the date of execution of this Deed or as soon thereafter as is practicable which shall be held in escrow by Blake Dawson Waldron and returned to Fujitsu at Completion or delivered to the Purchaser if the payment contemplated in the first sentence of this paragraph is not made when it should have been made and the Purchaser has provided a certificate to that effect to Blake Dawson Waldron; and

(b) the Original Vendors shall repay the sum of \$1 million referred to in clause 6.6(a) (together with interest at the Prime Rate calculated from the date of execution of this Deed until the date of repayment) to the Purchaser on 1 April 1996. Repayment of this sum is to be secured by an irrevocable bank guarantee in terms reasonably acceptable to the Purchaser to be delivered by the Original Vendors to Blake Dawson Waldron on the date of execution of this Deed or as soon thereafter as is practicable which shall be held in escrow by Blake Dawson Waldron and returned to the Original Vendors at Completion or delivered to the Purchaser if the payment contemplated in the first sentence of this paragraph is not made when it should have been made and the Purchaser has provided a certificate to that effect to Blake Dawson Waldron.

6.4 If the Purchaser fails to meet its obligations for Completion and that failure is not remedied for 10 Business Days after the Completion Date then the sum of \$1 million shall be forfeited to Fujitsu and the bank guarantee referred to in clause 6.3 shall be returned to Fujitsu for cancellation. Blake Dawson Waldron shall be entitled to deliver the bank guarantee to Fujitsu upon receipt of a certificate from Fujitsu to the effect that the Purchaser has failed to meet its obligations for Completion and that the failure has not been remedied for 10 Business Days after the Completion Date. The Purchaser shall then have no

further liability to Fujitsu in connection with its failure to complete.

- 6.5 Provided that the provisions of clause 6.1(a), (b) and (c) have been complied with by the Purchaser, Fujitsu shall deliver to the Purchaser a release and discharge of the share mortgage and the signed blank transfers referred to in clause 5.4(a) and the share certificates in the name of the Purchaser referred to in clause 5.10 immediately upon payment of the sum referred to in clause 6.1(d). Fujitsu agrees to release and discharge the share mortgage either wholly or partially at any time prior to payment of the sum referred to in clause 6.1(d), subject to satisfactory alternative security arrangements being provided by the Purchaser which are acceptable in all respects to Fujitsu.
- 6.6 Subject to clause 5, the Purchaser shall satisfy the Original Vendors Purchase Price by paying to the Original Vendors:
- (a) the sum of \$1 million on the date of execution of this Deed to be held in the trust account of Rawling & Co until the irrevocable bank guarantee is delivered to Blake Dawson Waldron in accordance with clause 6.3(b);
 - (b) the sum of \$2 million on Completion; and
 - (c) certificates registered in the name of the Original Vendors for 124,166 Convertible Preferred Stock issued at US\$2.00 per share within seven days of Completion.
- 6.7 If the Purchaser fails to meet its obligations for Completion and that failure is not remedied for 10 Business Days after the Completion Date then the sum of \$1 million shall be forfeited to the Original Vendors and the bank guarantee referred to in clause 6.3 shall be returned to the Original Vendors for cancellation. Blake Dawson Waldron shall be entitled to deliver the bank guarantee to the Original Vendors upon receipt of a certificate from the Original Vendors to the effect that the Purchaser has failed to meet its obligations for Completion and that the failure has not been remedied for 10 Business Days after the Completion Date. The Purchaser shall then have no further liability to the Original Vendors in connection with its failure to complete.
- 6.8 Provided that the provisions of clause 6.6 and, if the First Put Option or First Call Option have been exercised, clauses 7.5 and (if applicable) 7.6, have been complied with by the Purchaser, the Original Vendors shall deliver to the Purchaser a release and discharge of the share mortgage and

the signed blank transfers referred to in clauses 5.4(b) and 7.5(c) and the share certificates in the name of the Purchaser referred to in clauses 5.11 and 7.5(A) immediately upon payment of the sum referred to in clause 7.7(b). The Original Vendors agree to release and discharge the share mortgage either wholly or partially at any time prior to payment of the sum referred to in clause 7.7(b), subject to satisfactory alternative security arrangements being provided by the Purchaser which are acceptable in all respects to the Original Vendors.

6.9 Termination

If the Purchaser fails to complete the sale and purchase of the Fujitsu Ordinary Shares and the Original Vendors Sale Shares in accordance with clause 5.1 and fails to remedy such failure within 10 Business Days of receiving notice to do so, then provided that the Vendors have complied with their obligations hereunder, the Vendors shall have the right to terminate this Deed forthwith by serving notice signed by or on behalf of the Vendors on the Purchaser.

6.10 All payments of consideration to the Original Vendors (whether in cash or Convertible Preferred Stock and whether under clause 6 or clause 7 or otherwise) shall be allocated among the Original Vendors in proportion to their respective holdings of Ordinary Shares set out in schedule 1.

6.11 The Purchaser will procure that PTGI permits conversion of the Convertible Preferred Stock on the basis that:

- (a) stock which is issued first in time may be converted first in time; and
- (b) any stock which is issued contemporaneously may be converted at the same time, provided that if all stock issued at the same time cannot be converted at the same time, the holders of such stock shall be permitted to convert the same proportions of their stock.

7. PUT AND CALL OPTIONS

7.1 The Original Vendors grant to the Purchaser:

- (a) an option to require the Original Vendors to sell 78,666 Ordinary Shares (the "First Tranche") to the Purchaser for a price of \$3,333,064 (the "First Call Option"); and

- (b) an option to require the Original Vendors to sell 78,667 Ordinary Shares (the "Second Tranche") to the Purchaser for a price of \$3,333,064 (the "Second Call Option").

7.2 The Purchaser grants to the Original Vendors:

- (a) an option to require the Purchaser to purchase the First Tranche for the price referred to in clause 7.1(a) (the "First Put Option"); and
- (b) an option to require the Purchaser to purchase the Second Tranche for the price referred to in clause 7.1(b) (the "Second Put Option").

7.3 (a) The First Call Option may be exercised at any time between 1 July 1996 and 30 June 2001 and subject to clause 7.6 the First Put Option may be exercised at any time between 17 February 1997 and 30 June 2001.

- (b) The Second Call Option may be exercised at any time between 1 July 1996 and 30 June 2001 and the Second Put Option may be exercised at any time between 16 February 1998 and 30 June 2001

- (c) If the Purchaser or the Original Vendors propose to exercise an option referred to above, the Purchaser or the Original Vendors (as the case may be) shall give at least 10 Business Days notice to the other of such intention.

- (d) The Original Vendors shall have the right to terminate any unexercised Call Option in the event of default by the Purchaser in payment of moneys owing under any exercised option, which default remains unremedied after ten (10) Business Days notice to so remedy.

- (e) The First Call Option and the Second Call Option shall be immediately exercisable by the Purchaser if any of the Original Vendors threaten or take any action to enforce any statutory or common law rights they may have as members of the Company except in the case of default by the Purchaser hereunder if such default is not remedied within ten (10) Business Days after notice to do so.

7.4 (a) Each of the First Call Option, Second Call Option, First Put Option and Second Put Option may be exercised by the grantee of the option giving notice in writing to the grantor of the relevant option. The Call Options may be exercised in respect of the whole or part of the shares to which they relate provided that a

partial exercise is made pro-rata to the Original Vendors and for not less than 1% of the issued capital of the Company. In the case of any partial exercise of a Call Option, the provisions of clauses 7.5 and 7.7 (as applicable) shall operate proportionally according to the number of shares over which the option is exercised. The Put Options may only be exercised in respect of the whole of the shares to which they relate.

- (b) The First Call Option will terminate on completion of the exercise of the First Put Option and vice versa.
- (c) The Second Call Option will terminate on completion of the exercise of the Second Put Option and vice versa.

7.5 On the First Option Completion Date:

- (a) the Original Vendors shall deliver to the Purchaser instruments of transfer of the First Tranche in favour of the Purchaser which have been duly executed by the respective holders of those shares and are in registrable form, and any other documents which the Purchaser reasonably requests in order to vest full legal and beneficial ownership in the First Tranche in the Purchaser other than the share certificates for the First Tranche; and
- (b) in satisfaction of the price, the Purchaser shall:
 - (i) pay to the Original Vendors the sum of \$3 million; and
 - (ii) deliver to the Original Vendors certificates registered in the name of the Original Vendors for 124,167 Convertible Preferred Stock issued at US\$2.00 per share.
- (c) the Purchaser shall deliver to the Original Vendors relevant share transfers signed in blank, to be held by the Original Vendors as mortgagees pursuant to the Share Mortgage referred to in 5.4(b).

7.5A Immediately after the First Option Completion Date, the Purchaser shall submit the transfers provided by the Original Vendors under clause 7.5(a), to the Victorian Stamps Office for assessment and stamping and after those transfers have been stamped shall procure the Company to issue new share certificates for the shares transferred, in the name of the Purchaser and shall then deliver those share certificates to the Original Vendors in exchange for the share certificates for the First Tranche, to be held by the

Original Vendors as mortgagees pursuant to the share mortgage referred to in clause 5.4(b).

- 7.6 At any time prior to 17 February 1997, the Purchaser may from time to time give notice to the Original Vendors delaying the first date for exercise of the First Put Option from 17 February 1997 to a date on or prior to 16 February 1998.

Such notice or notices must specify the date (being not later than 16 February 1998) which shall be the delayed first date for exercise of the First Put Option. If the Purchaser gives such notice, interest at the Prime Rate, plus an additional 1% per annum, shall be payable on the sum of \$3 million referred to in clause 7.5(b)(i) from 17 February 1997 to the First Option Completion Date or 16 February 1998 whichever is earlier. Such interest shall be payable monthly in advance.

- 7.7 On the Second Option Completion Date:

(a) the Original Vendors shall deliver to the Purchaser instruments of transfer of the Second Tranche in favour of the Purchaser which have been duly executed by the respective holders of those shares and are in registrable form, together with the share certificates for the Second Tranche, and any other documents which the Purchaser reasonably requests in order to vest full legal and beneficial ownership in the Second Tranche in the Purchaser; and

(b) in satisfaction of the price the Purchaser shall:

- (i) pay to the Original Vendors the sum of \$3 million; and
- (ii) deliver certificates registered in the name of the Original Vendors for 124,167 Convertible Preferred Stock issued at US\$2.00 per share.

- 7.8 Fujitsu, the Original Vendors and the Purchaser agree that the Second Call Option shall not be exercised in respect of the whole or part of the shares to which it relates unless and until the First Call Option has been completely exercised in respect of the whole of the shares to which it relates.

8. WARRANTIES BY THE VENDORS

- 8.1 In consideration of the Purchaser agreeing to buy the Ordinary Shares and entering into the Options, each of the Vendors represent and warrant to the Purchaser in the terms

set out in schedule 3 ("Warranties") as at the date hereof and the Completion Date and acknowledge that the Purchaser has entered into this Deed in reliance on the Warranties; provided however that Fujitsu makes no representation or warranty in respect of paragraph numbers 12, 18, 19, 42, 49, 52, 53, 69, 70, 71, 72, 73, 74 and 75 of schedule 3 and the Original Vendors make no representation or warranty in respect of paragraph numbers 12A, 18A, 19A, 49A, 52A and 53A of schedule 3. The Warranties are continuing warranties and shall not merge on Completion but shall remain in full force and effect.

- 8.2 The Warranties are subject to any matters particulars of which are fully disclosed in schedule 5 or the Disclosure Book.
- 8.3 Each of the Original Vendors hereby acknowledges, agrees and declares that the giving of a certificate by it pursuant to clause 4 shall constitute the representation and warranty by that Original Vendor that each of the Warranties given by it is, by reference to the facts subsisting on the Completion Date, complete, true and correct as if made and given on that date and that there has been no breach by that Original Vendor of its respective obligations under this Deed.
- 8.4 Fujitsu hereby acknowledges, agrees and declares that the giving of a certificate by it pursuant to clause 4 shall constitute a warranty by it that each of the Warranties given by it is, by reference to the facts subsisting on the Completion Date, complete, true and correct as if made and given on that date and that there has been no breach by Fujitsu of its obligations under this Deed.
- 8.5 The Vendors shall not be liable for any claim for breach of any warranty contained in clauses 8 or 10 unless and until that claim when aggregated with all other claims (if any) for breach of warranties in clauses 8 or 10 against any of the Vendors exceeds \$50,000 provided that once the aggregate of such claims, whenever arising, exceeds \$50,000 the Vendors (except Fujitsu in the case of a claim for breach by the Original Vendors of a warranty contained in clause 10) shall be liable, subject to clause 8.8, for all losses suffered by the Purchaser (whether before or after that threshold is reached) and not only the amount in excess of \$50,000.
- 8.6 The Purchaser shall not be entitled to make any claim under any provisions of this Deed including a claim for breach of the Warranties to the extent:
- (a) that the facts, matters or circumstances giving rise to the claim have been adequately disclosed in writing to

the Purchaser in this Deed or in schedule 5 to this Deed or the Disclosure Book;

- (b) that the claim arises as a result of any act or omission by the Purchaser or the Company on or after Completion or as a result of or in respect of any legislation not in force as at the date of this Deed;
- (c) that provision has been made in the Balance Sheet for any fact, matter or circumstance on which the claim is based;
- (d) to which the claim is recoverable under the Company's insurance (or would have been recoverable under such insurance if notified to the Vendors or the insurers in a timely manner after the Chief Executive Officer of the Purchaser becomes aware of it); or
- (e) that the claim is based on any forecasts or projections as to the future revenue or profits in respect of the Company or the Business given by or on behalf of the Vendors.

8.7 No Reliance

The Purchaser acknowledges and warrants that, except for the Warranties, it enters into this document solely as a result of its own due diligence investigations, enquiries, advice and knowledge.

8.8 Limitation on Claims

The Vendors and the Purchaser acknowledge that the Purchaser's right to claim and the Vendors' liability to pay under the Warranties and the indemnities in clauses 8, 9, 10 and 12 is limited as follows:

- (a) the Purchaser must give written notice to the Vendors of the general nature of the claim as soon as is reasonable after it becomes aware of the facts, matters or circumstances on which the claim is based (and where the claim is recoverable under the Company's insurance the time limits imposed by the relevant insurer shall be taken into account in determining what is reasonable) and in any event within two years after the Completion Date except for claims which relate to Taxation Liabilities;
- (b) subject to (c), (d), (e) and (f) below, Fujitsu shall be liable for 40% of the amounts payable by the Vendors and the Original Vendors shall be jointly and severally

liable for 60% of such payments in respect of any claim under clauses 8, 9 and 12;

- (c) subject to (e) below, the Original Vendors shall be jointly and severally liable for 100% of the amounts payable in respect of any claim under clause 10 and any claim for any breach of a Warranty which has been excluded by Fujitsu, under the proviso to clause 8.1;
- (d) subject to (f) below, Fujitsu shall be liable for 100% of the amounts payable in respect of any claim for any breach of a Warranty which has been excluded by the Original Vendors under the proviso to clause 8.1;
- (e) the maximum aggregate amount which the Purchaser may recover from the Original Vendors is the total amount paid to the Original Vendors under this Deed; and
- (f) the maximum aggregate amount which the Purchaser may recover from Fujitsu is the total amount of the Fujitsu Purchase Price (excluding repayment of the Fujitsu Loan).

8.9 If the Purchaser bona fide believes that a breach of a Warranty referred to in clauses 8 or 10 has occurred or that it is entitled to claim the benefit of any of the indemnities in clauses 9, 10 or 12, it may deduct from any payments due to the Original Vendors under this Deed the amount it reasonably believes necessary to compensate it in relation to the same. The deducted amount shall be paid into a Victorian solicitors trust account and invested at 30 day call with an institution agreed between the parties to the dispute. The Purchaser shall be entitled to any interest earned on the deducted amount. Upon final determination of the dispute, the deducted amount shall be paid within 5 Business Days in accordance with the determination or as otherwise agreed between the parties. If any portion of the deducted amount is paid to an Original Vendor, the Purchaser shall pay a corresponding portion of the interest earned to that Original Vendor.

8.10 Right to Control Proceedings

- (a) The Vendors will not be liable to the Purchaser as a result of, or in connection with any of the following matters (collectively "Claims"):
 - (i) any threat, claim or action brought or made against the Company; or

- (ii) any dispute or disagreement between the Company and any third party;

unless:

- (iii) the Purchaser gives to the Vendors written notice (setting out reasonable details) of the Claim promptly after it becomes aware of the existence of the Claim ("the Notice"); and
- (iv) by written notice to the Purchaser given within 10 Business Days after receipt by it of the Notice, the Vendors have the right to take such actions as the Vendors may deem fit in relation to the Claim, acting reasonably, and without harming the continuing business (including its ability to defend or settle similar claims in respect of conduct of the Company's business after the Completion Date) and reputation of the Purchaser and the Company including the right to negotiate, defend and/or settle the claim and to recover the costs incurred in relation to the claim from any person on the condition that the Vendors indemnify the Purchaser and the Company to the Purchaser's reasonable satisfaction against the claim and against any costs, expenses, liabilities, penalties and fines which may be incurred by the Purchaser or the Company in conducting the claim.

(b) Where the Vendors take over the conduct and/or defence of any claim pursuant to this clause:

- (i) the costs of the claim shall be borne by the Vendors, except that the Purchaser must pay to the Vendors or must procure the payment by the Company to the Vendors of any specific costs recovered by the Purchaser or by the Company in connection with the claim, immediately upon receipt of those monies by the Purchaser or by the Company; and
- (ii) the Purchaser must, and must procure the Company and its directors to, give to the Vendors all such assistance as may be reasonably requested by the Vendors (but having due regard to and without harming the continuing business and reputation of the Purchaser and the Company) in connection with any Claims, including the execution by the Company and its directors of documents and including the supply by the Company and its directors of relevant

information, books and records of the Company promptly upon request.

8.11 Right to Control Globenet Claim

- (a) Notwithstanding the other provisions of clause 8 and in particular clause 8.10, but subject to sub-clauses (b) through (i) below, the Vendors will indemnify the Purchaser and keep it indemnified against all damages finally awarded against the Company or other amounts ordered to be paid by the Company, or amounts which the Company agrees, with the consent of the Vendors, to pay in final settlement, in respect of the Globenet Claim, including all legal costs and expenses on a full indemnity basis awarded against or incurred by the Company in connection with the Globenet Claim.
- (b) The Vendors shall have no liability to the Company under sub-clause (a) above unless at all times the Vendors control the Globenet Claim and any matters directly or indirectly related to the Globenet Claim in all respects, and for the purposes of this paragraph "control" includes negotiating, initiating, defending, counterclaiming and/or settling the Globenet Claim and recovering the costs incurred in relation to the Globenet Claim from any person. In the course of controlling the Globenet Claim, the Vendors shall act reasonably and without harming the continuing business and reputation of the Purchaser and the Company and will keep the Company and the Purchaser advised on a continuing basis of progress. Any final settlement of the Globenet Claim by the Vendors must take into account the cash flow needs of the Company and must be approved in advance by the Company, which approval must not be unreasonably withheld or delayed. If the Company refuses to approve a settlement which is otherwise obtainable by the Vendors, then the Vendors shall have no liability to the Company under clause (a) in excess of the amount of such settlement.
- (c) The Purchaser must pay to the Vendors or must procure the payment by the Company to the Vendors of any specific costs recovered by the Purchaser or by the Company in connection with the Globenet Claim, immediately upon receipt of those monies by the Purchaser or by the Company.
- (d) The Purchaser must give, and must procure the Company and the Company's directors and employees to give the Vendors all such assistance as may be reasonably requested by the Vendors (but having due regard to and without harming the continuing business and reputation

of the Purchaser and the Company) in connection with the Globenet Claim, including the execution by the Company and its directors of documents and including the supply by the Company and its directors and employees of relevant information, books and records of the Company promptly upon request.

- (e) Fujitsu shall be liable to the Purchaser for fifty percent (50%) of any amounts due and payable by the Vendors to the Purchaser under this clause 8.11 and such amounts shall be treated as a reduction of the balance of the Fujitsu Purchase Price owing under clause 6.1(d) and shall be deducted from that balance.
- (f) The Original Vendors other than Aspect Computing Pty Ltd "Aspect") shall be jointly and severally liable to the Purchaser for forty-three percent (43%) and Aspect shall be liable for seven percent (7%) of any amounts due and payable by the Vendors to the Purchaser under this clause 8.11 and such amounts shall be treated as a reduction of the price of any options referred to in clause 7 and shall be deducted from that price or those prices.
- (g) If the Globenet Claim has not been finally resolved prior to any final payment to Fujitsu of amounts owing under clause 6.1(d) (the "Fujitsu Final Payment"), representatives of the Company and Fujitsu shall meet to assess the likelihood that any amount will be required to be paid in respect of the Globenet Claim and what that amount may be, taking into account all the facts and circumstances then existing. If Fujitsu provides adequate assurances to the Company as to Fujitsu's ability to pay any amounts owing under this clause 8.11, the adequacy thereof being within the sole discretion of the Company, then the Fujitsu Final Payment shall be paid. In the event the Company does not agree that Fujitsu's assurances are adequate, the Company shall have the right to withhold and place in an interest bearing escrow account (with interest accruing to the benefit of Fujitsu) up to \$1,000,000 from the Fujitsu Final Payment until such time as the Globenet Claim is finally resolved.
- (h) If the Globenet Claim has not been finally resolved prior to any final payment to the Original Vendors of amounts owing under clause 7.7 (b)(i) (the "Original Vendors Final Payment"), representatives of the Company and the Original Vendors shall meet to assess the likelihood that any amount will be required to be paid in respect of the Globenet Claim and what that amount may be, taking into account all the facts and

circumstances then existing. If the Original Vendors provide adequate assurances to the Company as to the Original Vendors' ability to pay any amounts owing under this clause 8.11, the adequacy thereof being within the sole discretion of the Company, then the Original Vendors Final Payment shall be paid. In the event the Company does not agree that the Original Vendors' assurances are adequate, the Company shall have the right to withhold and place in an interest bearing escrow account (with interest accruing to the benefit of the Original Vendors) up to \$1,000,000 from the Original Vendors Final Payment until such time as the Globenet Claim is finally resolved.

- (i) The Purchaser acknowledges that the Company may be required to terminate its business relationship or dealings with certain customers of the Company as a result of the Globenet Claim. The Company and the Purchaser shall not be entitled to make any claim against the Vendors in respect of the Globenet Claim or any thing or matter related to the Globenet Claim, including but not limited to the loss of customers of the Company as a result of the Globenet Claim, except for any claim in respect of the liability referred to in paragraph (a) above.

9. INDEMNITY FOR BREACH OF WARRANTY

Subject to clause 8 and in particular clause 8.8, the Vendors indemnify and hold the Purchaser harmless from and against all liabilities, losses, damages, costs or expenses directly or indirectly incurred or suffered by the Purchaser as a result of the breach of any of the Warranties and from and against all actions, proceedings, claims or demands made against the Purchaser as a result of any such breach.

10. WARRANTIES BY THE ORIGINAL VENDORS

10.1 The Original Vendors represent and warrant to the Purchaser that as at Completion, the First Option Completion Date and the Second Option Completion Date:

- (a) they are and will be the registered holders and the Original Vendors or the beneficiaries of the Family Trust referred to after clause 69 of schedule 3, are and will be the sole and absolute beneficial owners of the Original Vendors Sale Shares, the First Tranche and the Second Tranche respectively free and clear of any Encumbrance; and

- (b) each of them has full power and authority to transfer the full legal and beneficial ownership to the Original Vendors Sale Shares, the First Tranche and Second Tranche to the Purchaser at Completion, the First Option Completion Date and Second Option Completion Date respectively; and
- (c) there will not be any agreement between the Company and any of the Original Vendors except for those previously approved in writing by the Purchaser.

10.2 The Original Vendors indemnify and hold the Purchaser harmless from and against all liabilities, losses, damages, costs or expenses directly or indirectly incurred by the Purchaser as a result of a breach of any of the warranties in clause 10.1 and from and against all actions, proceedings, claims or demands made against the Purchaser as a result of any such breach.

11. OBLIGATIONS OF THE VENDORS PENDING COMPLETION

The Vendors covenant that from the date of this Deed until Completion they will procure that the Company carries on the Business in the ordinary and normal course and that the Company does not.

- (a) allot or issue or agree to allot or issue any shares, or options or securities convertible into shares in the Company;
- (b) alter or agree to alter its memorandum or articles of association (apart from any amendments necessary to redeem the SRPS), or any material contract of the Company;
- (c) enter into or terminate (i) any contract otherwise than in the ordinary course of business or (ii) any agreement with Telstra regarding any dealership or other services without the prior consent of the Purchaser;
- (d) make any investment including the purchase or lease of plant, equipment or machinery without the prior consent of the Purchaser;
- (e) except in the ordinary course of business, employ any new person or except as required by law, terminate or alter the terms of employment or superannuation of or any other benefits payable to any of its employees;

- (f) dispose of, or agree to dispose of, or grant an option to purchase any interest in any material assets of the Company;
- (g) grant or agree to grant any security over any interest in any of the assets of the Company;
- (h) incur any expenditure or liability in excess of \$20,000 or commitment which has a duration of more than 12 months or any other commitment or liability otherwise than in the ordinary course of business without the prior written consent of the Purchaser; or
- (i) declare any dividend except for the purpose of redemption of the SRPS.

12. TAX INDEMNITY

- 12.1 The Vendors covenant that upon written notice by the Purchaser to do so, they shall pay to the Company (or as the Company directs) an amount equal to an and any liability of the Company to tax however arising under the Income Tax Assessment Act 1936 (the "Act") (including liability to make income tax instalment deductions or to pay withholding tax or tax arising from undistributed profits under Division 7 of Part HI or arising from capital gains under Part II-EIA of the Act), or to pay withholding tax or fringe benefits tax, land tax, sales tax, payroll tax, bank accounts debits tax, license fees, import duties, rates, royalties, stamp duty, financial institutions duty, superannuation guarantee charge or any other taxes, duties or charges which has been or is hereafter assessed or imposed by any government or statutory body (including fines, additional tax, interest or penalties) (collectively, "Taxation Liabilities" and individually, "Taxation Liability") in respect of any year of income up to and including the year ending 31 March 1995 or arising from the conduct of the Business or any other activities or transactions of the Company until Completion, which Tax Liability is not shown separately, referred to in the notes or adequately provided for in the Balance Sheet, subject to the notes and assumptions accompanying the Balance Sheet.
- 12.2 The receipt of a notice of assessment or what reasonably purports to be a notice of assessment (or notice of amended assessment) in writing and made or issued by or on behalf of the Commissioner of Taxation or other relevant revenue authority or body for the payment by the Company of any Taxation Liabilities shall be conclusive evidence for the

purposes of this Deed that the Company has those Taxation Liabilities.

- 12.3 The indemnity given by the Vendors pursuant to clause 12.1 shall extend to the reasonable costs and expenses incurred by the Company or the Purchaser in connection with any Taxation Liabilities including reasonable costs and expenses incurred as a result of any action taken at the request of any of the Vendors to appeal, compromise or dispute those Taxation Liabilities.
- 12.4 Subject to the Vendors complying with clause 12.1 and also to clause 12.3, if the Vendors wish to appeal, compromise or dispute any Taxation Liability in relation to the Company, the Purchaser shall procure that the Company takes all reasonable action and shall provide to the Vendors such information as they may reasonably require in connection with the action. The Purchaser shall procure that any reimbursement of any tax, duty, interest, additional tax, fine or penalty resulting from any such appeal, compromise or dispute or otherwise relating to any period prior to Completion is, upon receipt by the Company, paid to the person nominated by the Vendors.
- 12.5 Fujitsu shall be liable for 40% of the amounts payable by the Vendors pursuant to this clause 12 and the Original Vendors shall be liable for 60% of such payments and such amounts shall be treated as a reduction respectively of the Fujitsu Purchase Price and the price of the Original Vendor Sale Shares and (to the extent necessary) of the price of any Options referred to in Clause 7. The Original Vendors' liability to make payments pursuant to this clause 12 shall (in relation to one third of amounts payable by the Original Vendors pursuant to this clause 12) be suspended until the First Option Completion Date and be suspended to the Second Option Completion Date in relation to the remaining one third of amounts payable by the Original Vendors pursuant to this clause.

13. NON-COMPETITION

13.1 For the purposes of this clause:

- (a) "Restrained Business" means the business of providing local, domestic and international long distance, mobile, voice, data, facsimile, enhanced facsimile, calling card, prepaid card and debit card and ISDN carriage telecommunications services to business and residential customers through direct sales force, dealerships, agents, reservers, associations, affinity groups, direct marketing

and others and providing voicemail equipment to carriers, in Australia.

- (b) a "Restraint Period" means any of the following periods commencing on the Completion Date:
- (i) one year;
 - (ii) two years; and
 - (iii) three years; and
- (c) a "Restraint Area" means any one of the following States or Territories:
- (i) Victoria;
 - (ii) New South Wales;
 - (iii) Queensland;
 - (iv) Western Australia;
 - (v) South Australia;
 - (vi) Northern Territory;
 - (vii) Australian Capital Territory; and
 - (viii) Tasmania.

13.2 Without the prior written consent of the Purchaser, in consideration of the Purchaser agreeing to buy the Fujitsu Ordinary Shares and the Original Vendors Sale Shares and entering into the Options referred to in clause 7, each of the Vendors except Aspect Computing Pty Ltd and each of the Principals except Darren Peter Neville Slaney severally covenants that it shall not, and shall procure that any corporation which is a subsidiary of or controlled by it or in which it has relevant interest of 5% or more shall not, during any of the Restraint Periods conduct, carry on or promote on its own account, in partnership, joint venture or otherwise be engaged, concerned or interested in directly or through any interposed company, trust or partnership and whether as employee, trustee, principal, agent, shareholder, unitholder, independent contractor, consultant, adviser or in any other capacity, any Restrained Business operating in the Restraint Areas (other than (i) as an employee of the Company or (ii) as a shareholder or unitholder holding less than five per cent of the issued capital or units of a company or trust listed on the Australian Stock Exchange Limited or (iii) in the case of Fujitsu, as a supplier of

equipment or provider of services (other than as a reseller of telecommunications services) in the ordinary course of business, on an "arms length" basis).

13.3 On and from the Completion Date, each of the Vendors and each of the Principals severally covenants that during any of the Restraint Periods it:

- (a) shall not solicit, canvass or secure the custom of any person who is at the Completion Date, or was in the previous twelve months a customer of the Company in relation to the supply of services or equipment that form part of a Restrained Business save and except that in the case of Fujitsu, it is permitted to undertake the activities permitted in paragraph (iii) of clause 13.2;
- (b) other than as authorized in writing by the Company, shall not represent itself as being in any way connected with or interested in the Business or any business carried on from time to time by the Company and shall not use any of the trade marks or business names used or owned by the Company;
- (c) shall not, and shall ensure that its respective servants and agents do not, disclose to any person or persons, nor use to its or their advantage, or to the detriment of the Purchaser or the Company or Business, or cause to be so used or disclosed, the name of any customer or employee of or supplier to the Company, nor any of the trade secrets, operations, processes or dealings or any confidential information relating to the Company, its Organization, finances, transactions or affairs and shall, at all times, keep any such information confidential and shall ensure that its servants and agents do likewise;
- (d) shall not solicit, or attempt to solicit or entice away from the Company any of the employees of the Company or any other person who becomes an employee of the Company after the Completion Date; and
- (e) shall not employ any of the Principals or Senior Executives of the Company as set out in schedule 6.

13.4 Each of the restraints contained in clause 13 (resulting from the various combinations of the Restraint Periods and the Restraint Areas) constitutes and shall be construed as a separate, severable and independent provision from the other restraints (but cumulative in overall effect) as regards each of the Vendors and Principals severally and clause 19.4 shall apply to each of those restraints.

13.5 The Vendors and the Principals severally acknowledge, agree and declare that each of the restraints contained in clause 13.1 is reasonable in its scope and duration having regard to the interests of each party of this Deed and goes no further than is reasonably necessary to protect the Purchaser's interests as purchaser of the Shares.

13.6 The provisions of clauses 13.1 to 13.5 shall cease to apply to any Vendor upon any default by the Purchaser under this Deed in relation to that Vendor if such default has not been remedied within 20 Business Days of notice to do so.

14. PUBLIC ANNOUNCEMENT AND CONFIDENTIALITY

14.1 Subject to clause 14.2, no party to this Deed shall make or cause to be made any public announcement of, or in relation to, the sale and purchase of the Ordinary Shares including in relation to price without the prior written consent of each of the other parties except as required by law.

14.2 The Purchaser shall be entitled to disclose that Fujitsu is a shareholder in PTGI and that Fujitsu is an authorized dealer of the Company for such period as those circumstances exist.

14.3 The Purchaser will, to the extent reasonably practicable, maintain the confidentiality of any of the Company's information until Completion.

15. ACCESS

Until the Completion Date, the Vendors shall give the Purchaser or its representatives full and free access, during normal business hours, to the premises at which the Business is conducted and the Vendors shall make available to the Purchaser and its accountants and lawyers (free of charge), all relevant books, books of account, records, contracts, registers, and any other documents relating to the Company and the Business (including computerized information) as the Purchaser, its accountants or lawyers may reasonably request and the Purchaser its accountants or lawyers may take copies thereof.

16. STAMP DUTY AND EXPENSES

16.1 The Purchaser shall bear and be responsible for the payment of all and any stamp duty payable on or in respect of this Deed, the sale, purchase or transfer of the Ordinary Shares and the share mortgages referred to in clause 5.4.

16.2 Each party (and not the Company) shall bear and be responsible for its own legal and accounting costs and expenses in connection with the preparation, completion and carrying into effect of this Deed.

17. NO ASSIGNMENT

No party to this Deed shall assign or purport to assign its rights or obligations under this Deed, without the prior written consent of the other parties, which shall not be withheld in the case of an assignment of the Purchaser's rights and obligations to a wholly owned (directly or indirectly) subsidiary of PTGI, provided that the rights of the Vendors are not adversely affected.

18. NOTICES

18.1 Method of Giving Notices

A notice under this Deed must be signed, in the case of the Original Vendors, by Paul Keenan or Peter Rawling or such other person nominated in writing by the Original Vendors and in other cases by or on behalf of the person giving it and it must be addressed to the person to whom it is to be given and be:

- (a) delivered to that person's address; or
- (b) sent by pre-paid mail to that person's address; or
- (c) transmitted by facsimile to that person's address.

18.2 Time of Receipt

A notice given to a party in accordance with this clause is treated as having been given and received:

- (a) if delivered to a party's address, on the day of delivery if a business day in the place of receipt, otherwise on the next business day in that place;
- (b) if sent by pre-paid mail, on the tenth Business Day after posting; and
- (c) if transmitted by facsimile to a party's address and a correct and complete transmission report is received, on the next Business Day following the day of transmission.

18.3 Address of Parties

For the purpose of this clause the address of a party is the address set out below or another address of which that party may from time to time give notice to each other party:

In respect of Primus Telecommunications International, Inc.

Attention: Paul Singh
Address: C/-Primus Telecommunications Group,
Incorporated
8180 Greensboro Drive, Suite 1100
McLean, VA 22102
USA

Facsimile: (1) (703) 848-4641

With copy to: Julia Corelli
Pepper Hamilton & Scheetz
3000 Two Logan Square
18th and Arch Streets
Philadelphia Pennsylvania 19103-2799
USA

Facsimile: (1) (215) 981-4750

In respect of Fujitsu Australia Limited

Attention: The Company Secretary
Address: 475 Victoria Avenue
Chatswood 2067
New South Wales
Australia

Facsimile: (61) (2) 413-2871

In respect of the Original Vendors (other than Aspect Computing Pty Ltd) and the Principals

Attention: Paul Keenan
Address: C/-Axicorp Pty Limited
Level 4
468 St Kilda Road
Melbourne
Australia

Facsimile: (61) (3) 9866-3878

In respect of Aspect Computing Pty Ltd

Attention: The Company Secretary

Address: 551 Glenferrie Road
Hawthorn 3122
Victoria
Australia

Facsimile: (61) (3) 9818 1320

19. GENERAL

19.1 Waiver

The non-exercise of or delay in exercising any power or right of a party does not operate as a waiver of that power or right nor does any single exercise of a power or right preclude any other or further exercise of it or the exercise of any other power or right. A power or right may only be waived in writing signed by the party to be bound by the waiver.

19.2 Amendment

This Deed may only be amended or supplemented in writing, signed by the parties.

19.3 Attorneys

Each attorney who executes this Deed on behalf of a party declares that the attorney has no notice of the revocation or suspension of the power of attorney under the authority of which the attorney executes this Deed, and has no notice of the death of the grantor.

19.4 Severability

Any provision in this Deed which is invalid or unenforceable in any jurisdiction is to be read down for the purposes of that jurisdiction, if possible, so as to be valid and enforceable, and is otherwise capable of being severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of this Deed or affecting the validity or enforceability of that provision in any other jurisdiction.

19.5 Counterparts

This Deed may be executed in any number of counterparts and all of those counterparts taken together constitute one and the same instrument.

19.6 Liability of Parties

- (a) If two or more parties are included within the same defined term in this Deed a right given to those parties under this Deed is a right given severally to each of them; and
- (b) a representation, warranty, obligation or undertaking given or entered into by more than one party binds each of them jointly and severally.

19.7 Further Assurances

Each party shall do, sign, execute and deliver and shall procure that each of its employees and agents does, signs, executes and delivers, all deeds, documents, instruments and acts reasonably required of it or them by notice from another party to effectively carry out and give full effect to this Deed and the rights and obligations of the parties under it.

19.8 Time of the Essence

Time shall be of the essence of this Deed.

19.9 Default Interest

If a party fails to pay when due any moneys due under this Deed, the party shall pay interest on those moneys from and including the due date to the date of actual payment at the Prime Rate (calculated from time to time with reference to such successive periods and on such dates as the Vendors consider appropriate). Interest at that rate shall accrue from day to day, be calculated on the basis of the actual number of days elapsed and a 365 day year (including the first day of the period during which it accrues but excluding the last), be payable from time to time upon demand and be compounded at such intervals as the Vendors consider appropriate.

20. LAW AND JURISDICTION

20.1 Governing Law

This Deed is governed by the law in force in Victoria.

20.2 Submission to jurisdiction

The parties submit to the non-exclusive jurisdiction of the courts of Victoria and any courts which may hear appeals from those courts in respect of any proceedings in connection with this Deed.

21. WARRANTIES BY THE PURCHASER

21.1 In consideration of the Vendors agreeing to sell their shares, the Purchaser represents and warrants to the Vendors in the terms set out in clause 21.2 (the "Purchaser's Warranties"). The Purchaser's Warranties are continuing warranties and shall not merge on Completion but shall remain in full force and effect.

21.2 The Purchaser

- (a) The Purchaser is duly incorporated and validly existing under the laws of the State of Delaware and the Purchaser has full power and authority to own its property and assets and conduct its business.
- (b) The execution, delivery and performance of this Deed by the Purchaser which is a corporation has been duly and validly authorized by all necessary corporate action on its part and this Deed is a valid and binding Deed of the Purchaser enforceable in accordance with its terms.
- (c) The entering into this Deed by the Purchaser does not, and the transactions contemplated by it will not result in a breach of the memorandum or articles of association of the Purchaser or any Deed to which the Purchaser is party or by which the Purchaser or its business may be affected in any way.

22. MISCELLANEOUS

22.1 The Original Vendors acknowledge that following Completion the Purchaser may conduct the affairs of the Company in its own interests to the exclusion of the Original Vendors' interests and further acknowledge that no dividends may be paid on the Original Vendor Optioned Shares. The Original Vendors waive all statutory and common law remedies to which they may be entitled as members of the Company. The provisions of this clause shall cease to apply upon the default of the Purchaser if such default is not remedied within 20 Business Days after notice to do so.

22.2 The Purchaser shall procure the Company to employ the Principals (except for Darren Peter Neville Slaney, Christopher Con Lucas and George Diomedes Caravias) and the Principals shall accept employment with the Company as employees for a fixed period of 60 days after Completion on the basis that:

- (a) the current terms and conditions under which the personal services of those persons are made available to the Company shall apply to their employment, except

any term relating to the termination of employment on notice; and

- (b) if the Company does not offer a further contract of employment to any Principal before the determination of the fixed period of employment, that Principal shall cease to be employed by the Company and shall have no claim against the Company in respect of the cessation of his employment, except in respect of the balance (if any) of the 60 day period if the Purchaser terminates the employment prior to the end of the 60 day period.

22.3 The Purchaser shall procure the Company to engage Alta Telecommunications Pty Ltd and Alta Telecommunications Pty Ltd shall accept the engagement to provide the services of George Diomedes Caravias and Caravias shall provide his services as consultant for a fixed period of 60 days after Completion on the basis that:

- (a) the current terms and conditions under which the services of Caravias are made available to the Company shall apply to the engagement, except any term relating to the termination of the agreement on notice; and
- (b) Alta Telecommunications Pty Ltd and Caravias acknowledge that if the Company does not offer a contract of employment to Caravias within the fixed period of the agreement, the agreement for the provision of the consultancy services of Caravias shall cease and Alta Telecommunications Pty Ltd and Caravias shall have no claim against the Company in respect of the engagement under the agreement, except in respect of the balance (if any) of the 60 day period if the Purchaser terminates the engagement prior to the end of the 60 day period.

22.4 To the extent that any of the Principals shall have statutory rights against the Company in respect of the termination of employment which may not be excluded by agreement, each Original Vendor shall in respect of its Principal (if applicable) indemnify and hold the Purchaser harmless from and against all actions, proceedings, claims or demands made against the Company by that Principal.

EXECUTED as a deed.

SIGNED, SEALED and DELIVERED)
by NEIL HAZARD)
as duly appointed attorney for) (signed)
and on behalf of PRIMUS)
TELECOMMUNICATIONS)
INTERNATIONAL, INC in the) -----
presence of:) Attorney
Name (printed): Neil Hazard

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by George Diomedes Caravias as)
duly appointed attorney for and on)
behalf of ALTA) (signed)
TELECOMMUNICATIONS PTY)
LTD in the presence of:) -----
Attorney
Name (printed): George D
Caravias

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by George Diomedes Caravias as)
duly appointed attorney for and on)
behalf of ASPECT COMPUTING) (signed)
PTY LTD in the)
presence of:) -----
Attorney
Name (printed): Ian D
Farrington

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by George Peter Kapiniaris as)
duly appointed attorney for and on)
behalf of CCT AUSTRALIA) (signed)
PTY LTD in the)
presence of:) -----
Attorney
Name (printed): George P
Kapiniaris

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by Christopher Con Lucas as)
duly appointed attorney for and on)
behalf of CT CORPORATION) (signed)
PTY LTD in the)
presence of:)

Attorney
Name (printed): Christopher
C. Lucas

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by Paul Jeffrey Keenan as)
duly appointed attorney for and on)
behalf of WILLOWARE)
PTY LTD in the) (signed)
presence of:)

Attorney
Name (printed): Paul
Jeffrey Keenan

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by Peter Lloyd Rawling as)
duly appointed attorney for and on)
behalf of INCO) (signed)
PTY LTD in the)
presence of:)

Attorney
Name (printed): P. Rawling

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by Peter Edward Russell Slaney as)
duly appointed attorney for and on)
behalf of LPS INVESTMENTS) (signed)
PTY LTD in the)
presence of:)

Attorney
Name (printed): Peter E.R.
Slaney

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by Thiam Soon Sim as)
duly appointed attorney for and on)
behalf of SMNR CONSULTING) (signed)
PTY LTD in the)
presence of:)

Attorney
Name (printed): Thiam Soon
Sim

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED)
by Terence John Robertson as)
duly appointed attorney for and on)
behalf of FUJITSU AUSTRALIA) (signed)
LIMITED in the)
presence of:) -----
Attorney
Name (printed): Terence
John Robertson

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by GEORGE DIOMEDES CARAVIAS)
in the presence of:) -----
(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by PAUL JEFFREY KEENAN)
in the presence of:) -----
(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by THIAM SOON SIM)
in the presence of:) -----
(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by PETER LLOYD RAWLING AS DULY)
APPOINTED ATTORNEY FOR AND ON)
BEHALF OF DARREN PETER NEVILLE)
SLANEY in the presence of:) -----
(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by PETER EDWARD RUSSELL SLANEY)
in the presence of:) -----
(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by CAMPBELL COLIN BURNS)
in the presence of:) -----

(signed)

Witness
Name (printed): Andrew Neilson

SIGNED, SEALED and DELIVERED) (signed)
by CHRISTOPHER CON LUCAS)
in the presence of:) -----

(signed)

Witness
Name (printed): Andrew Neilson

SCHEDULE 1

(Recital A)

Shareholders of Axicorp Pty Ltd.

Shareholder/Vendor	Address	No. and Class of Shares Held	Principal
		Fully Paid Ordinary Shares of \$1.00 each	Special Cumulative Redeemable Preference Shares (fully paid) of \$1.00 each
ALTA TELECOMMUNICATIONS PTY LTD as trustee of the Caravias Family Trust	6 Union Street, Armdale, Victoria, 3143	12,000	60 George Diomedes Caravias
WILLOWWARE PTY LTD as trustee of the Keenan Family Trust	5 Dinsdale Court, Mooroolbark, Victoria, 3138	12,000	60 Paul Jeffrey Keenan
SMNR CONSULTING PTY LTD as trustee of the SMNR Family Trust	16 Highgate Grove, Ashburton, Victoria, 3147	12,000	60 Thiam Soon Sim
LPS INVESTMENTS PTY LTD as trustee of the Peter Slaney Family Trust	15 Killara Court, Werribee, Victoria, 3030	40,000	200 Peter Edward Russell Slaney
CCT AUSTRALIA PTY LTD as trustee of the Burns Family Trust	C/_ Hershan Serebro, Ground Floor, 377 Lonsdale Street, Melbourne, Victoria, 3001	40,000	200 Campbell Colin Burns
CT CORPORATION PTY LTD as Trustee of the Lucas Family Trust	10 Powlett Street, East Melbourne, Victoria, 3002	40,000	200 Christopher Con Lucas
ASPECT COMPUTING PTY LTD	551 Glenferrie Road, Hawthorn, Victoria, 3122	40,000	200 Nil
INCO PTY LTD as trustee of the Darren Slaney Family Trust	3 Stanley Street, Williamstown, Victoria, 3016	40,000	200 Darren Peter Neville Slaney
FUJITSU AUSTRALIA LIMITED	475 Victoria Avenue, Chatswood, New South Wales, 2067	354,000	Nil Nil

SCHEDULE 2

Axicorp Corporate Profile

Axicorp Pty Ltd

Incorporated in Victoria ACN 061 754 943

Authorized Capital:

\$10,000,000 divided into 10,000,000 Shares of \$1.00 each.

Issued Capital:

590,000 fully paid ordinary shares of \$1.00 each and 1,180 fully paid Special Cumulative Redeemable Preference Shares of \$1.00 each.

Directors:

P. Slaney
C. Burns
P. Robinson
S. Broad
N. Karasuda
N. Roach

Secretary:

P. Keenan

Public Officer:

P. Keenan

General Managers:

G.D. Caravias - General Manager Enhanced Services
P.J. Keenan - General Manager Finance and Administration
T.S. Sim - General Manager Operations
P.C. Burns - General Manager Sales and Marketing
C.C. Lucas - General Manager Mobile Services

Shares held in other companies:

10,000 fully paid ordinary shares of \$1.00 each in National Purchasing Corporation Limited.

SCHEDULE 3

Warranties

The Company

1. The Company is duly incorporated and validly existing under the laws of the State of Victoria and the Company has full power and authority to own its property and assets and conduct the Business.
2. The copy of the memorandum and articles of association of the Company, certified by its Secretary on the date of execution of this Deed, is and remains a true copy of the memorandum and articles of association of the Company.
3. To the knowledge of the Vendors, the minute books and other records of meetings or resolutions of shareholders or directors of the Company and any registers and other statutory records, books of account, trading and financial records, copies of taxation returns and all other documents, papers and records of the Company relating to its business activities, property or financial affairs are complete, true and accurate in all respects and have been prepared in accordance with applicable legal requirements.
4. Since incorporation of the Company, all returns, particulars, resolutions and other documents required to be delivered by the Company, under the Corporations Law or otherwise to the Australian Securities Commission, have been duly delivered.
5. Since the Balance Date, no dividend in respect of any issued shares in the Company has been declared or paid and since that date there has been no other distribution of property or assets to shareholders of the Company.
6. The Company has not granted any power of attorney otherwise than as is usual in the ordinary course of its business.
7. The Company is not a member of any partnership, joint venture or unincorporated association.
8. The Directors, Secretary, Public Officer and General Managers of the Company are as set out in schedule 2.
9. The authorized and issued share capital of the Company are as set out in schedule 2.

10. The Company does not hold or have any legal or beneficial interest in any shares in any other company (except for 10,000 fully paid ordinary shares of \$1.00 each in National Purchasing Corporation Limited) and has not contracted to take up or acquire any shares in any other company.
11. There is no agreement, arrangement or understanding to which the Company or any of the Vendors is a party which gives a right to any person upon a change in the management or control of or ownership of shares in the Company.

The Shares

12. The Original Vendors are the registered holders and the Original Vendors or the beneficiaries of the Family Trusts referred to after clause 69 are the sole and absolute beneficial owners of the number and class of shares in the capital of the Company set out in schedule 1 opposite their respective names, free and clear of any Encumbrance (except that all the SRPs will be redeemed on Completion).
- 12A. Fujitsu has full power and authority to transfer the full legal and beneficial ownership to the Fujitsu Ordinary Shares to the Purchaser at Completion.
13. Each of the Shares has been duly issued and allotted and in the case of an Ordinary share, is fully paid, and in the case of a SRP, is fully paid.
14. The Shares comprise the whole of the issued share capital of the Company (except that all the SRPs will be redeemed on Completion) and there are no securities on issue which are convertible into or exchangeable for shares in the Company.
15. There are no agreements in force pursuant to which any person is or may be entitled to or has the right to call for the issue of any shares in the Company or securities convertible into or exchangeable for shares in the Company nor has the Company given, granted or agreed to grant any option or right (whether contingent or not) in respect of its unissued shares.
16. There are no restrictions on transfer of the Shares under the articles of association of the Company which will not be complied with or waived at or prior to Completion.
17. No person is entitled to recover from the Company any fee, brokerage or commission in connection with the purchase or sale of the Shares.

This Deed

18. The execution, delivery and performance of this Deed by any Original Vendor which is a corporation has been duly and validly authorized by all necessary corporate action on its part and this Deed is a valid and binding agreement of the Original Vendors and each of them enforceable in accordance with its terms.
- 18A. The execution, delivery and performance of this Deed by Fujitsu has been duly and validly authorized by all necessary corporate action on its part and this Deed is a valid and binding Deed of Fujitsu enforceable in accordance with its terms.
19. The entering into this Deed by the Original Vendors does not, and the transactions contemplated by it will not:
- . result in a breach of the memorandum or articles of association of the Company or any of the Original Vendors, or any agreement to which the Company or any of the Original Vendors is party or by which the Company or the Business may be affected in any way;
 - . entitle any other party to an agreement or arrangement with the Company to terminate that agreement or arrangement earlier than it would otherwise have been terminable had this Deed not been entered into or the transactions not occurred; or
 - . entitle any person to require the adoption by the Company of terms less favorable to it than those subsisting prior to this Deed being entered into or the transactions occurring.
- 19A. The entering into this Deed by Fujitsu does not, and the transaction contemplated by it will not:
- . result in a breach of the memorandum or articles of association of the Company or Fujitsu, or any agreement to which the Company or Fujitsu is party or by which the Company or the Business may be affected in any way;
 - . entitle any other party to an agreement or arrangement with the Company to terminate that agreement or arrangement earlier than it would otherwise have been terminable had this Deed not been entered into or the transactions not occurred; or
 - . entitle any person to require the adoption by the Company of terms less favorable to it than those subsisting prior to this Deed being entered into or the transactions occurring.

19B Prior to Completion, the Vendors and their employees and agents have not engaged in any course of conduct or dealing which may have a material adverse effect on the contractual and other arrangements between the Company and Telstra or any parties to other material contracts with the Company.

Business and Assets

20. Since the Balance Date, the Business has been conducted in the ordinary and normal course and the Company conducts no business other than the Business.
21. The Company has good and marketable title to all its property and assets free from any Encumbrance and there is no agreement to give or create any Encumbrance and no claim has been made by any person to be entitled to any Encumbrance.
22. The property and assets of the Company comprise all the assets used in connection with or necessary for the continuing conduct of the Business (including the benefit of any contracts which are used by the Company in the Business).
23. All plant and equipment used in the conduct of the Business is in good repair and condition (normal wear and tear excepted) and the Company maintains a complete and accurate inventory of all assets having a purchase cost of more than \$1,000.
24. So far as the Vendors are aware, the Company has adequate product liability and public risk insurance and all of the property and assets of the Company which are tangible assets are insured for their full replacement value against fire and other risks normally insured against having regard to the customary practices applicable to the industry in which the respective business is conducted and nothing has been done or omitted to be done which would make any policy of insurance in respect of such property or assets or any of them, void or voidable.
25. To the best of the Vendor's knowledge, all receivables and debtors of the Company are good and collectable in the ordinary course of business except as provided for in the Balance Sheet.
26. Since the Balance Date, the Company has not disposed of, agreed to dispose of or granted any option to purchase any of its property or assets otherwise than in the ordinary course of its business.

27. To the knowledge of the Vendors, in respect of all inventions the subject of a registered patent or patent application, all trademarks and designs whether registered or unregistered, all business names and brands and all other trade secrets, know-how and confidential information used in connection with or required for the conduct of the Business, the Company has taken steps reasonably necessary to fully protect those industrial and intellectual property rights.
28. To the knowledge of the Vendors there are no users, licensees or parties with any other rights with respect to any patents or trade marks or business names of the Company.
29. To the knowledge of the Vendors the Company has not disclosed any of its trade secrets to any person other than the Purchaser except as required by law and except as disclosed in schedule 5 or the Disclosure Book.
30. AU documents which are necessary to establish the title of the Company to its property and assets are in the possession or under the control of the Company and all so far as the Vendors are aware have been duly stamped.
31. The Company has not entered into any long term, onerous or unusual contract nor any contract which is not on an arm's length basis and the Company has not given any guarantee.
32. Other than in the usual course of business, there are no outstanding offers, tenders or quotations given or made by the Company which are capable of giving rise to a contract by the unilateral act of a third party.
33. The Company has not entered into any off-set or other arrangement which requires, as a term or condition of the supply of goods or services by the Company, that the Company acquire goods or services from any other person (including a purchaser of goods or services from the Company).
34. Save as previously disclosed in writing to the Purchaser, the Company is not a lessee, licensee or tenant of any real property or party to any hire purchase, hiring, leasing or credit sale agreement and the Company has not entered into any factoring agreement.
35. Since 1 November 1995 to the date of this Deed there has been no change to the Company's arrangements with suppliers of goods or services to the Company, being a change which is materially adverse to the Company nor are the Vendors aware of a proposed change.
36. Since 1 November 1995 to the date of this Deed, no customer of the Company who acquires telecommunication services having a value in excess of \$25,000

per annum has terminated its arrangement with the Company or varied those arrangements in a manner which is materially adverse to the Company, nor are the Vendors aware of any proposed termination or variation.

37. Neither the Company nor any of the Company's officers, directors, agents or employees acting on the Company's behalf has unlawfully given, paid, offered to give or pay, promised to give or pay or authorized the gift or payment of any money or anything of material value to any supplier of goods or services to the Company (including Telstra and Optus Networks Pty Limited) or any purchaser of goods or services from the Company for the purpose of influencing that officer, director, agent or employee in respect of any decision concerning the Company or the Business or for the purpose of inducing such officer, director, agent or employee to assist the Company to obtain or retain any business.
38. There are no Agreements between the Company and any of the Vendors or Principals, except for those specified in schedule 5 or the Disclosure Book.
39. The Company is not party to any contract which entitles it to receive \$100,000 or more in any 12 month period or expose it to a liability to make payments of \$10,000 or more in any 12 month period, except for those specified in schedule 5 or the Disclosure Book.
40. There is no agreement, arrangement or understanding between the Company and National Purchasing Corporation Limited except as contained in the agreement dated 8 June 1994.
- 40A. The Company has reserved the right to cancel, change, add to or modify part or all of sales compensation provisions at any time. In cases where strict implementation of changes in sales compensation plan results in unfair or inequitable treatment for any individual, the Company at its discretion, may authorize an exception.
- 40B. The Company's in-house billing system is capable of directly billing all of the Company's Mobile, Telstra BCS and Optus customers, subject to the limitations disclosed in the Disclosure Book.

Accounts & Financial Position

41. The balance sheet and profit and loss statement of the Company as at Balance Date disclose a true and fair view of the state of affairs and the financial position of the Company as at that date and for the period ending on it (including full and adequate provision for all Taxation Liabilities) in accordance with all applicable laws and regulations, and the accounting policies and practices previously applied by the Company's external accountants are consistent with generally accepted accounting principles under the Australian

Accounting Standards, the Corporations Law and Corporations Regulations and other applicable legislation, subject only to the assumptions made in preparing them which assumptions are disclosed in schedule 5 or the Disclosure Book and which are consistent with assumptions applied to previous management accounts, except where stated.

42. The results disclosed in the profit and loss statements of the Company for the period from incorporation up to and including 20 December 1994 have not been affected (except as disclosed in those statements) by anything which renders any of those results unusually high or low.
- 42A. The results disclosed in the profit and loss statements of the Company for the period from 21 December 1994 up to Balance Date have not been affected (except as disclosed in those statements) by anything which renders any of those results unusually high or low.
43. To the knowledge of the Vendors, since Balance Date there has been no occurrence which has or will (either itself or together with any other occurrence) materially and adversely affect the value of the Shares, the financial position, profitability or prospects of the Company, the Business or any of its property or assets.
44. The Balance Sheet states all actual or contingent liabilities of or asserted against the Company (in its own right) which are required to be included in the Balance Sheet under generally accepted accounting principles under the Australian Accounting Standards, the Corporations Law and the Corporations Regulations and other applicable legislation. The Disclosure Book contains a list of all material contracts under which the Company may be liable. There are no actual or contingent liabilities of the Company which individually exceed \$10,000 or in aggregate exceed \$50,000 that are not either disclosed in the Balance Sheet or in schedule 5. Since the Balance Date, the Company has not incurred any actual or contingent liability (including contractual commitments) otherwise than in the ordinary course of business. The Company has no liability to Telstra in respect of any debts owed by customers to Telstra except as specifically disclosed in the Balance Sheet.
- 44A. As at Completion, the principal, interest and any other moneys owing to Fujitsu pursuant to the Fujitsu Loan will not exceed \$2,155,000 or such higher amount as maybe advanced to the Company by Fujitsu with the prior consent of the Purchaser.
45. The Company is not insolvent and no receiver or administrator has been appointed over any part of its property or assets and no such appointment has been threatened.

46. The Company is not in liquidation or official management and no proceedings have been brought or notice served for the purpose of liquidating the Company or placing it in official management.
47. All Taxation Liabilities of the Company will have been paid by the Company at Completion or adequately provided for by the Company and all returns in relation to all Taxation Liabilities have been duly lodged and filed and no dispute exists between the Company and any relevant authority with respect to any Taxation Liabilities.
48. All accumulated losses disclosed in the accounts of the Company at Balance Date are (subject only to the Purchaser satisfying the requirements of section 80E of the Act) allowable as deductions to the Company under the Act.
49. All assessable income derived by the Company in each year of income has been disclosed in the income tax returns filed by the Company and all deductions claimed in each of those returns were allowable deductions in the relevant year of income.
- 49A All assessable income derived on or after 21 December 1994 has been disclosed in the tax returns filed by the Company and all deductions claimed in respect of expenses incurred on or since 21 December 1994 were allowable deductions in the relevant year of income.
50. The books of account and other trading and financial records of the Company and the Business have been prepared and maintained in accordance with all applicable laws and regulations, and the accounting policies and practices previously applied by the Company's external accountants and consistent with generally accepted accounting principles under the Australian Accounting Standards, the Corporations Law and Corporations Regulations and other applicable legislation.
51. As at the Completion Date there will be no loan outstanding from the Company to any of its employees or shareholders (or vice versa).

Information

52. The Original Vendors have disclosed in writing (or caused to be disclosed in writing) to the Purchaser all information relating to the Shares, the Company and the Business and its property and assets which would be material for disclosure to an intending purchaser of the Shares. All such information (including information or documents provided under the "Access" clause of this Deed and the information appearing as Annexure 4) is complete, true and accurate in all material aspects and does not omit any material information.

- 52A So far as it is aware, Fujitsu has disclosed in writing (or caused to be disclosed in writing) to the Purchaser all information relating to the Shares, the Company and the Business and its property and assets which would be material for disclosure to an intending Purchaser of the Shares and all such information (including information or documents provided under the "Access" clause of this Deed and the information appearing as Annexure 4) is complete, true and accurate in all material aspects and does not omit any material information.
53. The information contained in the schedules (excluding schedule 1 in respect of the information relating to Fujitsu Australia Ltd and schedule 4) and recitals A, C, D, E, F and G to this Deed is complete, true and accurate in all respects.
- 53A The information contained in the schedules (excluding schedule 1 in respect of the information relating to the Original Vendors and schedule 4) and recitals B, C, D, E, F and G to this Deed is complete, true and accurate in all respects.

Litigation, compliance with laws, etc.

54. There is no unsatisfied judgment, order, arbitral award or decision of any Court, tribunal or arbitrator against the Company or any of its property or assets and there is no outstanding claim, demand, dispute, litigation, arbitration or prosecution to which the Company is party pending nor to the best of the knowledge and belief of the Vendors threatened against any of them.
55. The Company is not in default under its memorandum or articles of association or any statute or under any decree, order, rule, by-law or regulation of any government, statutory, municipal body or Organization having jurisdiction over any of them and the entering into this Deed will not result in a contravention of any of them.
56. The Company holds all licenses, permits, authorizations and consents required for the conduct of all aspects of the Business (including without limitation any class license issued under the Telecommunications Act) and all such licenses, permits, authorizations and consents are in full force and effect and are not liable to be revoked or not renewed and there are no circumstances or facts involving the Company or its affairs which are likely to result in the revocation of or variation in any material respect of such licenses, permits, authorizations and consents.
57. No license, permit, authorization or consent held by the Company will be liable to be terminated or varied in any material respect by reason of a change in the ownership of the Company.

58. The Vendors have no knowledge of any breach or unenforceability or invalidity of or grounds for rescission, avoidance or repudiation of any of the contracts, deeds or instruments to which the Company is a party.
59. To the best of the knowledge and belief of the Vendors there are no statutory or other notices restricting or prohibiting the carrying on of the Business in any way.

Employees

60. Full disclosure has been made to the Purchaser of the remuneration of each employee, director and consultant of the Company and the basis of that remuneration has not changed since the Balance Date except in the ordinary course of business.
61. There is not in existence any contract of employment with any employee of the Company (or any contract for the services of any person) which cannot be terminated by one month's notice or less or (where such a contract has not been reduced to writing) by reasonable notice, and in each case without giving rise to a claim for damage or compensation against the Company other than as provided for by statute. There are no written contracts of employment or for services, other than those whose terms have been included in writing in the Disclosure Book.
62. To the best of the knowledge and belief of the Vendors there is no threatened or pending dispute between the Company and any trade union or other similar Organization.
63. The entitlements of employees of the Company as disclosed in its accounts for long service leave, annual leave and sick leave are adequate and have been determined in accordance with prudent accounting practice and are not less than the employees' legal entitlements.
64. Since the Balance Date, no payment has been made or agreed to be made in respect of and the Company has no actual or contingent liability for the payment of any retiring allowance, superannuation, redundancy or termination benefit nor any other payment for loss of office or employment to any of the Directors or officers of the Company or to any employees or consultants of the Company except as required by statute.
65. The Company has made superannuation contributions as required by the Superannuation Guarantee Act 1992 and the Superannuation Guarantee (Administration) Act 1992 and has no liability under any superannuation trust deed or to any superannuation fund whether for contributions, lump sum or pension benefits or for any retiring or other allowance or deferred compensation

that it is not meeting in the ordinary course of business and there is no agreement between the Company and any person in relation to any such fund, contribution, benefit or allowance.

66. There are no actual, threatened or pending disputes relating to superannuation contributions made by the Company or the superannuation benefits to be provided to employees of the Company.
67. The Company has not been notified of any claim under workers compensation, WorkCare or equivalent legislation which is not fully covered by insurance or the WorkCare Compensation Scheme.
68. The Company does not have any employee share or option plan or profit sharing arrangements with employees and no loans have been made to any employee of the Company.

The Vendors

69. Each of Aspect Computing Pty Ltd and Fujitsu Australia Limited has entered into this Deed in its own right and not as trustee of any trust.

In the following Warranties, a reference to "Trustee" means Alta Telecommunications Pty Limited, Willoware Pty Limited, LPS Investments Pty Limited, CCT Australia Pty Limited, CT Corporation Pty Ltd, S@ Consulting Pty Ltd and Inco Pty Limited and a reference to "Fan-&y Trust" means the Caravias Family Trust (in relation to Alta Telecommunications Pty Limited), the Keenan Family Trust (in relation to Willoware Pty Limited), the Peter Slaney Family Trust (in relation to LPS Investments Pty Limited), the Burns Family Trust (in relation to CCT Australia Pty Limited), the Lucas Family Trust (in relation to CT Corporation Pty Ltd), the S@ Family Trust (in relation to SMNR Consulting Pty Ltd) and the Darren Slaney Family Trust (in relation to Inco Pty Limited).

70. The Trustee, in its capacity as trustee of the Family Trust, has the power under the trust deed which established the Family Trust (the "Trust Deed") to enter into this Deed and is duly authorized to do so.
71. The Trustee was duly appointed trustee of the Family Trust pursuant to the Trust Deed and the Family Trust was duly established on the date the Trust Deed bears.
72. The Trust Deed was duly executed and duly stamped and any amendment since its execution in no way affects the other representations and warranties made or given in this Deed nor the ability of the Trustee to perform its obligations under this Deed;

73. The Trustee is not in default under the terms of the Trust Deed and circumstances have not arisen which may lead to the removal of the Trustee as trustee of the Family Trust.
74. The Trustee has not been removed from the office of trustee or ceased to act and no additional trustee has been appointed.
75. The Trustee has the right to be indemnified out of the assets of the Trust Fund of the Family Trust in respect of all and any of its obligations and liabilities under this Deed.

SCHEDULE 4

Terms of the PTGI Convertible Preferred Stock Issue

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Primus Telecommunications Group, Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, at a meeting duly held adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation.

RESOLVED: that the Certificate of Incorporation of Primus Telecommunications Group, Incorporated be amended by changing the Fourth Article thereof so that, as amended, said Article shall be and read as follows:

4. Authorized Shares; Powers, Preferences and Rights.

4.1. Authorized Shares. The aggregate number of shares that the

Corporation shall have authority to issue shall be twelve million nine hundred ten thousand (12,910,000), ten million four hundred fifty-five thousand (10,455,000) of which shall be shares of common stock ("Common Stock"), par value \$.01 per share, four hundred fifty-five thousand (455,000) of which shall be shares of convertible preferred stock ("Series A Preferred Stock"), par value \$.01 per share and having such rights, designations, preferences and limitations as set forth in Section 4.2 hereof, and two million (2,000,000) of which shall be shares of preferred stock, par value \$.01 per share and having such rights, designations, preferences and limitations and such series and such number as designated by the board of directors of the corporation pursuant to the authority expressly granted hereby to the board of directors to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications; limitations or restrictions of certain series and number thereof which are permitted by Section 151 of the General Corporation Laws of the State of Delaware (or any successor provision thereto) in respect of any class or classes of stock or any series of any class of stock of the corporation.

4.2 Rights, Designations, Preferences and Limitations.

a. Dividends. Holders of Series A Preferred Stock shall be

entitled, as may be determined by the board of directors of the corporation, to receive dividends out of any funds legally available therefor when and as declared and in the same amounts as paid on Common Stock on a per share Common Stock equivalent basis based on the then effective conversion ratio of Series A Preferred Stock to Common Stock.

b. Liquidation. Upon any liquidation, dissolution or winding

up of the corporation the holders of outstanding shares of Series A Preferred Stock will be entitled to be paid out of the assets of the corporation before any distribution or payment is made upon the Common Stock or any other equity securities of the corporation ranking junior in liquidation to the Series A Preferred Stock, and pari passu with any other preference stock of the corporation, an amount in cash equal to the sum of \$0.01 per share, plus the amount of all accrued and unpaid dividends with respect to such share of Series A Preferred Stock, plus the amount that would be paid on such liquidation to the holders of Series A Preferred Stock if all such holders had, immediately prior to such liquidation, converted their shares of Series A Preferred Stock to shares of Common Stock (the "Liquidation Value"). If, upon any such liquidation, dissolution or winding up of the corporation, the corporation's assets to be distributed among the holders of the Series A Preferred Stock are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid pursuant to the preceding sentence, then the entire assets to be distributed will be distributed ratably among such holders based upon the aggregate Liquidation Value of the shares of Series A Preferred Stock held by each such holder. The corporation will mail written notice of such liquidation, dissolution or winding up, not less than 60 days prior to the effective date thereof to each record holder of Series A Preferred Stock.

c. Voting Rights. Except as provided otherwise herein or as

required by the General Corporation Law of Delaware, holders of Series A Preferred Stock shall not be entitled to vote either individually or as a single class with the holders of Common Stock; provided, however, that in the event

that the General Corporation Law of Delaware or any other applicable law should entitle the holders of Series A Preferred Stock to vote, the holders of Series Preferred Stock in a single class with holders of Series A Preferred Stock entitled to cast the number of votes that they would have were the Series A Preferred Stock to be converted into Common Stock prior to such vote, unless, however, the applicable law expressly requires a separate class vote.

d. Class Voting Rights. Holders of Series A Preferred Stock

shall vote as a separate class on, and the affirmative vote of a majority of the outstanding shares of Series A Preferred Stock shall be required to authorize, any action which would:

(1) in any manner authorize, create or issue any class or series of capital stock ranking, as to distribution of assets on liquidation, prior to the Series A Preferred Stock, or authorize, create or issue any shares of any class or series of any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having optional rights to purchase, any shares having any such priority over with the Series A Preferred Stock;

(2) in any manner alter or change the designation or the powers, preferences or rights, or the qualifications, limitations or restrictions of the Series A Preferred Stock;

(3) reclassify the shares of Common Stock, or any other shares of any class or series of capital stock hereafter created junior to the Series A Preferred Stock into shares of any class or series of capital stock ranking, s to distribution of assets on liquidation, prior to the Series A Preferred Stock.

(4) increase the aggregate number of Shares of Series A Preferred Stock which the corporation shall have the authority to issue.

e. Conversion into Common Stock.

(1) (i) Subject in all cases to the limitations set forth in this Section 4.2e., the holders of each share of Series A Preferred Stock shall have the right at any time following the Nonconversion Period to convert each such share of Series A Preferred Stock into one fully paid and nonassessable share of Common Stock or such number of shares of Common Stock as determined in accordance with clause (ii) of this Section 4.2e(1).

(ii) In case of any capital reorganization, reclassification, stock split, combination, or exchange of shares, or in the case of a merger or consolidation of the corporation with another entity (in the case of a merger, wherein the corporation is the surviving entity), each share of Series A Preferred Stock, after such reorganization, reclassification, stock split, combination, exchange of shares, merger or consolidation, shall be convertible into that kind and number of shares of Common Stock of the corporation or surviving corporation as to which such share of Series A Preferred Stock

had been converted into Common Stock immediately prior to any of those events.

(2) Upon the occurrence of a Mandatory Event of Conversion, all shares of Series A Preferred Stock then outstanding shall, by virtue of, and simultaneously with, the occurrence of the Mandatory Event of Conversion and without any action on the part of the holder thereof, automatically become shares of Common Stock; provided, however, that:

(i) upon the occurrence of a Mandatory Event of Conversion specified in clause (ii) or (iii) of the definition of "Mandatory Event of Conversion," shares of Series A Preferred Stock held by persons who are then listed in the corporation's records as Aliens shall only be converted to the extent there are Available Shares (as calculated as of the applicable Mandatory Event of Conversion). For purposes of this clause (i), Available Shares shall be divided among the Alien holders of Series A Preferred Stock ratably according to their respective Alien Percentage Interests. Shares of Series A Preferred Stock not converted due to insufficient Available Shares shall continue as shares of Series A Preferred Stock with all the rights, designations, preferences and limitations set forth herein and shall be converted when and as Available Shares become available; and

(ii) Upon the occurrence of the Mandatory Event of Conversion specified in clause (iv) of the definition thereof, only those shares of Series A Preferred Stock held by stockholders who did not approve the corporate action subject to vote (such non-assenting stockholders, the "Non-Assenting Stockholders"; stockholders who failed to vote their shares shall not be considered Non-Assenting Stockholders; shall be converted and, with respect to Non-Assenting Stockholders who are then listed in the corporation's records as Aliens ("Non-Assenting Aliens"), such shares shall only be converted to the extent there are Available Shares (as calculated as of the applicable Mandatory Event of Conversion). For purposes of this clause (ii), Available Shares shall be divided amount the Non-Assenting Aliens ratably in accordance with the proportion that their individual Alien Percentage Interest bears to the aggregate Alien Percentage Interests of all Non-Assenting Aliens. In the event that the number of Available Shares (as calculated as of the applicable Mandatory Event of Conversion) is less than the number of shares of Series A Preferred Stock held by Non-Assenting Aliens, the board of directors of the corporation may, in its discretion, waive, for purposes of this clause (ii) only, the Alien Percentage Limitation with respect to the shares held by the Non-Assenting Aliens. Should the board of directors of the corporation not waive the Alien Percentage Limitation in accordance with the foregoing sentence within thirty (30) days after the applicable Mandatory Event of Conversion, the

corporation shall have the right, for a period of one-hundred and twenty (120) days following the date of the applicable Mandatory Event of Conversion, at its option and to the extent there are funds of the corporation available therefor, to redeem the unconverted shares of Series A Preferred Stock held by Non-Assenting Aliens at ninety-five percent (95%) of the fair market value of such shares as determined by an independent appraiser selected by the board of directors and the Non-Assenting Aliens, which fair market value shall include the value of all accrued but unpaid dividends with respect to such shares. If the Board of Directors of the corporation and the Non-Assenting Aliens cannot agree upon a person to act as independent appraiser within thirty (30) days after the applicable Mandatory Event of Conversion, the board of directors shall request Deloitte & Touche to appoint an independent appraiser. In the event that the funds of the corporation are insufficient to redeem all the shares of Series A Preferred Stock of the Non-Assenting Aliens at such time, funds then available shall be distributed ratably among such Non-Assenting Aliens when and as they become available, and such redemption right shall continue until such time as the corporation's funds become available therefor; provided, however,

that if the redemption right is not exercised within six (6) months after the

determination of the fair market value, then at any time after the expiration of the six (6) month period either the corporation or the Non-Assenting Aliens shall be entitled to require a new determination of the fair market value of the shares of the Series A Preferred Stock.

(3) The holder of any shares of Series A Preferred Stock who is a Citizen may exercise the conversion right under Section 4.23(1) hereof with respect to all or any part of his shares of Series A Preferred Stock by delivering to the office of any transfer agent of the corporation for the Series A Preferred Stock, or to such other place as may be designated by the corporation, his certificates for the shares to be converted, duly endorsed or assigned in blank or to the corporation (if required by it), and a written notice stating the Citizen name or names (with address) in which the certificate(s) for the shares of Common Stock are to be issued.

(4) The holder of any shares of Series A Preferred Stock who is an Alien ("Alien Converting Stockholder") may exercise the conversion right under Section 4.2e(1) hereof, subject to the Alien Percentage Limitation, with respect to all or part of his shares of Series A Preferred Stock by following the procedures set forth in this Section 4.2e(4). Each Alien Converting Stockholder shall be entitled to convert that number of shares calculated by dividing the Available Shares, as calculated on the close of business of the last day of the 30-Day Period (as defined in clause (i) below), by the number resulting from the division of the Alien Percentage Interest of the

relevant Alien Converting Stockholder by the aggregate Alien Percentage Interests of all Alien Converting Stockholders.

(i) The Alien Converting Stockholder shall deliver to the corporation written notice of such holder's intent to convert. Such notice shall set forth the exact number of shares of Series A Preferred Stock which the holder owns, the number of shares of Series Preferred Stock the holder desires to convert and the present citizenship of the holder. Upon receipt of such notice, the corporation shall, in turn, send notice to all the record owners of Series A Preferred Stock (the "Conversion Notice") which Conversion Notice shall state (a) that the corporation has received notice of a stockholder's intent to convert and (b) the number of Available Shares which the corporation anticipates will be available for conversion. For a period of 30 days from the date of the Conversion Notice (the "30-Day Period"), the corporation shall not convert any shares of Series A Preferred Stock pursuant to this Section 4.2e(4).

(ii) Any other Alien holder of Series A Preferred Stock who also desires to have some or all of his shares of Series A Preferred Stock converted shall provide written notice to the corporation prior to the expiration of the 30-day Period of his intent to convert, the exact number of shares of Series A Preferred Stock which such holders owns, the number of shares of Series A Preferred Stock such holder desires to convert and the present citizenship of such holder.

(iii) Within five (5) days after the expiration of the 30-Day Period, the corporation shall provide notice to all Alien Converting Stockholders who or which deliver notices to convert under clauses (i) or (ii) of this Section 4.2e(4) during the applicable 30-Day Period of how many shares each such Alien Converting Stockholder is entitled to convert. Within ten (10) days after the Alien Converting Stockholder's receipt of such notice, the Alien Converting Stockholder must deliver to the office of any transfer agent of the corporation for the Series A Preferred Stock, or to such other place as may be designated by the corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the corporation (if required by it) and a written notice stating the name or names (with address) in which the certificate or certificates for the shares of Common Stock are to be issued.

(5) Conversion shall be deemed to have been effected (i) with respect to conversion effected pursuant to clause (3) or (4) above, on the date when the delivery of certificates is made and (ii) with respect to conversion effected pursuant to clause (2) above, on the date of occurrence of the Mandatory Event of Conversion.

(6) As promptly as practicable after conversion, the corporation shall issue and deliver to or upon the written order of the holder, to the place designated by such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled. The person in whose names the certificate or certificates for Common Stock are to be issued shall be deemed to have become a stockholder of record on the applicable Conversion Date unless the transfer books of the corporation are closed on that date, in which event he shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Series A Preferred Stock, surrendered for conversion, the corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the corporation, a new certificate covering the number of shares of Series A Preferred Stock, representing the unconverted portion of the certificate so surrendered.

(7) With respect to any conversion of Series A Preferred Stock pursuant to Section 4.2e(1) hereof, the calculation of the Alien Percentage Limitation shall be made by disregarding the Common Stock issuable upon conversion of other convertible securities issued by the corporation and outstanding at the time of the calculation.

f. Preemptive Rights

(1) Except with respect to Excluded Shares or as otherwise provided herein, in the event that (i) the corporation shall issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange, any shares of Common Stock or Convertible Securities (any such issuance, sale or exchange, an "Issuance"), and (ii) the corporation shall have granted preemptive rights in or to such Issuance to other holders of individual percentage equity interests in the corporation equal to or less than any of the individual equity percentage interests in the corporation of any of the holders of the Series A Preferred Stock (calculated on a Fully Diluted Basis), then the holders of Series A Preferred Stock with individual equity percentage interests equal to or greater than those individual equity percentage interests of holders of preemptive rights shall each be granted comparable preemptive rights in or to the Issuance.

g. Legends. Each share of Series A Preferred Stock shall bear a

legend on the face or back of the certificate representing such share either an accurate or complete summary of the powers, designations, preferences and other special rights of the Series A Preferred Stock set forth herein, or a statement that the corporation shall furnish without charge to each

stockholder who so requests, a copy of the powers, designations, preferences and other special rights of the Series Preferred Stock set forth herein.

h. Definitions. For purposes of this Section 4.2, the following terms shall have the following meanings:

"Alien" means any person, corporation, joint venture, association or other organization who or which is not a Citizen or Entity.

"Alien Percentage Interest" means, as to any Alien holder of Series A Preferred Stock, the percentage that the outstanding shares of Series A Preferred Stock then owned by such Alien stockholder is of the aggregate outstanding number of shares of Series A Preferred Stock then owned by all Alien Stockholders of Series A Preferred Stock.

"Alien Percentage Limitation" means, at any given time, that number of shares of Common Stock equal to five percent (5%) of all the issued and outstanding Common Stock of the corporation calculated on a Fully Diluted Basis.

"Available Shares" means that number of shares of Common Stock available for issuance on a given date to holders of Series Preferred Stock who are Aliens calculated by subtracting from the Alien Percentage Limitation that number of shares of Common Stock issued to Aliens on a Fully Diluted Basis (excluding the dilution which may be effected by the Series A Preferred Stock).

"Citizen" means any person (not controlled by or representing any (i) alien, (ii) foreign government, or (iii) corporation organized under the laws of a foreign country) who has obtained the status, whether through right of birth or naturalization, of citizenship of the United States and continues to possess such status as provided for under Title 8 United States Code Sections 1401 et seq. and 1421 et seq.

"Conversion Date" means with respect to a shares of Series A Preferred Stock the date on which conversion of the share into Common Stock is deemed to occur pursuant to Section 4.2e(5).

"Convertible Securities" means all debt instruments, securities or other equity interests (including the Series A Preferred Stock) convertible into or exchangeable for Common Stock other than Excluded Shares.

"Entity" means any corporation, joint venture, partnership, association or other organization organized under the laws of the United States, a state of the United States or

the District of Columbia, which corporation is not controlled directly or indirectly, by any other corporation of which any officer of more than one-fourth of the directors are aliens or of which more than one-fourth of the capital stock of such other corporation is owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof, or by any corporation organized under the laws of a foreign country.

"Excluded Shares" means, collectively:

(i) shares issued as a stock dividend;

(ii) shares of any class of the corporation's capital stock issued upon any subdivision, combination, stock split or reverse stock split of the entire class of such capital stock of the corporation;

(iii) any shares issued by the corporation pursuant to the acquisition by the corporation of any Person by means of merger, stock purchase, reorganization, purchase of substantially all the assets or otherwise in which the corporation, or its stockholders of record immediately prior to the effective date of such transaction, directly or indirectly, own at least a majority of the voting power of the acquired or resulting entity after such transaction;

(iv) any shares issued pursuant to underwritten public offering of the type described in clause (iii) of the definition of Mandatory Event of Conversion; and

(v) any shares issued or issuable upon the exercise of options, warrants or other rights to acquire shares of Common Stock or on the conversion or exchange of securities (including the Series A Preferred Stock) convertible into or exchangeable for Common Stock.

"Fully Diluted Basis" means, as of applicable time of calculation, the

number of shares of Common Stock that would be issued and outstanding if there were added to the number of issued and outstanding shares of Common Stock the number of shares of Common Stock then issuable upon the exercise of all outstanding, vested or unvested, warrants, options or other rights to acquire shares of Common Stock and on the conversion or exchange of all debt instruments and securities (including the Series A Preferred Stock) convertible into or exchangeable for Common Stock.

"Mandatory Event of Conversion" means the occurrence of any of the

following events:

(i) Both (A) the repeal or inapplicability to the corporation of the restrictions on alien Ownership set forth in Section 310(b) of the Communications Act of 1934 (47 U.S.C. 310(b), as amended) and any succeeding or comparable legislation and (B) the expiration of the Nonconversion Period.

(ii) consummation of the sale (A) of more than fifty percent (50%) of the capital stock of the corporation to a single purchaser or more than one related purchasers, (B) by K. Paul Singh of all of the capital stock of the corporation owned by him at the time of such sale, or (C) of substantially all of the assets of the corporation; provided, however, -----
that a merger of the corporation with another entity shall not be deemed a Mandatory Event of Conversion if the corporation is the surviving entity;

(iii) consummation of an underwritten public offering of more than twenty percent (20%) of the corporation's Common Stock registered under the Securities Act of 1933; or

(iv) the failure of a majority of the holders of Series A Preferred Stock to approve, ratify or otherwise consent to the corporate actions specified in Section 4.2d(1) or (3) hereof.

"Nonconversion Period" means, as to each share of Series A Preferred -----
Stock, the period of time ending March 1, 1998, during which period such share may not be converted into Common Stock.

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware and written notice of the adoption of the amendment has been given as provided in Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 and 228 of the General Corporation Law of the State of Delaware.

Secretary

SCHEDULE 5

Warranty Disclosures

SCHEDULE 5
WARRANTY DISCLOSURES

For the purposes of this Schedule, the 'Disclosure Book' comprises 8 arch lever files of disclosed material, the table of contents of which have been initialled by the parties upon signing this Deed for the purposes of identification.

SPECIFIC DISCLOSURES

- No. Item
1. Nil.
2. Nil.
3. Nil.
4. Nil.
5. Nil.
6. Nil.

7. Memberships

(a) Unincorporated Associations
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The Company is a member of the following trade associations:

SPAN Service Providers Action Network
ATUG Australian Telecommunications User Group
AIIA Australian Information Industry Association
SA Great
CEDA Committee for the Economic Development of Australia

(b) Joint Ventures
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(i) The Company:

has responded to Requests for Expression of interest and been short-listed by Queensland Transmission and Supply Corporation for the provision of telecommunications services to the people of Queensland including possible joint venture; has entered into discussions with Eastern Energy Ltd for, in the short term, a joint marketing arrangement and, in the long term, a potential joint venture for the resale of telecommunications services, power and other associated services, but has not at the date of this Agreement entered into any such joint venture, and

(ii) The Company has entered into a Marketing Representative Agreement dated 13/12/95 with Boston Technology, Inc. which is initially an agency agreement but in later phases may be regarded as a joint venture - see General Disclosure 7.

- 8. Nil.
- 9. Nil.
- 10. Nil.
- 11. See disclosures for Warranty 19 - second point of warranty 19 covers same issue as warranty 11.
See General Disclosure 11 - the loan arrangement could terminate upon sale of shares by Fujitsu but is not expected to do so, as long as supply arrangements remain in place for the Hewlett Packard K Class computer.
- 12. Encumbrances
The Encumbrances referred to in Clause 6.2(xii) in respect of charges given:
 - (a) by CCT Australia Pty Ltd to National Australia Bank Ltd and
 - (b) by Aspect Computing Pty Ltd to Westpac Banking Corporation.
- 12A. Nil.
- 13. Nil.
- 14. Nil.
- 15. Nil.
- 16. Nil.
- 17. Nil.
- 18. Nil.
- 18A. Nil.
- 19. (a) Optus - Reseller Agreement (Long Distance) dated 12 October 1994 between Optus Networks Pty Ltd and the Company
- (b) Telstra - Service Provider Agreement commencing 3 May 1995 between the Company and Telstra - Clause 16.2(m).
- (c) Premises Leases
 - (i) Lease dated 4/5/94 between the Company and Local Authorities Superannuation Board in respect of part premises at Level 4, 468 St. Kilda Road, Melbourne.
 - (ii) Draft Lease between the Company and Local Authorities Superannuation Board in respect of premises at Level 4, 468 St. Kilda Road, Melbourne (no executed or stamped).
 - (iii) Lease dated 29/5/95 between the Company and Local Authorities Superannuation Board in respect of premises at Level 5, 468 St. Kilda Road, Melbourne.
 - (iv) Lease dated 2/2/95 between the Company and Local Authorities Superannuation Board in respect of premises at Level 5, 468 St. Kilda Road, Melbourne.

- (v) Lease between the Company and Showa Shoji Aust. P/L in respect of premises at Level 4, Tower 32, Walker Street, North Sydney NSW
- (vi) Lease between the Company and TKC Services Pty Ltd in respect of premises at Level 13, 10 Eagle Street, Brisbane, Qld.
- (vii) Deed of Covenant dated 2/4/95 between the Company, TKC Services Pty Ltd and Australian Mutual Provident Society in respect of premises at Level 13, 10 Eagle Street, Brisbane, Qld.
- (viii) Sub-Lease between the Company, MSJ Services Pty Ltd and Australian City Properties Pty Ltd in respect of premises at Level 5, 225 St. Georges Terrace, Perth, WA.
- (d) Boston Technology, Inc - Marketing Representative Agreement dated 13/12/95 with BTI - see General Disclosure 7
- (e) Bank Guarantees issued by ANZ Bank, copies of which are contained in the Disclosure Book, resulting from normal review of banking arrangements following sale.

19A. See disclosure for warranty 19.

19B. See General Disclosure 4.

20. See General Disclosure 4.

21. (a) The Charge

(b) Deposits of \$58,083.60 lodged with Australia & New Zealand banking Group Ltd in relation to 4 bank guarantees, subject to irrevocable waivers to the ANZ Bank to appropriate and set-off the deposit funds to secure any amounts provided under the guarantees.

(c) Hire-purchase agreements and finance leases as set out in the Disclosure Book.

22. (a) Property and assets contemplated by capital expenditure provisions and provisions for new hire-purchase and leasing costs in the Company's financial projections and business cases, in the ordinary course of the Company's business.

(b) See General Disclosure 1 1.

23. Nil.

24. The Company does not have any product liability insurance.

The Company's insurance includes replacement provisions on the basis set out in the policy details contained in the Disclosure Book.

All the Company's policies include excess clauses that provide for the Company to pay part of any claim, usually \$500.

The Vendors are not aware of any "other risks normally insured against having regard to the normal practices applicable to the industry."

25. See General Disclosure 3. The Company has made provision of \$256,937 for doubtful debts in the Balance Sheet. This provision is a general provision by the Company, the level of which is regarded as fair and reasonable, and includes accounts where the Company has been advised by Telstra as being doubtful or requiring action. These accounts total \$160,271 and a schedule of them appears in the Disclosure Book.

26. See General Disclosure 1.
27. (a) Trademarks
The Company has applied to register as separate trade marks:
- its name;
- its name and logo; and
- its logo.
The Company has no advice and no opinion as to whether these applications will be successful.
- (b) Trade Secrets, Know-how and Information
Except to the extent that the Company has included a confidentiality obligation in its standard Agency Agreement and Contract of Employment, the Company has not taken formal steps to protect trade secrets, know-how and confidential information.
28. Nil.
29. Trade Secrets
(a) The Company conducted negotiations for a sale with AAP Telecommunications Ltd ('AAPT') from August to early November 1995, during which time AAPT undertook a formal due diligence investigation of the affairs of the Company.
- (b) The Company provided information regarding its business to Australian Mezzanine Investments Pty Ltd and to its associate Ferris Skrzynski & Associates Pty Ltd ('FSA') for the purpose of preparation of a valuation report on the Company for Fujitsu in October 1995.
- (c) The Company provided a set of financial projections to Telepacific Pty Ltd in about late October 1995 as part of initial discussions regarding a possible sale or investment in the Company.
30. Nil.
31. Long Term, Onerous or Unusual Contracts
(a) The contracts disclosed in sections 1, 2, 3, 8, 11, 12.4 to 12.7 (inclusive), 19, 20, 24, 25 and 28 of the Disclosure Book including the commission structures of the Company.
- (b) The arrangements with Globenet - see General Disclosure 4.
32. Outstanding Offers
See General Disclosure 1.
See paragraph (b) of the Disclosure for Warranty 7 in relation to outstanding offers, although the Company considers these positions not to be capable of unilateral acceptance by a third party.
33. All agreements with Telstra provide Telstra with the right to off-set any debts due by the company to Telstra against outstanding payments to the Company.
34. Hire, Hire Purchase & Leasing of Equipment
The Company has hire, hire purchase & leasing agreements for equipment as disclosed in section 19 of the Disclosure Book.
35. Supplier/Customer Changes
See General Disclosure 1.

- See General Disclosure 4.
36. See List of cancellations contained in Disclosure Book.
37. Nil.
38. (a) See General Disclosure 5.
(b) See General Disclosure 1 1.
(c) Dealership arrangement between Fujitsu and the Company, not reduced to writing See Disclosure Book.
39. Contracts entitling the Company to receive \$100,000 or more or liability of \$10,000 or more in 12 month period
(a) The contracts disclosed in sections 1 to 6 (inclusive), 8, 11, 12.4 to 12.7 (inclusive), 19, 20, 22, 24, 25 and 28 of the Disclosure Book including the commission structures of the Company.
(b) Any other contracts disclosed in the Disclosure Book, breach of which could expose the Company to damages exceeding \$10,000 or more.
(c) Dealership arrangement between Fujitsu and the Company, not reduced to writing.
- See also General Disclosure 4.
40. The Company is currently renegotiating the agreement with NPC but agreement has not been reached.
- 40A. (a) See Section 10 of Disclosure Book as to current commissions, etc.
(b) No specific provision is made in the Company's Employment Contract regarding right to vary commission, however the Company has in the past varied commissions unilaterally without incurring liability.
(c) The standard Agency Agreement provides in clause 10.1:
"The commission rates and method of payment may be varied by Axicorp, in its sole discretion, upon giving the Agent 30 days' notice in writing."
(d) The Company's standard Distributor Agreement does not contain the right to vary commission.
(e) The Company's standard Telephone Saving Plan Agreement does not contain the right to vary commission.
- 40B. See Disclosure Book.
41. See General Disclosure 6 & disclosure for warranty 47
42. Nil
- 42.A Nil
43. See General Disclosures 1, 2 & 4
44. (a) The material contracts of the Company are those contracts disclosed in the Disclosure Book
(b) See General Disclosure 3 & 6 & disclosure for warranty 47.
- 44A. Nil
45. Nil.
46. Nil.
47. (a) The Company's income tax return for the year ended 31/3/95 has not been lodged. It is expected to be lodged by 1/3/96. The Company paid

\$126,864.54 estimated tax on 4/9/95. Price Waterhouse has recommended a treatment of certain receipts of the Company that would reduce the initial estimate of assessable income of the Company, which if adopted would result in a refund of part or all of the estimated tax paid by the Company for the relevant year.

- (b) The Company's fringe benefits tax returns for the years ended 31/3/94 and 31/3/95 have not been lodged. They are expected to be lodged by 1/3/96. The Company has liability for fringe benefits tax for both years, of an estimated amount of \$90,000, which is provided in the Balance Sheet. The Company has not provided for interest and penalties for late lodgement.

48. See Price Waterhouse letter dated 23/2/96 in Disclosure Book.

49. Nil

49A. Nil

50. See disclosure for warranty 41.

51. Nil.

52. Material disclosed in this Schedule and in Disclosure Book, including Section 26

52A. Material disclosed in this Schedule and in Disclosure Book, including Section 26

53. In the case of Schedule 5:

- (a) Schedule 5 incorporates the Disclosure Book by reference so the Schedule is not complete to that extent;

- (b) Schedule 5 summarizes and interprets certain facts, matters and circumstances and is not complete to the extent that it does not contain the original data from which the summaries and interpretations were made.

53A. Same disclosure as for 53.

54. (a) Globenet - See General Disclosure 4.

- (b) Claim by Ms. Chrisant, an ex-employee of the Company, for wrongful change in earnings ability, made in August 1995. The Company's legal advisors have advised that a formal claim is now unlikely. Relevant correspondence is contained in the Disclosure Book.

- (c) Claim by members of the Greek Community for the Elderly disclosed in the Disclosure Book

55. Nil.

56. Nil.

57. Nil.

58. Except for General Disclosure 4, nil.

59. Nil, apart from standard notices issued from time to time by Austel affecting companies competing in the telecommunications industry generally.

60. (a) Subject to (b), the extent of disclosure is as contained in Personnel Details schedule contained in the Disclosure Book.

- (b) The employment contract of David Miller contains a bonus/incentive arrangement different to all other contracts - see details in Disclosure Book.

61. Employee Termination

The employment contracts of:

- David Miller
- Rod Morgan
- Laverne Turner

do not contain a provision for termination on notice - see Disclosure Book. The engagement of contractor Robert Curtis does not contain a provision for termination on notice but he is not considered by the Company to be an employee.

62. Nil.
63. The Company having been only incorporated since 17 September 1993, no provision has been made for long service leave.
64. Payment of 3 months redundancy to Tim McNamara in or about August 1995.
65. On 11/4/94, the Company agreed to be bound by the provisions of the Trust Deed (as amended) which constitutes the Bankers Trust Life Superannuation Trust for the BT Master Superannuation Fund, which has been varied by a Deed of Variation dated 1/5/95.
66. Nil.
67. No claim has been notified. However, the Company does not have any cover in excess of the relevant statutory schemes in the applicable States where such schemes apply or in excess of its existing cover, as set out in the Disclosure Book. Those schemes and insurances do not provide full cover against a claim.
68. Nil. There are no loans out to staff or agents of the Company, however there are commission advances due to timing differences in processing of payments and receipt of data from Telstra. The total advanced as at 31 December 1995 is \$72,794, with \$48,794 being created by the timing of processing through the Company's ledgers, and the remaining \$23,462 is due to data flow from Telstra.
69. Nil.
70. Nil.
71. Nil.
72. Nil.
73. Nil.
74. Nil.
75. Nil.

GENERAL DISCLOSURES

These disclosures potentially apply to more than one warranty and are disclosed on a general basis. Failure by a disclosure for a specific warranty to cross-refer to these General Disclosures does not prevent the disclosure in the General Disclosures from operating as a disclosure in respect of a specific warranty.

1. Telstra - Dealership
 - (a) In about December 1995, Telstra informed the Company that it was prepared to deal with an associated company of the Company in a dealership arrangement. On 8 January 1996, Auscorp was acquired by

shareholders Peter Slaney, Campbell Burns and Ravi Bhatia and was appointed as a dealer by Telstra. The Company and Auscorp have entered into the Auscorp Management Agreement.

- (b) On 8 January 1996, Auscorp and Telstra entered into the Telstra Solution Plus Dealer Agreement Fixed Network ("Dealer Agreement")
- (c) The Dealer Agreement requires that a dealer cannot be connected with a service provider after 31 July 1996 ("Resale Supply Cutoff Date").
- (d) As part of the dealership activities, Auscorp has procured that some of the Company's customers have been transferred to Telstra and that further customers of the Company will be transferred to Telstra. Auscorp will continue in the future to seek to procure further transfers. In consideration of procuring these transfers, Auscorp has received and will receive consideration from Telstra comprising a flat rate commission fee and a percentage commission for each transfer.
- (e) Outside the normal course of business, discussions are taking place with agents, associations and third party service providers with whom the Company currently conducts business regarding those parties conducting business with Auscorp.
- (f) Fees were paid to the Company by Auscorp in anticipation of execution of the Auscorp Management Agreement.
- (g) Auscorp can potentially trade under any tariff except SP 1 and perhaps other wholesale products.

In addition to this disclosure, the Company's relationship with Auscorp and Auscorp's obligations to Telstra have been fully discussed with the Purchaser to the Purchaser's satisfaction and the Auscorp Management Agreement was executed after its terms were fully discussed with the Purchaser.

2. Telstra - Tariff Changes

- (a) Telstra has advised of proposed tariff changes to take place early in 1996, which are currently being reviewed, and opposed by some industry groups.
- (b) Telstra has agreed to pay compensation to the Company for 2 months on loss of MSP 1 tariff based on January 1 1996 revenue, payable in February and March.

3. Bad & Doubtful Debts

(a) Telstra

The Company is the customer of Telstra and is liable pursuant to the BCS Tariffs for debts of the Company's customers to Telstra. Neither the Company nor Telstra has any system to recognize and quantify this contingent liability until it becomes actual. As a matter of practice, Telstra rarely calls upon the Company (or other service providers) to pay this liability. The Balance Sheet accordingly contains no provision for this unknown item. The Company has not expensed any bad debt provision to date in the profit & loss account of the Company.

Since January, the Company has been discussing debt management issues with Telstra, for the purpose of obtaining timely information (i.e., daily) to enable effective debt management. As of signing this Agreement, Telstra is unable to provide debtor information on a timely basis. Telstra has requested the Company to agree to a proposal of payment of an advance of funds to Telstra by the Company on behalf of the Company's clients, to lessen the financial exposure of Telstra to the Company's customers. Telstra has not quantified its request and the Company has rejected that request. Telstra and the Company are working on a joint debtor management plan on late payers and are continuing discussions on the issue of late payments.

(b) General

The Company assumes a doubtful debt provision rate of 0.25% of overall billings to cover any bad debts which may be incurred. This policy was determined as appropriate at a Board meeting on 24/8/95 and is currently scheduled to be reviewed on a regular basis. The doubtful debt provision in the Balance Sheet includes actual doubtful debts of \$148,000 identified by Telstra. The Vendors shall be liable for warranty claims in respect of any excess over this provision on claims by Telstra in respect of the Company's customers. The Company shall not be liable for any actual bad debts of other customers of the Company in excess of the doubtful debt provision of 0.25% on the basis that the provision is fair & reasonable and that there has not been a charge to the provision to date.

4. Globenet Pty Ltd ('Globenet')/AAP Telecommunications Pty Ltd ('AAPT')
The Company was informed by Globenet in late December 1995 that AAPT (a competitor of the Company) had acquired all the share capital of Globenet so that Globenet had become a fully owned subsidiary of AAPT. Letters dated 30/1/96 from Clayton Utz have alleged breach of agreement and given notice of termination. Inter alia, the Company denies the existence of the alleged agreement and, if the agreement exists, denies breaching it. The Company, AAPT and Globenet representatives have held meetings and are continuing discussions to attempt to settle upon the basis of an ongoing relationship and to avoid litigation.

The Company's relationship with Globenet is unstable and the future course of the relationship is uncertain. The Vendors do not make any representation that:

- the Company's relationship with Globenet will continue,
- Globenet will not purport to terminate the alleged agreement, there will not be a loss of customers introduced to the Company by Globenet, or Globenet will introduce further customers to the Company, litigation will not occur between the Company and Globenet and/or AAPT or that if it does occur, that it can be successfully defended.

The above disclosure is made for the purpose of clarification only. The Company, the Vendors and the Purchaser acknowledge that in relationship to the Globenet Claim, their respective positions are fully dealt with by Clause 8.11 of this Deed and the Purchaser acknowledges that it has no claim for breach of or any of the warranties in relation to the Globenet Claim.

5. Related Party Transactions

- (a) Slaney Software Pty Ltd (of which Darren Slaney is principal) has from time to time provided consulting services for the development of billing systems. No present arrangement exists for the provision of these services.
- (b) Services Agreement between the Company and CT Corporation Pty. Ltd. dated 24 November 1995
- (c) Services Agreement between the Company and Alta Telecommunications Pty. Ltd. dated 1 June 1995
- (d) Loan Agreement with Fujitsu Australia United dated 22 December 1994
- (e) Management Agreement with Ultrasys dated 22 December 1994
- (f) Supply of products and services by Fujitsu and its subsidiaries from time to time in the ordinary course of business

NB. Contracts in points (b) to (e) are to be terminated at or prior to Completion so warranty does not apply to them as at Completion.

6. The Balance Sheet is prepared upon the basis of assumptions and best estimates as to revenue and operating costs available at the last date of review, 9 February 1996. Revenue information is not received from Telstra until approx. 6 weeks after the end of each month and had not been received at the date of preparation of the Balance Sheet. The assumptions made in making these estimates have been applied consistently with previous management accounts of the Company. The Balance Sheet discloses a true and fair view of the state of affairs and the financial position of the Company to the extent possible having regard to this limitation.

The financial statements of the Company as at 31 March 1995 contained in the Disclosure Book are made out fully in accordance with applicable Australian Accounting Standards, the Corporations Law and Corporations Regulations so they contain disclosures and other financial information (such as total lease expenditure contracted for at balance date but not provided for in the accounts) that have not been included in the Balance Sheet. The Balance Sheet consists of only information that has been consistently included in the general ledger of the Company in interim monthly statements. As the Balance Sheet and other Accounts as at 31 December 1995 have been based on estimates, they have not been made out in full accordance with those standards and laws.

7. Boston Technology, Inc ("BTI")

Under a Marketing Representative Agreement dated 13/12/95, BTI and the Company have agreed for the Company to become marketing representative of BTI and thereby obtain certain marketing rights to certain of BTI's voice messaging and information processing equipment and related software. Liability to BTI under this agreement is as set out or contemplated therein. Under the agreement, BTI can terminate if there is a change in ownership. A letter from BTI confirming their approval of change in ownership has been requested.

8. Pulse Communications Pty Ltd (Nikki Penny)
Nikki Penny ceased employment with the Company on 1 October 1995 and became an Agent for the Company trading through her company Pulse Communications Pty Ltd ('Pulse'). At the time of her resignation, she owed \$1,754.40 to the Company for commission advances. In addition, it was agreed that a guarantee of \$7,500 income to Pulse for the first six months, which ceases in March 1996.
9. Southtel Communications
Southtel Communications is a regional Distributor operating in country New South Wales. Payment arrangements with Southtel are non-standard and exceed \$10,000 per annum. The principal of Southtel was a former consultant of the Sydney branch of the Company. These payments effectively amount to a retainer for one year. Subsequent nonperformance by the Distributor is likely to lead to termination after the 1 year retainer expires.
10. Loxley Public Company Ltd (a Thai corporation)
There have been discussions with Loxley regarding payphones in Australia, in which Loxley require a non compete period of 18 months. No commitment or agreement has been made and negotiations are continuing.
11. Billing System - Computer
The Company has on loan from Co-Cam Computer Systems (a subsidiary of Fujitsu Australia Ltd) a Hewlett Packard G Class computer, while awaiting delivery of a Hewlett Packard K Class computer which is expected for delivery in February 1996. The computer is necessary to the billing system of the Company. Purchase cost of approx \$1 00,000 is included in the Company's capital expenditure budget.
12. There are arrangements in place for organizations which act as agents for the Company, however formal contracts are not currently place. These are:

JR Allied Communications
R. Burns
The Kingstone Group
Newhurst Management.

SCHEDULE 6

Executives of Axicorp Pty Ltd

(clause 13.3(e))

David Jenkins
Graham O'Shanessy
Peter Jaffe
Mark Smedley
Tim Tovey
Sue Cornelissen
Lorraine Sebastian
Rod Morgan
Gary Redmond
Rob Usenich

SCHEDULE 7

Proxy
(clause 5.2(c)(x))

AXICORP PTY LTD

A.C.N. 005 083 670
(the "Company")

[Vendor Company] [ACN] of (the "Vendor Company") being a member of the Company hereby (subject to paragraphs 1 and 2) irrevocably appoints the Chairman of the meeting or, in his absence, any partner of Blake Dawson Waldron as proxy to vote on behalf of the Vendor Company at any general meeting of the Company and at any adjournment of that meeting.

1. This proxy will terminate on the earlier to occur of:

(a) the Vendor Company ceasing to be the registered owner of all of its Ordinary Shares in the Company; or

(b) 30 June 2001.

2. If Primus Telecommunications International Inc. defaults in payment of the price payable to the Vendor Company in respect of any of the Options referred to in clause 7 of the Share Acquisition Deed dated [] March 1996, and Primus Telecommunications International Inc. has failed to remedy the default within one month of notice in writing by the Vendor Company, then this proxy will be revocable by the Vendor Company after that one month.

Dated this day of March 1996

SIGNED, SEALED and DELIVERED by)
)
as duly appointed attorney for and on).....
behalf of [the Vendor Company] in) Attorney
the presence of:) Name (printed):

.....
Witness
Name (printed):

ASPECT COMPUTING PTY LTD ACN 005 083 670

ALTA TELECOMMUNICATIONS PTY LTD as trustee of the Caravias Family Trust ACN 067
270 375

CCT AUSTRALIA PTY LTD as trustee of the Bums Family Trust ACN 006 955 111

CT CORPORATION PTY LTD as trustee of the Lucas Family Trust ACN 062 380 803

WILLOWARE PTY LTD as trustee of the Keenan Family Trust ACN 065 497 458

INCO PTY LTD as trustee of the Darren Slaney Family Trust ACN 066 926 403

LPS INVESTMENTS PTY LTD as trustee of the Peter Slaney Family Trust ACN 066 926
494

SMNR CONSULTING PTY LTD as trustee of the SMNR Trust ACN 062 871 381

FUJITSU AUSTRALIA LIMITED ACN 001 011 427

and

AXICORP MY LTD ACN 061 754 943

DEED TERMINATING SHAREHOLDERS AGREEMENT

BLAKE DAWSON WALDRON
Solicitors
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 9679 3000
Fax: (03) 9679 3111
DX: 187
File Ref: JWLA:337889

DEED made 1 March 1996.

BETWEEN:

- (1) The Shareholders of AXICORP PTY LIMITED ACN 061 754 943 as set out in schedule I (who are collectively referred to in this Deed as the "Shareholders" and individually as a "Shareholder"); and
- (2) AXICORP PTY LIMITED ACN 061 754 943 (the "Company").

RECITALS

- A. The Shareholders and the Company are parties to a Shareholders Agreement dated 22 December 1994 (the "Shareholders Agreement").
- B. The Shareholders and the Company wish to terminate that Shareholders Agreement in the manner set out in this Deed.

THE PARTIES AGREE AND DECLARE AS FOLLOWS:

1. INTERPRETATION

Clause I of the Share Acquisition Deed between Primus Telecommunications International, Inc and the Shareholders and the persons listed in schedule 2 to this Deed executed on or about 1 March 1996 (the "Share Acquisition Deed"), shall apply to this Deed, unless the context otherwise requires.

2. TERMINATION OF SHAREHOLDERS AGREEMENT

- 2.1 The Shareholders and the Company agree to terminate the Shareholders Agreement as from Completion as defined in the Share Acquisition Deed.
- 2.2 The Shareholders release the Company, with effect from Completion, from any obligations or liabilities which may have accrued prior to Completion.

3. GENERAL

Clause 19 of the Share Acquisition Deed shall apply to this Deed, unless the context otherwise requires.

4. LAW AND JURISDICTION

4.1 Governing Law

This Deed is governed by the law in force in Victoria.

SIGNED, SEALED AND DELIVERED)
by George Peter Kapiniaris)
as duly appointed)
attorney for and on behalf of CCT) (Signed)
AUSTRALIA PTY LTD in the)
presence of:) Attorney
(Signed)) Name (printed): GEORGE
.....) KAPINIARIS
Witness
Name (printed):PETER RAWLING

SIGNED, SEALED and DELIVERED)
by Christopher Con Lucas as duly)
appointed attorney for and on)
behalf of CT CORPORATION PTY) (Signed)
LTD in the presence of:)
(Signed)) Attorney
.....) Name (printed): CHRISTOPHER
Witness) LUCAS
Name (printed):PETER RAWLING

SIGNED, SEALED and DELIVERED)
by Paul Jeffrey Keenan as duly)
appointed attorney for and on)
on behalf of WILLOWARE PTY LTD) (Signed)
in the presence of:)
(Signed)) Attorney
.....) Name (printed): PAUL J KEENAN
Witness)
Name (printed):PETER RAWLING

SIGNED, SEALED and DELIVERED)
by Darren Peter Neville Slaney)
Peter Lloyd Rawling as duly)
appointed attorney for and on) (Signed)
on behalf of INCO PTY LTD in the)
presence of:) Attorney
(Signed)) Name (printed): PETER LLOYD
.....) RAWLING
Witness
Name (printed): GEORGE D
CARIVIAS

SIGNED, SEALED and DELIVERED)
by Darren Peter Neville Slaney as)
duly appointed attorney for and)
on behalf of LPS INVESTMENTS PTY)
LTD in the presence of:)

(Signed)
.....
Witness
Name (printed):PETER L
RAWLING

(Signed)
.....
Attorney
Name (printed): PETER E R
SLANEY

SIGNED, SEALED and DELIVERED)
by Thiam Soon Sim as duly)
appointed attorney for and on)
behalf of SMNR CONSULTING)
PTY LTD in the presence of:)
(Signed))

.....
Witness
Name (printed):PETER L
RAWLING

(Signed)
.....
Name (printed): THIAM SOON
SIM

SIGNED, SEALED and DELIVERED)
by Terence John Robertson as duly)
appointed attorney for and on)
behalf of FUJITSU AUSTRALIA)
LIMITED in the presence of:)

(Signed)
.....
Witness
Name (printed): G DALAL

(Signed)
.....
Attorney
Name (printed): Terence John
Robertson

SCHEDULE 1

Aspect Computing Pty Ltd	ACN	005	083	670
Alta Telecommunications Pty Ltd as trustee of the Caravias Family Trust	ACN	067	270	375
CCT Australia Pty Ltd as trustee of the Burns Family Trust	ACN	006	955	111
CT Corporation Pty Ltd as trustee of the Lucas Family Trust	ACN	062	380	803
Willoware Pty Ltd as trustee of the Keenan Family Trust	ACN	065	497	458
Inco Pty Ltd as trustee of the Darren Slaney Family Trust	ACN	066	926	403
LPS Investments Pty Ltd as trustee of the Peter Slaney Family Trust	ACN	066	926	494
SMNR Consulting Pty Ltd as trustee of the SMNR Trust	ACN	062	871	381
Fujitsu Australia Limited	ACN	001	011	427

SCHEDULE 2

George Diomedes Caravias
 Paul Jeffrey Keenan
 Thiam Soon Sim
 Darren Peter Neville Slaney
 Peter Edward Russell Slaney
 Campbell Colin Burns
 Christopher Con Lucas

1 March 1996

AXICORP PTY LTD
ACN 061 754 943

and

ULTRASYS PTY LTD
ACN 067 581 613

DEED TERMINATING MANAGEMENT AGREEMENT

BLAKE DAWSON WALDRON
Solicitors
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 9679 3000
Fax: (03) 9679 3111
DX: 187
File Ref: JWLA:337889

DEED made 1 March 1996.

BETWEEN:

- (1) AXICORP PTY LIMITED ACN 061 754 943 ("Axicorp"); and
- (2) ULTRASYS PTY LIMITED ACN 067 581 613 ("Ultrasys").

RECITALS

- A. Axicorp and Ultrasys are parties to a Management Agreement dated 22 December 1994 (the "Management Agreement").
- B. Axicorp and Ultrasys wish to terminate the Management Agreement in the manner set out in this Deed.

THE PARTIES AGREE AND DECLARE AS FOLLOWS:

1. INTERPRETATION

Clause 1 of the Share Acquisition Deed between Primus Telecommunications International, Inc. and the shareholders of Axicorp listed in schedule 1 to this Deed and the persons listed in schedule 2 to this Deed executed on or about 1 March 1996 (the "Share Acquisition Deed") shall apply to this Deed, unless the context otherwise requires.

2. TERMINATION OF MANAGEMENT AGREEMENT

Axicorp and Ultrasys agree to terminate the Management Agreement with effect from Completion as defined in the Share Acquisition Deed.

3. RELEASE OF AXICORP BY ULTRASYS

- 3.1 Ultrasys releases and forever discharges Axicorp, with effect from Completion, from any obligations or liabilities in connection with the Management Agreement which may have accrued prior to Completion.
- 3.2 Without limiting the generality of clause 3.1, Ultrasys irrevocably waives any rights it may have had under clause 5.4 of the Management Agreement.

4. INDEMNITY OF AXICORP BY ULTRASYS

Ultrasys will indemnify and keep indemnified Axicorp, its directors, employees and agents from any cause of action, cost, claim or demand whatsoever present or future which any person claiming to have an interest in, or claiming on behalf of, Ultrasys, may now have or at any time hereafter may have or but for the execution of this Deed might have had against Axicorp,

its directors, employees and agents arising out of or in any way connected with the operation of the Management Agreement.

5. GENERAL

Clause 19 of the Share Acquisition Deed shall apply to this Deed, unless the context otherwise requires.

6. LAW AND JURISDICTION

6.1 Governing Law

This Deed is governed by the law in force in Victoria.

6.2 Submission to Jurisdiction

The parties submit to the non-exclusive jurisdiction of the courts of Victoria and any courts which may hear appeals from those courts in respect of any proceedings in connection with this Deed.

EXECUTED as a Deed.

SIGNED, SEALED AND DELIVERED)
by PAUL JEFFREY KEENAN)
as duly appointed attorney for and)
on behalf of AXICORP PTY LTD in) (Signed)
the presence of:)
.....

(Signed) Name (printed): PAUL JEFFREY
..... KEENAN
Witness
Name (printed):PETER L RAWLING

SIGNED, SEALED AND DELIVERED)
by CHRISTOPHER CON LUCAS)
as duly appointed attorney for and)
on behalf of ULTRASYS PTY LTD in) (Signed)
the presence of:)
.....

(Signed) Name (printed):CHRISTOPHER
..... CON LUCAS
Name (printed):PETER L RAWLING

SCHEDULE 1

Aspect Computing Pty Ltd	ACN 005 083 670
Alta Telecommunications Pty Ltd as trustee of the Caravias Family Trust	ACN 067 270 375
CCT Australia Pty Ltd as trustee of the Burns Family Trust	ACN 006 955 111
CT Corporation Pty Ltd as trustee of the Lucas Family Trust	ACN 062 380 803
Willoware Pty Ltd as trustee of the Keenan Family Trust	ACN 065 497 458
Inco Pty Ltd as trustee of the Darren Slaney Family Trust	ACN 066 926 403
LPS Investments Pty Ltd as trustee of the Peter Slaney Family Trust	ACN 066 926 494
SMNR Consulting Pty Ltd as trustee of the SMNR Trust	ACN 062 871 381
Fujitsu Australia Limited	ACN 001 011 427

SCHEDULE 2

George Diomedes Caravias
 Paul Jeffrey Keenan
 Thiam Soon Sim
 Peter Edward Russell Slaney
 Darren Peter Neville Blaney
 Campbell Colin Burns
 Christopher Con Lucas

1 March 1996

FUJITSU AUSTRALIA LIMITED
and
AXICORP PTY LIMITED

DEED OF RELEASE OF SECURITY

BLAKE DAWSON WALDRON
Solicitors
Level 39
101 Collins Street
Melbourne Vic 3000
Tel: (03) 9679 3000
Fax: (03) 9679 3111
Ref: JWLA 337889

DEED OF RELEASE OF SECURITY

TABLE OF CONTENTS

Clause	Page
1. INTERPRETATION.....	1
1.1 Definitions.....	1
1.2 General.....	1
1.3 Headings.....	2
2. RELEASE.....	2
3. LAW AND JURISDICTION.....	2
3.1 Governing Law.....	2
3.2 Submission to Jurisdiction.....	2
4. GENERAL.....	3
4.1 Counterparts.....	3
4.2 Execution by Chargee Only.....	3
4.3 Attorneys.....	3

DEED OF RELEASE made 1 March 1996

BETWEEN:

- (1) FUJITSU AUSTRALIA LIMITED A.C.N. 001 011 427 (the "Chargee"); and
- (2) AXICORP PTY LIMITED A.C.N. 061 754 943 (the "Chargor").

RECITALS:

- A. The Chargor has given in favour of the Chargee the Charge.
- B. The Chargee has agreed to release the Charge in accordance with this deed.

THE PARTIES AGREE AND DECLARE AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

In this deed, unless the context otherwise requires:

"Charge" means the fixed and floating charge dated 22 December 1994 between the Chargor and the Chargee;

"Charged Property" means all the property charged by the Charge;

"Government Agency" means a government or government department, a governmental, semi-governmental or judicial person or a person (whether autonomous or not) charged with the administration of any applicable law;

"Secured Moneys" means all money secured to the Chargee under the Charge; and

"Tax" means any present or future tax, levy, impost, deduction, charge, duty, compulsory loan or withholding (together with any related interest, penalty, fine or expense in connection with any of them) levied or imposed by any Government Agency, other than any imposed on overall net income.

1.2 General

In this deed, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, trust, state or government and vice versa;

- (c) a reference to any gender includes all genders;
- (d) a reference to a recital, clause or schedule is to a recital, clause or schedule of or to this deed;
- (e) a schedule forms part of this deed;
- (f) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, restated or replaced from time to time;
- (g) a reference to any party to this deed or any other document or arrangement includes that party's executors, administrators, substitutes, successors and permitted assigns; and
- (h) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning.

1.3 Headings

In this deed, headings are for convenience of reference only and do not affect interpretation.

2. RELEASE

The Chargee:

- (a) acknowledges that it has received payment in full of all the Secured Moneys;
- (b) discharges the Charge and releases all the Charged Property; and
- (c) releases the Chargor from all claims which the Chargee may otherwise have against the Chargor under or in relation to the Charge.

3. LAW AND JURISDICTION

3.1 Governing Law

This deed is governed by the law in force in Victoria.

3.2 Submission to Jurisdiction

The parties submit to the non-exclusive jurisdiction of the courts of Victoria and any courts that may hear appeals from those courts in respect of any proceedings in connection with this deed.

4. GENERAL

4.1 Counterparts

This deed may be executed in any number of counterparts and all of those counterparts taken together constitute one and the same instrument.

4.2 Execution by Chargee Only

This deed is binding on the Chargee whether or not it is executed by the Chargor.

4.3 Attorneys

Each attorney who executes this deed on behalf of a party declares that the attorney has no notice of the revocation or suspension by the grantor or in any manner of the power of attorney under the authority of which the attorney executes this deed.

EXECUTED as a deed.

SIGNED, SEALED AND DELIVERED)
for and on behalf of FUJITSU)
)
AUSTRALIA LIMITED by its duly)
appointed attorney under a power)
of)
attorney in the presence of:

Witness
Name (printed):

(Signed)
.....
.....
Witness
Name (printed):

SIGNED, SEALED AND DELIVERED)
for and on behalf of AXICORP PTY)
)
LIMITED by its duly appointed)
)
attorney under a power of attorney in)
)
the presence of:

(Signed)
.....
.....

(Signed)

Attorney

Name (printed): TERENCE JOHN
ROBERTSON

Date of Power of Attorney:

(Signed)

Attorney

Name (printed): PAUL J KEENAN

Date of Power of Attorney:

SCHEDULE 12

Auscorp Management Agreement

DATED:

BETWEEN:

AXICORP PTY. LTD.

AND

ULTIMATE COMMUNICATIONS (AUSTRALIA) PTY. LTD.
(to be renamed AUSCORP TELECOMMUNICATIONS PTY. LTD.),

MANAGEMENT AGREEMENT

-6-

MANAGEMENT AGREEMENT
TABLE OF CONTENTS

Clause	Page
RECITALS.....	3
1. DEFINITIONS AND INTERPRETATIONS.....	3
1.1 Definitions.....	3
1.2 Interpretation.....	4
2. DUTIES OF THE MANAGEMENT COMPANY.....	4
2.1 Appointment.....	4
2.2 Functions of the Management Company.....	4
2.3 Standard of Conduct.....	5
2.4 Books and Records.....	6
2.5 Executives.....	6
2.6 Review of Executives.....	6
2.7 Ownership of Business Property.....	6
2.8 No Authority to Enter Contracts.....	6
2.9 Requirements of Dealer Agreement.....	7
3. FEES AND REIMBURSEMENT OF COSTS TO THE MANAGEMENT COMPANY.....	7
3.1 Management Fees.....	7
3.2 Payment of Management Fee.....	7
4. TERM AND TERMINATION.....	8
4.1 Term.....	8
4.2 Termination.....	8
4.3 Preservation of Rights.....	8
5. NOTICES.....	8
6. NO ASSIGNMENT.....	9
7. MISCELLANEOUS.....	9
7.1 Further Assurances.....	9
7.2 Governing Law.....	9
7.3 No Revocation of Power of Attorney.....	9
7.4 Counterparts.....	9
7.5 Amendment.....	9
7.6 Waiver.....	10
7.7 Severance.....	10
7.8 Enurement.....	10
7.9 Stamp Duty and Legal Costs.....	10

MANAGEMENT AGREEMENT

THIS AGREEMENT is made

BETWEEN

AXICORP PTY. LTD. A.C.N. 061 754 943, a company incorporated in Victoria and having its registered office at Level 4, 468 St Kilda Road, Melbourne, Victoria ("Management Company")

AND ULTIMATE COMMUNICATIONS (AUSTRALIA) PTY. LTD. (to be renamed AUSCORP TELECOMMUNICATIONS PTY. LTD.), A.C.N. 072 365 747, a company incorporated in Victoria and having its registered office therein at c/o Price Waterhouse, 125 Spring Street, Melbourne, Victoria ("Auscorp")

RECITALS:

- A. Auscorp has entered into a Dealer Agreement with Telstra.
- B. Auscorp has agreed to appoint the Management Company to provide it with the majority of facilities and services it requires and in consideration pay a Management Fee to that company.
- C. The Management Company has agreed to provide services in return for the fees set out in this Agreement.

THIS AGREEMENT WITNESSES:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this Agreement, unless the context otherwise requires:-
"Board" means the Board of Directors of Auscorp;

"Business" means the business of Auscorp from time to time and includes the business of operating as a Telstra Solution Plus Dealer;

"Business Property" means all plant and equipment, confidential information, proprietary software, and all other property now owned or leased or hereinafter developed or acquired by Auscorp and in respect of leased property means the interest of Auscorp as lessee therein;

"Dealer Agreement" means the Fixed Network Solution Plus Dealer Agreement dated on or about 8 January 1996 between Auscorp and Telstra Corporation Limited (A.C.N.051 775 556);

"Executives" means the senior executives whose services are to be procured by the Management Company and provided to Auscorp pursuant to this Agreement;

"Management Fee" means the fee payable by Auscorp to Management Company for management services to be provided by the Management Company to Auscorp;

"Operations" means all Business operations and activities of Auscorp;

"Parties" means the parties to this Agreement and "Party" means any one of them.

1.2 Interpretation

- (a) The singular number shall include the plural and vice versa, and the neuter gender shall include the masculine and feminine genders and vice versa and a reference to a person includes a company, corporation and unincorporated association.
- (b) References to currency herein are references to the currencies of Australia unless otherwise expressly stated.
- (c) The headings have been inserted for convenience only and should not be used to construe the meaning of any provision, and do not form part of this Agreement.
- (d) Unless otherwise stated, references to Clauses, sub-clauses, paragraphs, sub-paragraphs, Schedules and Annexures herein are references to Clauses, sub-clauses, paragraphs, sub-paragraphs, Schedules and Annexures to, this Agreement.
- (e) If any time period referred to in this Agreement expires on a day other than a Business Day, then such period shall be deemed to be extended to the first Business Day after such day.
- (f) Reference to any statute herein shall include a reference to that statute as amended, modified or replaced and include all orders, ordinances, regulations, rules and by-laws made under or pursuant thereto.

2. DUTIES OF THE MANAGEMENT COMPANY

2.1 Appointment

The Management Company shall procure and shall provide to Auscorp the services of the Executives in roles to be agreed from time to time to manage, supervise and conduct the Operations under the control of and in accordance with the instructions that the Executives may from time to time receive from the Board.

2.2 Functions of the Management Company

Subject to the directions at all times of the Board, the Management Company shall be responsible for ensuring that Auscorp, or where appropriate the Management Company, undertakes, does and carries out directly or through such agents, consultants or other independent contractors all

acts and things it may deem necessary or advisable for the carrying out of the Operations. In particular but without limiting the foregoing, the Management Company shall manage the following on behalf of Auscorp:-

- (a) the expansion of the revenue of Auscorp
- (b) the conduct of the Operations;
- (c) the maintenance, operation and protection of the Business Property and any other property or assets of Auscorp from time to time in connection with the Operations;
- (d) the acquisition of any necessary materials, supplies, machinery, equipment and services in connection with the Operations;
- (e) the application for, obtaining and maintenance of any necessary governmental approvals, licenses, leases or consents in relation to the Business;
- (f) the management of labour and supervision of the obtaining of such management, technical, craft and labour personnel including without limitation such sales and marketing personnel, engineers, financial and accounting personnel and other employees as the Executives may deem necessary or advisable;
- (g) the procuring for the purposes of the Business of such experts and consultants as may be necessary;
- (h) the preparation and filing of reports, statements or returns with respect to the operations required by the Board or required by law to be filed;
- (i) the securing and maintaining of such insurances in connection with the Operations, the Business Property or any property or assets of Auscorp for such amounts as the Board may determine as adequate and reasonable, including the recovery of risk of personal injury or death of employees and the risk of fire and as to other risks as the Board may determine;
- (j) the complying with all laws applicable to the Operations including particularly but without limitation all laws relating to workers' compensation;
- (k) the maintenance of full and accurate accounts of all business transactions entered into by Auscorp in connection with the Operations;
- (l) the establishment and maintenance of asset registers in such form as may be required by the Board;
- (m) the payment of rentals, expenses, payments, charges, rates and taxes (apart from income tax), payable in connection with the Operations or the Business Property;

2.3 Standard of Conduct

The Management Company shall carry out their responsibilities described hereunder in a good, workmanlike and commercially reasonable manner and in accordance with prudent sales and marketing, processing, procurement and purchasing methods, procedures and practices and with the standard of diligence and care normally exercised by adequately qualified and experienced persons in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken.

2.4 Books and Records

The Management Company shall keep and maintain proper records relating to and ensure that Auscorp and its activities hereunder. Adequate books of account and accounting records shall be maintained in accordance with accounting procedures required by the Board

2.5 Executives

The Management Company shall provide to Auscorp the services of Executives from time to time requested of it by the Board as desirable to be employed in Business activities.

Any proposed appointee to positions with Auscorp shall be selected by the Management Company.

2.6 Review of Executives

Any appointee to positions with Auscorp may be reviewed from time to time by the Board in the context of their performance in relation to Business activities. If the Board after considering its review decides that the performance of any Executive has not been satisfactory, the Board shall inform the Management Company of the specific areas of dissatisfaction with performance and the Management Company shall cause the Executive to comply with the specific performance expectations of the Board within a further period of 1 month failing which that Executive shall not be engaged further in executive activities in relation to the Operations and, if the Board so requests, shall be replaced by another appointee as soon thereafter as is practicable but not later than 3 months.

2.7 Ownership of Business Property

The Management Company agrees with Auscorp that the Management Company does not have and shall not at any future time have any legal or beneficial ownership or other interest in any Business Property.

2.8 No Authority to Enter Contracts

Other than as specified under this Agreement, the Management Company shall not have authority to act for or assume any obligation or liability on behalf of Auscorp and the Management Company shall indemnify and hold Auscorp and its respective successors and assigns, directors, officers and employees, except the Executives, harmless from and indemnified against all claims, demands, costs, charges, damages and expenses arising out of any act or assumption of any obligation or liability of the Management Company purported to be done or undertaken on behalf of Auscorp. In particular, without limiting the foregoing, the Management Company shall ensure that :-

- (a) The Executives shall not allow any contracts or obligations in the conduct of the Operations to be entered into the name of the Management Company or of any company other than Auscorp.
- (b) The Executives shall ensure that in all material dealings involving any Business Property, all third parties are informed that such Business Property is not the property of the Management Company but is the property of Auscorp and shall ensure that all public registers on which Business Property is recorded and all transfer or other documentation relating to Business Property includes a notation about the ownership of Auscorp.
- (c) The Management Company shall keep any Business Property that may come into its custody from time to time separate from any property owned legally or beneficially by the Management Company.

2.9 Requirements of Dealer Agreement

- (a) Both parties will use their best endeavours to ensure that no breach of paragraphs 1.3 or 1.5(a) of Schedule 1 of the Dealer Agreement will arise on or after the Resale Supply Cut Off Date (as defined in the Dealer Agreement) as a result of either the composition of the board of directors or shareholding of the Management Company and Auscorp, or any other matter.
- (b) If in the reasonable opinion of the parties it is desirable to obtain the written approval of Telstra Corporation Ltd referred to in paragraph 1.5 of Schedule 1 of the Dealer Agreement prior to the Resale Supply Cut-off Date, Auscorp shall use its best endeavours to do so.

3. FEES AND REIMBURSEMENT OF COSTS TO THE MANAGEMENT COMPANY

3.1 Management Fees

In consideration of the services to be rendered by the Management Company pursuant to this Agreement, Auscorp shall pay the Management Company the Management Fee as set out in Schedule 1.

3.2 Payment of Management Fee

Subject to any express agreement to the contrary, the fee shall be payable monthly in arrears.

4. TERM AND TERMINATION

4.1 Term

Subject to the provisions of this Clause 4 (particularly 4.2), the Management Company is engaged to provide the management services for the period from 8 January 1996 to the termination of the Dealer Agreement.

4.2 Termination

The continuing engagement of the Management Company shall be subject to termination by the Board upon the happening of any of the following, unless the Board otherwise decides:

- (a) if the Management Company is wound up involuntarily or compulsorily (except for the purpose of reconstruction or amalgamation);
- (b) if the Dealer Agreement is terminated.

4.3 Preservation of Rights

Any termination of this Agreement or of the engagement of the Management Company shall be without prejudice to any Party's other rights and remedies which may otherwise be available for breach of any of the provisions of this Agreement.

5. NOTICES

5.1 Any notice, consent, offer, demand, request or other instrument or communication required or permitted to be given under or pursuant to this Agreement is to be in writing and may be delivered or sent by facsimile or prepaid registered mail as follows:-

If to the Management Company to:

Axicorp Pty Limited
Level 4, 468 St Kilda Road
Melbourne VIC 3004
Attention : Managing Director
Facsimile No. 613 9804 5067

If to Auscorp to:
Ultimate Communication (Australia) Pty Ltd
(to be renamed Auscorp Telecommunications Pty Ltd),
c/o Price Waterhouse 1 25 Spring Street
Melbourne Victoria
Attention :Ken Warburton
Facsimile No. 613 9666 6444

or to such other address as the recipient will have previously notified to the sender. Any communication sent by post is deemed to have been received on the 2nd Business Day following the date of posting and any communication sent by facsimile is deemed to have been received at 10:00 am (recipient's local time) on the next Business Day following the date of despatch provided that in the case of a facsimile transmission if:

- (a) the transmission has not been completed;
 - (b) the sender's machine indicates a malfunction in transmission; or
 - (c) the recipient notifies the sender of an incomplete transmission by 10:00 a.m. (recipient's local time) on the next Business Day following the date of despatch,
- the facsimile transmission is deemed not to have been given or made.

5.2 Any Party may change the address to which such notices, requests, demands or communications are to be directed to it by giving written notice to the other Parties in the manner specified in this Clause.

6. NO ASSIGNMENT

The Management Company shall not be entitled to assign its rights or obligations hereunder without the prior approval of the Board.

7. MISCELLANEOUS

7.1 Further Assurances

Each of the Parties agrees that it will make, execute and do all such acts, assurances, agreements and things as may be reasonably required of it for the purposes of giving effect to this Agreement.

7.2 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Victoria and each Party hereby submits to the non-exclusive jurisdiction of the Courts of or exercising jurisdiction in that State.

7.3 No Revocation of Power of Attorney

Each attorney who has signed, sealed and delivered this instrument on behalf of a Party hereby states he has no

notice of revocation of the Power of Attorney by authority of which he has signed sealed and delivered this instrument.

7.4 Counterparts

This Agreement may be executed in any number of counterparts. All of such Counterparts taken together are deemed to constitute one instrument.

7.5 Amendment

This Agreement may only be amended or varied by agreement in writing between the Parties.

7.6 Waiver

No waiver of any provisions of this Agreement nor consent to any departure therefrom by any of the Parties shall be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given. No failure or delay on the part of any of the Parties in exercising any rights, powers or privileges hereunder shall operate as a waiver thereof nor of any other right hereunder nor shall the single exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

7.7 Severance

If any term, clause or provision of this Agreement shall be deemed or judged to be invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other term, clause or provision of this Agreement and this Agreement shall be constituted as if such invalid term, clause or provision had never been contained herein provided that this clause shall not apply where it could be reasonably expected that a Party would not have entered into this Agreement if the invalid clause, term or provision was not originally included in this Agreement.

7.8 Enurement

This Agreement shall be binding upon and inure to the benefit of the Parties and (unless such interpretation shall be repugnant to the sense or context hereof) their respective successors, representatives and permitted assigns.

7.9 Stamp Duty and Legal Costs

The legal costs and disbursements incurred in the preparation and execution of this Agreement and any stamp duty properly payable in respect of this Agreement or the transactions contemplated hereby shall be treated as an expense of the Business.

EXECUTED as an agreement

THE COMMON SEAL of
AXICORP PTY LTD
was hereunto affixed in
accordance with its Articles
of Association in the
presence of:

Director

Director/Secretary

[Name - block letters]

[Name - block letters]

THE COMMON SEAL of
ULTIMATE COMMUNICATIONS
(AUSTRALIA) PTY LTD
was hereunto
affixed in accordance
with its Articles
of Association in the
presence of:

Director

Director/Secretary

[Name - block letters]

[Name - block letters]

SCHEDULE 1

Management Fee

The Management Fee payable will be 95% of the Net Profit Before Tax of Auscorp calculated in accordance with Australian Accounting Standards (exclusive of the Management Fee) provided that Auscorp:

- - will incur no operating or direct expense nor any capital expenditure without the prior written agreement of the Management Company
- - will make no distribution or payment of monies without the prior written consent of the Management Company
- - will make no distribution of dividend without the prior written consent of the Management Company.

ANNEXURE 1

Share Mortgage to Fujitsu

EQUITABLE MORTGAGE OF SHARES

between

PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC

and

FUJITSU AUSTRALIA LIMITED

(ACN 001 011 427)

BAKER & MCKENZIE
Solicitors

AMP Centre
50 Bridge Street
SYDNEY NSW 2000

Tel: (02) 255-0200
Fax: (02) 223-7711

Rialto
525 Collins Street
MELBOURNE VIC 3000

Tel: (03)9617-4200
Fax: (03)9614-2103

CONTENTS

CLAUSE NUMBER	HEADING	PAGE
1.	INTERPRETATION.....	1
2.	COVENANTS TO PAY.....	5
3.	MORTGAGE OF SECURED PROPERTY.....	5
4.	RELEASE OF MORTGAGE.....	6
5.	DISTRIBUTIONS AND VOTING.....	6
6.	REPRESENTATIONS AND WARRANTIES.....	8
7.	UNDERTAKINGS.....	9
8.	EVENTS OF DEFAULT.....	11
9.	POWERS OF MORTGAGEE ON DEFAULT.....	13
10.	TRANSFER OF SECURED PROPERTY.....	16
11.	APPOINTMENT OF RECEIVER.....	16
12.	RECEIPT AND APPLICATION OF MONEYS.....	17
13.	GENERAL SECURITY PROVISIONS.....	20
14.	WITHHOLDINGS.....	22
15.	EXPENSES.....	23
16.	PAYMENTS AND EVIDENCE OF DEBT.....	24
17.	INDEMNITIES.....	24
18.	SET-OFF.....	25
19.	NOTICES.....	26
20.	ASSIGNMENT.....	27
21.	MISCELLANEOUS.....	27

"Event of Default" means any event specified as such in Clause 8.1;

"Governmental Agency" includes any government, whether federal, state, territorial or local, and any minister, department, office, commission, delegate, instrumentality, agency, board, authority or organ thereof, whether statutory or otherwise;

"Insolvency Event" means in respect of the Mortgagor:

- (a) if a receiver, receiver and manager, liquidator provisional liquidator, administrator, a trustee in bankruptcy, or any similar official is appointed in respect of or over all of the assets of the Mortgagor or in respect of or over the Mortgagor's interest in the Shares (except where such appointment is made with the prior written consent of the Mortgagee); or
- (b) if a person pursuant to a Security Interest takes possession, or assumes control, whether by an agent or howsoever otherwise of all or any of the assets of the Mortgagor or the Mortgagor's interest in the Shares;

"Mortgage" means the mortgage over the Secured Property created by this Deed;

"Permitted Securities" means:

- (a) the Mortgage; and
- (b) liens or charges arising by operation of law in the ordinary course of business (other than those not discharged when due);

"Potential Event of Default" means any event which, with the giving of notice, the passage of time or the fulfillment of any other condition stipulated in this Deed or the Agreement, would become an Event of Default;

"Priority Amount" means \$9 million;

"Receiver" means the person or persons appointed in accordance with Clause 11;

"Related Body Corporate" has the same meaning as in the Corporations Law;

"Required Currency" means the lawful currency for the time being of the Commonwealth of Australia;

"Rights" means all of the Mortgagor's right, title and interest in and to all dividends, distributions, bonus shares, rights, issues, options, warrants, notes, convertible instruments, securities and other instruments of any kind whatsoever, and all allotments, accretions, offers, benefits and advantages whatsoever, now or hereafter made, granted, issued or otherwise distributed in respect of, in substitution for, in addition to, or in exchange for, the Shares, whether or not upon or by reason of a winding up, conversion, redemption, bonus, cancellation, re-classification, option, rights issue or otherwise;

"Secured Moneys" means all moneys, obligations and liabilities of any nature whatsoever that may now be, or might at any time in the future become or remain,, due, owing or payable, whether actually or contingently, by the Mortgagor to the Mortgagee under the Agreement and this Deed and whether on account of or by way of unpaid purchase price, interest, fees, commissions, charges, , costs, expenses, indemnity payments, losses, damages or otherwise and irrespective of:

- (a) the capacity (whether as principal, agent, trustee, beneficiary, partner or otherwise) of the Mortgagor or Mortgagee;
- (b) whether the Mortgagor is liable as principal debtor or as surety; and
- (c) whether the Mortgagor is liable alone or jointly and/or severally with any other person

but shall not include any moneys due, owing or payable under a covenant or stipulation rendered void by section 261 of the Income Tax Assessment Act 1936 (Cth);

"Secured Property" means the Shares and the Rights;

"Security Interest" includes any mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation, arrangement for the retention of title And any other right, interest, power or arrangement of any nature whatsoever having the purpose or effect of providing security for, or otherwise protecting against default in respect of, the obligations of any person;

"Share Acquisition Deed" means the Share Acquisition Deed between the Mortgagor, Mortgagee and others dated on or about the date of this Deed pursuant to which the Mortgagee agreed to sell 354,000 shares in the capital of the Company to the Mortgagor;

"Shareholders" means those persons who from time to time hold shares in the Company;

"Shares" means 354,000 ordinary shares in the capital of the Company, owned by the Mortgagor;

"Tax" includes any tax, levy, charge, impost, rate, fee, deduction, stamp duty, financial institutions duty, bank account debit tax or other tax, withholding or remittance of any nature, now or hereafter payable or required to be remitted to, or imposed, levied, collected or assessed by, any Governmental Agency and includes any interest, expense, fine, penalty or other charge payable or claimed in respect thereof but does not include any tax on overall net income of the Mortgagee; and

"Transfer" means a transfer in registrable form executed by the Mortgagor (or if the Mortgagor is not the registered holder of the Secured Property, by such registered holder) as transferor, but otherwise blank.

1.2 Interpretation

In this Deed, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include every gender;
- (c) references to any document (including this Deed) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time;
- (d) references to this Deed are references to this Deed and the Annexures;
- (e) references to Clauses, paragraphs and Annexures are references to clauses and paragraphs of, and annexures to, this Deed;
- (f) headings are for convenience only and shall be ignored in construing this Deed;
- (g) references to any party to this Deed include references to its respective successors and permitted assigns;
- (h) references to law include references to any constitutional provision, treaty, decree, convention, statute, act, regulation, rule, ordinance, subordinate legislation, rule of

common law and of equity and judgment;

- (i) references to any law are references to that law as amended, consolidated, supplemented or replaced from time to time;
- (j) references to judgment include references to any order, injunction, decree, determination or award of any court or tribunal;
- (k) references to any person include references to any individual, company, body corporate, association, partnership, firm, joint venture, trust and Governmental Agency; and
- (l) references to time are to Melbourne time.

2. COVENANTS TO PAY

2.1 Agreement

The Mortgagor shall pay or satisfy the Secured Moneys as and when due in accordance with the Agreement or this Deed but if an Event of Default occurs and has not been remedied or waived the Mortgagor shall, notwithstanding any delay or waiver of any previous default, pay those Secured Moneys upon demand by the Mortgagee.

2.2 Demands by Mortgagee

Any demand by the Mortgagee under Clause 2.1 shall be by written notice to the Mortgagor and may be made from time to time.

3. MORTGAGE OF SECURED PROPERTY

3.1 Mortgage of Secured Property

The Mortgagor as beneficial owner mortgages to the Mortgagee all of the Mortgagor's right, title and interest in and to the Secured Property by way of first ranking equitable mortgage as security for the due and punctual payment and satisfaction of the Secured Moneys.

3.2 Deposit of Certificates and Transfers

The Mortgagor shall deposit with the Mortgagee:

- (a) on the date of this Deed, three (3) Transfers in respect of the Shares; and

- (b) on the date on which the Mortgagor receives the Certificates in respect of the Shares, all Certificates in respect of the Shares.
- (c) on the date the Mortgagor beneficially acquires any Secured Property which becomes subject to this Deed after the date of this Deed, all Certificates evidencing that Secured Property and such number of Transfers in respect of that Secured Property as the Mortgagee may reasonably require.

3.3 Priority Amount

For the purpose only of Division 3 of Part 3.5 of the Corporations Law and without limiting the Secured Moneys, the maximum prospective liability (within the meaning of the Corporations Law) secured by this Deed is the Priority Amount.

4. RELEASE OF MORTGAGE

4.1 Release of Mortgage

The Mortgagee shall not be obliged to discharge the Mortgage unless either:

- (i) all of the Secured Moneys have been paid or satisfied in full;
or
- (ii) the Mortgagor has provided alternative security to the Mortgagee in accordance with Clause 6.5 of the Agreement.

5. DISTRIBUTIONS AND VOTING

5.1 Acquisition of Rights by Mortgagor

The Mortgagor shall:

- (a) upon the earlier of the acquisition by the Mortgagor of any Rights or receipt by the Mortgagor of notification of any entitlement to any Rights, provide the Mortgagee with full particulars of those Rights;
- (b) acquire Rights upon the request of the Mortgagee if failure to take up such Rights might, in the Mortgagee's discretion, result in this Deed being materially lessened in value; and
- (c) subject to Clause 5.2(a), pay to the Mortgagee any moneys received by the Mortgagor in respect of any Rights.

5.2 Prior to Event of Default

Until the Secured Property is registered in the name of the Mortgagee (or its nominee) or the Mortgagee gives written notice to the Mortgagor following the occurrence of an Event of Default that has not been remedied or waived (whichever is the sooner):

- (a) the Mortgagor may retain and apply for its own use any money (including without limitation any cash dividend) or property payable in respect of the Secured Property;
- (b) the Mortgagor may, subject to Clause 5.4, exercise the right to vote in respect of the Secured Property and exercise the right to acquire any further shares in the Company; and
- (c) the Mortgagee shall not exercise any voting or other rights in respect of the Secured Property other than those rights which it may have under this Deed.

5.3 After Event of Default

Immediately after the earlier of the Secured Property becoming registered in the name of the Mortgagee (or its nominee) or the Mortgagor receiving written notice under Clause 5.2, all the rights of the Mortgagor under Clause 5.2 shall cease and the Mortgagee alone shall be entitled to exercise those rights and the Mortgagor shall, at its own expense, promptly execute such proxies and other instruments as the Mortgagee may require to enable the Mortgagee to exercise the right to vote in respect of the Secured Property and to become the registered holder of the Secured Property. If the Mortgagor receives any cash dividend or any other property which forms part of the Secured Property after the Secured Property is registered in the name of the Mortgagee (or its nominee) or after receipt of any such notice, the Mortgagor shall promptly pay the amount of any such cash dividend and deliver any such other property received by it to the Mortgagee and the Mortgagee may retain and apply any such amount or other property received by it in reduction of the Secured Moneys in accordance with Clause 12.

5.4 Voting and Other Restrictions

The Mortgagor shall not vote or agree to vote in favour of any resolution the effect of which will be to vary the Memorandum or Articles of Association of the Company or vote,, agree to vote, vary, agree to vary, terminate or

agree to terminate any agreements relating to the Secured Property without the prior written consent of the Mortgagee which consent shall not be unreasonably withheld.

6. REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties Relating to Secured Property

The Mortgagor represents and warrants to the Mortgagee by reference to facts and circumstances existing at the time, that as long as any Secured Moneys are owing to the Mortgagee:

- (a) ownership: the Mortgagor is, or is entitled to be, and at the -----
time of delivery of any Certificates or Transfers pursuant to Clause 3, will be, the sole registered and beneficial owner of the Secured Property;
- (b) priority: the Mortgage is a first ranking mortgage over the Secured -----
Property and the obligations of the Mortgagor under this Deed rank ahead of all other obligations of the Mortgagor (other than those which may be mandatorily preferred by law);
- (c) no Security Interests: the Secured Property is free from all Security -----
Interests except Permitted Securities;
- (d) no options: there are no existing options, warrants, conversion -----
privileges, rights to call or commitments of any kind relating to the Secured Property created by the Mortgagor;
- (e) compliance with laws: the Secured Property complies with all laws and -----
no Governmental Agency has issued any notice or otherwise directed or requested the Mortgagor or any other person to do any act, matter or thing in relation to any Secured Property, which notice, direction or request has not been complied with to the satisfaction of the relevant Governmental Agency; and
- (f) no litigation: no litigation, arbitration, administrative proceeding -----
or other procedure for the resolution of disputes is currently taking place, pending or, to the knowledge of the Mortgagor, threatened, which involves the Secured Property.
- (g) non-contravention: this Mortgage does not contravene any of the -----
provisions of the Mortgagor's constituent documents.

6.2 Acknowledgment of Reliance

The Mortgagor acknowledges that the Mortgagee has entered into this Deed in reliance upon the representations and warranties contained in this Deed.

6.3 Additional Representations and Warranties

The representations and warranties contained in Clause 6.1 are in addition to any other representations and warranties contained in the Agreement.

7. UNDERTAKINGS

7.1 Undertakings Relating to Secured Property

Unless the Mortgagee otherwise agrees in writing, which agreement shall not be unreasonably withheld, the Mortgagor shall:

- (a) no Security Interests: not create, agree or attempt to create or

allow to exist, any Security Interest (other than Permitted Securities) over or in respect of any Secured Property;
- (b) Permitted Securities: promptly comply with all the terms of any

Permitted Security and not do, omit to do or allow to occur any act, thing or omission whereby the obligations of any other person in respect of the Permitted Security would be in any way lessened;
- (c) no sales: not sell, redeem, dispose of, part with possession of or

otherwise deal with, any Secured Property other than in accordance with this Deed;
- (d) calls: pay all calls, instalments or other moneys which are payable in

respect of the Secured Property;
- (e) transfer requirements: if the requirements for the transfer of any

Secured Property alter as to the form or content of transfer approved by the Company, the information required by the Company in connection with a transfer or in any other respect, immediately upon such alteration notify the Mortgagee and lodge with or provide to the Mortgagee all instruments and information as may, in the reasonable opinion of the Mortgagee, be necessary to enable the Secured Property to be transferred to the Mortgagee in accordance with the terms of this Deed;
- (f) notices to Shareholders: at the same time as notices are, by the

Corporations Law or by the Memorandum or

Articles of Association of the Company, required to be given to Shareholders, give to the Mortgagee a copy of each such notice (together with copies of all reports, accounts, circulars or other information distributed with such a notice) and, upon request, give to the Mortgagee any reports, accounts, circulars or other information or documents which may be given to members from time to time;

- (g) Protect: institute or defend any legal proceedings which the

Mortgagee may require to protect any of the Secured Property;
- (h) not prejudice: not do, omit to do or allow to occur, any act, omission

or thing which would or might result in any Secured Property being surrendered, forfeited, cancelled or materially prejudiced in any manner whatsoever or reduced in value, or this Deed or any rights, powers or remedies of the Mortgagee under this Deed being materially prejudiced or adversely affected;
- (i) pay Taxes: whether or not the Mortgagee has taken possession, duly and

punctually pay all Taxes in respect of any Secured Property and upon demand provide the Mortgagee with copies of all notices received in respect of such Taxes and copies of receipts for all payments;
- (j) comply with laws: duly and punctually comply with and observe all

laws and all guidelines, directions, requests or requirements of any Governmental Agency applicable to or affecting any Secured Property or the enjoyment of the Secured Property by the Mortgagor;
- (k) other obligations: duly and punctually comply with and observe all

Security Interests affecting any Secured Property;
- (l) consents: duly and punctually comply with the terms attaching to any

consent given by the Mortgagee in connection with this Deed; and
- (m) issue of Certificates: procure that the Company issues Certificates

in respect of the Shares in the name of the Mortgagor immediately after payment of stamp duty on the transfers relating to the Shares and shall then comply with clause 3.2(b);
- (n) merger: procure that the Company shall not merge or consolidate with

any other entity or take any step

with a view to dissolution, liquidation or winding-up, such consent not to be unreasonably withheld;

- (o) capital reorganisation: procure that the Company shall not purchase

or redeem any of its issued shares, reduce its capital, pass any resolution under section 188(2) of the Corporations Law, issue any shares other than for cash or by way of bonus issue or make a distribution of assets or other capital to its shareholders;
- (p) dividends: procure that the Company shall not declare or pay any

dividend or make any other income distribution to its shareholders if an Event of Default or Potential Event of Default has occurred and has not been remedied or waived in writing; and
- (q) representations: notify the Mortgagee immediately upon any of the

representations contained in Clause 6.1 hereof failing to continue to be true and correct with reference to the facts and circumstances then subsisting; and
- (r) control: ensure that the Secured Property comprises at least 60% of

all the issued share capital of the Company.

7.2 Other Undertakings

The undertakings contained in Clause 7.1 are in addition to any other undertakings of the Mortgagor contained in any Agreement.

7.3 Costs

All costs and expenses incurred in doing or refraining from doing any act, matter or thing in accordance with Clause 7.1 shall be paid by the Mortgagor.

8. EVENTS OF DEFAULT

8.1 Events of Default

Each of the following events shall be an Event of Default:

- (a) default under Agreement: an event of default (however described)

occurs under the Agreement and has not been remedied or waived;
- (b) default under this Deed: the Mortgagor fails to perform or observe any

provision of this Deed and if that failure can be remedied that failure

is not remedied within 30 Business Days after the Mortgagor receives notice from the Mortgagee requiring the failure to be remedied;

- (c) ownership: the Mortgagor ceases for any reason to be the registered and beneficial owner of any part of the Secured Property (other than as permitted by Clause 5.2(a));
- (d) other Security Interests: any Security Interest over any or all property, assets or revenues of the Mortgagor becomes capable of being enforced or is enforced;
- (e) resumption: any Governmental Agency seizes, confiscates, requisitions, ----- resumes or compulsorily acquires (whether permanently or temporarily and whether with payment of compensation or not) any Secured Property;
- (f) litigation: a Judgment or award is obtained, against the Mortgagor, ----- in which the title of the Mortgagor to any Secured Property is impeached;
- (g) Priority: the Mortgage ceases for any reason whatsoever to be a first ----- ranking mortgage or any obligation of the Mortgagor (other than obligations which may be mandatorily preferred by law) ranks ahead of or pari passu with the Secured Moneys;
- (h) failure to Pay: the Mortgagor shall fail to pay any part of the ----- Secured Moneys on the due date (including any agreed grace period);
- (i) Insolvency Events: an Insolvency Event occurs to the Mortgagor; and -----
- (j) representations: any representation or warranty made by the Mortgagor ----- in this Deed or in the Agreement proves to have been incorrect or misleading when made in any material respect or if at any time any of the events described in Clause 6.1 hereof prove to be incorrect or misleading in any material respect.

8.2 Mortgagee's Right to Remedy Default

If an Event of Default occurs the Mortgagee may (without being obliged to do so) do or procure the doing of all things and pay or procure the payment of all moneys necessary to remedy that Event of Default. Any moneys which the Mortgagee pays or expenses which the Mortgagee incurs in

remedying or attempting to remedy any Event of Default shall form part of the Secured Moneys.

9. POWERS OF MORTGAGEE ON DEFAULT

9.1 Powers of Mortgagee

Immediately upon or at any time after the occurrence of an Event of Default, in addition to any rights, powers or remedies conferred by this Deed or by law, and notwithstanding any delay or waiver of any previous default, the Mortgagee shall have the power to do all acts and things and exercise all rights, powers and remedies that the Mortgagor could do or exercise in relation to the Secured Property including, without limitation, the power to:

- (a) take possession: take possession and assume control of the Secured

Property;
- (b) receive distributions: receive all dividends or other distributions

(whether monetary or otherwise) made or to be made in respect of the Secured Property;
- (c) sell: sell or agree to sell the Secured Property (whether or not the

Mortgagee has taken possession) on such terms as the Mortgagee thinks fit and:
 - (i) whether by public auction, private treaty or by tender;
 - (ii) for cash or on terms that payment of all or any part of the purchase price is deferred (whether at interest or not and whether with or without security);
 - (iii) in one lot or in parcels;
 - (iv) whether or not in conjunction with the sale of other property by the Mortgagee or any other person; and
 - (v) whether with or without special provisions as to title or time or mode of payment of the purchase money or otherwise;
- (d) grant options: grant to any person an option to purchase any Secured

Property upon such terms as the Mortgagee thinks fit;
- (e) transfer Property: surrender or transfer the Secured Property to any

Governmental Agency (whether or not for fair compensation);

- (f) exchange Property: exchange (whether or not for fair value) with any

person any Secured Property for an interest in property of any tenure
and the property so acquired may be dealt with by the Mortgagee as if
it were part of the Secured Property and, for that purpose, the
Mortgagee may create a Security Interest over that property in favour
of the Mortgagee;
- (g) employ: employ managers, solicitors, officers, agents, accountants,

auctioneers, consultants, workmen and servants on such terms as the
Mortgagee thinks fit;
- (h) delegate: delegate to any person for such time as the Mortgagee

approves any or all of the powers of the Mortgagee on such terms as
the Mortgagee thinks fit;
- (i) give receipts: give receipts for all moneys and other assets that may

come into the hands of the Mortgagee, which receipts shall exonerate
any person paying or handing over such moneys or other assets from all
liability to see to the application thereof and from all liability to
enquire whether the Secured Moneys have become due or payable or
otherwise as to the propriety or regularity of the appointment of any
Receiver or other person appointed by the Mortgagee;
- (j) perform and enforce: carry out and enforce, or refrain from carrying

out or enforcing, rights and obligations of the Mortgagor which may
arise in connection with the Secured Property or obtained or incurred
in the exercise of the rights, powers and remedies of the Mortgagee;
- (k) take proceedings: institute, conduct, defend, settle, arrange,

compromise and submit to arbitration any claims, questions or disputes
whatsoever which may arise in connection with the business of the
Mortgagor or in respect of the Secured Property or in any way relating
to this Deed, and to execute releases or other discharges in relation
thereto;
- (l) borrow: advance moneys or otherwise provide financial accommodation

for the account of the Mortgagor or borrow any money or obtain other
financial accommodation from any person which may be required for any
of the purposes mentioned in this Clause 9.1 and in the name of the
Mortgagor or otherwise and secure any borrowings or other financial
accommodation by a Security Interest over the Secured Property ranking
in priority to, pari passu with or after the Mortgage, in each case on
such terms as the Mortgagee thinks fit; and

(m) execute documents: execute documents on behalf of the Mortgagor under

seal or under hand to effect any of the foregoing

and any moneys which the Mortgagee pays or becomes liable to pay by reason
of doing any of the above shall form part of the Secured Moneys.

9.2 Exclusion of Notice

Any notice, period of time or other condition precedent prescribed by law
to the exercise of any rights, powers or remedies of the Mortgagee is
dispensed with except to the extent (if any) that the relevant law does not
afford the opportunity to dispense by agreement with its requirements, in
which event the relevant right, power or remedy may be exercised by the
Mortgagee at the time and in the circumstances prescribed by law.

9.3 Not Mortgagee in Possession

If the Mortgagee, an attorney of the Mortgagee or Receiver takes possession
of any Secured Property none of the Mortgagee, any such attorney or the
Receiver shall be liable as a mortgagee in possession.

9.4 Give up Possession

The Mortgagee may give up possession of any Secured Property at any time
and may discontinue any receivership.

9.5 Exclusion of Liability

The Mortgagee shall not be responsible for a ny losses of any kind
whatsoever (including, without limitation, the negligence, default or
dishonesty of any servant, agent or auctioneer employed by the Mortgagee,
any attorney of the Mortgagee or the Receiver) which may occur in or about
the exercise, attempted exercise or non-exercise of any of the rights,
powers or remedies of the Mortgagee.

9.6 Protection of Third Parties

No person dealing with the Mortgagee, any attorney of the Mortgagee or the
Receiver in connection with the exercise of any of the rights, power or
remedies of the Mortgagee shall be bound to inquire whether any Event of
Default has occurred, as to the due appointment of any Receiver or
otherwise as to the propriety or regularity of any such dealing and shall
not be affected by express notice that any such dealing is unnecessary or
improper, and

notwithstanding any irregularity or impropriety in any such dealing the same shall as regards the protection of that person be deemed to be valid and effective.

10. TRANSFER OF SECURED PROPERTY

10.1 Transfer of Secured Property

Without limiting any rights, powers or remedies conferred upon the Mortgagee by this Deed or by law, at any time after the occurrence of an Event of Default that has not been remedied or waived:

- (a) the Mortgagee may:
 - (i) insert the name of the Mortgagee or its nominee (or the name of any purchaser pursuant to a power of sale conferred by law or the power of sale referred to in Clause 9-1) in all or any of the Transfers (and other relevant documents, if any) deposited with the Mortgagee in respect of the Secured Property;
 - (ii) in the name of the Mortgagor sign, seal and deliver all or any of those Transfers (and those other relevant documents);
 - (iii) cause all or any of those Transfers to be registered; and
 - (iv) deliver the Certificates deposited with the Mortgagee in respect of the Secured Property (and/or any certificates issued consequent upon any such registration of the Transfers) to any such nominee (or any such purchaser); and
- (b) the Mortgagor shall forthwith on the request of the Mortgagee procure the approval of the Company and/or the board of directors of the Company or any other relevant person (if necessary) to the registration of the Transfers (and, if applicable, the delivery to the Mortgagee or its nominee (or any such purchaser of any certificates issued upon any such registration of the Transfers).

11. APPOINTMENT OF RECEIVER

11.1 Appointment

Immediately upon or at any time after the occurrence of an Event of Default that has not been remedied or

waived and notwithstanding that an order may have been made or a resolution passed for the winding up of the Mortgagor, the Mortgagee may appoint in writing any person to be a receiver or receiver and manager of any Secured Property and:

- (a) the Receiver may be appointed by the Mortgagee on such terms as the Mortgagee thinks fit;
- (b) the Mortgagee may remove a Receiver and, in the case of removal, retirement or death of the Receiver, may appoint another in his place;
- (c) the Mortgagee may from time to time fix the remuneration of the Receiver at an amount or rate of commission agreed between the Mortgagee and the Receiver and, in the absence of such agreement, at the rate determined by the Mortgagee; and
- (d) if 2 or more persons are appointed as Receiver they may be appointed jointly and/or severally and may be appointed in respect of different parts of the Secured Property.

11.2 Agent of Mortgagor

Unless and until the Mortgagee by notice in writing to the Mortgagor and to the Receiver requires that the Receiver act as agent of the Mortgagee, or until an order is made or resolution is passed for the winding up of the Mortgagor, the Receiver shall be the agent of the Mortgagor, and the Mortgagor alone shall be responsible for the acts and defaults of the Receiver, but in exercising any powers of the Mortgagee, the Receiver shall have the authority of both the Mortgagor and the Mortgagee.

11.3 Powers of Receiver

Subject to any specific limitations placed upon him by the terms of his appointment, the Receiver may, in addition to any right, power or remedy conferred upon him by law, do any act, matter or thing and exercise any right, power or remedy that may be done or exercised by the Mortgagee in relation to the Secured Property.

12. RECEIPT AND APPLICATION OF MONEYS

12.1 Order of Application

All moneys received by the Mortgagee, any attorney of the Mortgagee or the Receiver on account of the Secured Moneys shall be applied in the following order, unless the Mortgagee elects otherwise:

- (a) firstly, in payment of the costs, charges, expenses and other moneys payable by the Mortgagor under Clause 15 and Clause 17 or otherwise incurred in the exercise or attempted exercise of the rights, powers or remedies of the Mortgagee;
- (b) secondly, in payment of the Receiver's remuneration;
- (c) thirdly, in payment or satisfaction of Security interests of which the Mortgagee has notice having priority over the Mortgage, in order of, and to the extent of, their priorities;
- (d) fourthly, in payment of the Secured Moneys;
- (e) fifthly, in payment of subsequent Security Interests of which the Mortgagee has notice, in the order of their priorities; and
- (f) sixthly, in payment to the Mortgagor.

12.2 Credit Actual Receipts

In applying any moneys toward satisfaction of the Secured Moneys, the Mortgagee shall credit the Mortgagor with only those moneys actually received by the Mortgagee in cash, and such credit shall date from the time of actual receipts.

12.3 Amounts Contingently Due

If any moneys are available for distribution to the Mortgagee in respect of Secured Moneys contingently due to the Mortgagee, those moneys shall be placed in a interest bearing deposit account with a person (including the Mortgagee or a Related Body Corporate of the Mortgagee) selected by the Mortgagee on terms selected by the Mortgagee until those Secured Moneys become actually due and payable or the Mortgagee determines they are unlikely ever to become actually due and payable. At that time the amount actually owing may be paid to the Mortgagee and the balance distributed in accordance with Clause 12.1.

12.4 Surplus Moneys

If at any time after satisfaction of the Secured Moneys the Mortgagee holds any surplus money payable to the Mortgagor, those moneys shall carry interest and may be placed to the credit of an account in the name of the Mortgagor with a bank and the Mortgagee shall thereupon be under no further liability in respect thereof.

12.5 Appropriation

The Mortgagor irrevocably authorises the Mortgagee to appropriate any money received by the Mortgagee, any attorney of the Mortgagee or any Receiver in and toward such of the Secured Moneys as the Mortgagee thinks fit.

12.6 Reinstatement of Mortgage

If any claim is made that any moneys received by the Mortgagee in payment or satisfaction of the Secured Moneys must be repaid or refunded, or that any settlement, obligation, transaction, conveyance or transfer affecting or relating to the Secured Moneys is void or voidable, under any law (including, without limitation, under any law relating to preferences, bankruptcy, insolvency or the winding up of companies):

- (a) the Mortgagor shall, at its own expense, promptly do, execute and deliver, and use its best endeavours to cause any relevant third person to do, execute and deliver, all such acts and instruments as the Mortgagee may require to reinstate the Mortgage upon the terms of this Deed and to restore to the Mortgagee any Security Interest, guarantee, indemnity or other security held by it immediately prior to such payment, satisfaction, obligation, transaction, conveyance or transfer; and
- (b) if the claim is upheld, compromised or admitted, the Mortgagee shall be entitled to the same rights, powers and remedies against the Mortgagor and the Secured Property as it would have had if the relevant moneys had never been applied in payment or satisfaction of the Secured Moneys or if such settlement, obligation, transaction, conveyance or transfer had not been incurred or taken place,

and this Clause 12.6 shall survive the discharge of the Mortgage unless the Mortgagee expressly agrees otherwise in writing.

13. GENERAL SECURITY PROVISIONS

13.1 Further Assurances

If requested by the Mortgagee, acting reasonably, from time to time to do so, the Mortgagor shall at its own expense promptly do, execute and deliver, and cause any relevant third person to do, execute and deliver, all such other and further acts and instruments as are necessary for more satisfactorily giving effect to this Deed and for more fully vesting in the Mortgagee all rights, powers and remedies conferred or intended to be conferred by this Deed.

13.2 Power of Attorney

The Mortgagor irrevocably appoints the Mortgagee, each Authorised officer of the Mortgagee and each Receiver for the time being, severally, the attorneys of the Mortgagor for such time as an Event of Default continues unremedied and unwaived to do (either in the name of the Mortgagor or the attorney) all acts and things that the Mortgagor is obliged to do under this Deed or which, in the opinion of the Mortgagee, are necessary or desirable in connection with the Secured Property or the protection or perfection of the Mortgagee's interest in the Secured Property or the exercise of the rights, powers and remedies of the Mortgagee and, without limiting the generality of the foregoing, to execute all documents of whatever nature, but without rendering the Mortgagee liable as a mortgagee in possession and with full power for all or any of such purposes from time to time to appoint a substitute or sub-attorney and to revoke any such appointment.

13.3 Other Security Interests

This Deed is in addition to, and not in substitution for any other Security Interest which the Mortgagee now has, or may hereafter take, in respect of the Secured Moneys. This Deed does not merge with, discharge, postpone or otherwise affect prejudicially any other Security Interest held by the Mortgagee.

13.4 Priority of Future Advances

Notwithstanding any rule of law or equity to the contrary, all moneys which are expressed to be secured by this Deed and which are advanced, paid or otherwise provided after the receipt of notice by the Mortgagee

of the creation of any other Security Interest shall nevertheless be secured by this Deed in priority to any moneys secured by that other Security Interest, unless the Mortgagee specifically agrees otherwise in writing.

13.5 Rights Regarding Prior Security Interests

The Mortgagee may (but without being obliged to do so) pay any moneys, obligations or liabilities secured by any Security Interest having priority over this Deed and, at the expense of the Mortgagor, take a transfer thereof for the benefit of the Mortgagee and:

- (a) the Mortgagee shall not be bound to enquire whether the moneys claimed to be owing under that prior Security Interest are actually owing;
- (b) the person having the benefit of the prior Security Interest shall not be bound to enquire whether any moneys remain due under this Deed;
- (c) the Mortgagor authorises, directs and consents to person having the benefit of the prior Security Interest providing the Mortgagee from time to time with all information it may require in relation to the prior Security Interest, including the state of accounts thereunder; and
- (d) any moneys paid by the Mortgagor to the Mortgagee after the date of transfer shall be available to be applied by the Mortgagee in its absolute discretion to either the Secured Moneys or to the moneys secured by the prior Security Interest.

13.6 Judgments

Notwithstanding any judgment which the Mortgagee may recover against the Mortgagor in respect of any Secured Moneys, the Mortgagee shall hold the judgment collaterally with this Deed as security for the due payment and satisfaction of Secured Moneys and this Deed shall not merge in any judgment.

13.7 Notice of Deed

The Mortgagee need not give any notice of this Deed to any person, enforce payment of any Secured Moneys, enforce or realise any Collateral Securities or take any steps or proceedings for any purpose unless the Mortgagee thinks fit.

13.8 Release

The Mortgagee may release any Secured Property from the mortgage granted in accordance with this Deed at any time and any such release shall not in any way affect, prejudice or invalidate the Mortgage over any other Secured Property or the obligations of the Mortgagor under this Deed or any Agreement and the Mortgagor shall not be obliged to resort to the Agreement in priority to this Deed.

13.9 Acceptance of Payments

This Deed may be enforced notwithstanding that the Mortgagee may have accepted payment of any Secured Moneys after the occurrence of an Event of Default.

13.10 Continuing Security

This Deed shall be a continuing security notwithstanding any settlement of account or other matter or thing whatsoever until a final discharge shall have been given to the Mortgagor.

14. WITHHOLDINGS

14.1 Payments in Gross

All moneys payable by the Mortgagor under this Deed shall be paid in full without set-off (subject to any contrary term in the Agreement) or counterclaim of any kind and free and clear of any Tax, deduction or withholding of any kind.

14.2 Deductions and Withholdings

If the Mortgagor or any other person required by law to make any deduction or withholding from any payment to the Mortgagee under this Deed, the Mortgagor shall, together with such payment, pay an additional amount so that, after all deductions or withholdings, the Mortgagee actually receives for its own benefit the full amount which it would have received if no such deductions or withholdings had been required but the obligations of the Mortgagor under this Clause shall not include obligations of the nature rendered void by Section 261 of the Income Tax Assessment Act 1936 (Cth).

14.3 Receipts

The Mortgagor shall pay the full amount of any deduction or withholding referred to in Clause 14.2 to the appropriate Governmental Agency within the time required by applicable law and promptly forward to the Mortgagee the originals of all official receipts.

15. EXPENSES

15.1 Expenses

The Mortgagor shall forthwith upon demand pay or reimburse the Mortgagee for all reasonable costs, charges and expenses (including legal fees and disbursements on a full indemnity basis) incurred or payable by the Mortgagee in connection with or arising out of:

- (a) any approval, consent, valuation or waiver to be made or given by the Mortgagee under this Deed, provided those costs, charges and expenses do not exceed \$500 or the Mortgagee has obtained the prior written consent of the Mortgagor for any costs, charges and expenses which exceed \$500; and
- (b) any variation, release or discharge to be made or given by the Mortgagee under this Deed; and
- (c) any enforcement of or preservation of rights, powers and remedies under this Deed or otherwise in respect of the Secured Property.

15.2 Stamp Duty and Registration Fees

The Mortgagor shall pay when due all present and future stamp duties and other like levies, charges and imposts (including financial institutions duty and bank account debit taxes) and any interest, fines or penalties in relation thereto (other than as may be incurred by reason of the wilful default or negligence of the Mortgagee), and all registration, recording and other like fees which may be payable in respect of this Deed, and any documents executed pursuant to Clause 12.6 or Clause 13.1 and the Mortgagor indemnities the Mortgagee from and against all actions, suits, claims, demands, losses, liabilities, damages, costs and expenses which may be made or brought against or suffered or incurred by the Mortgagee arising out of or in connection with any default in the payment thereof.

15.3 Mortgagee May Debit Account of Mortgagor

The Mortgagee may without prejudice to any other right, power or remedy of the Mortgagee, at any time and from time to time, without further authority than this Clause 15.3, debit and charge any account of the Mortgagor with the Mortgagee with any of the following moneys:

- (a) any costs, expenses or other moneys referred to in Clause 15.1;
- (b) any stamp duties or other moneys referred to in Clause 15.2; and
- (c) any moneys referred to in Clause 17.

16. PAYMENTS AND EVIDENCE OF DEBT

16.1 Payments by Mortgagor

All payments by the Mortgagor under this Deed shall be made in the Required Currency (which shall be the currency of account and of payment) and shall be made to the Mortgagee not later than 11:00 am on the due date for payment in Cleared Funds as the Mortgagee may from time to time notify in writing.

16.2 Business Days

If any amount would otherwise become due for payment on a day which is not a Business Day, that amount shall become due on the next following Business Day or, if that Business Day is in another calendar month, on the immediately preceding Business Day.

16.3 Certificate Conclusively and Binding

A certificate signed by an Authorised Officer of the Mortgagee stating any amount or rate for the purpose of this Deed shall, be prima facie evidence of its contents.

17. INDEMNITIES

17.1 General Indemnity

The Mortgagor indemnifies the Mortgagee from and against all actions, suits, claims, demands, losses, liabilities, damages, reasonable costs and expenses which may be made or brought against or suffered or

incurred by the Mortgagee arising out of or in connection with:

- (a) any Event of Default or Potential Event of Default;
- (b) any failure by the Mortgagor to make a payment or perform an obligation in accordance with this Deed;
- (c) the holding of the Secured Property; or
- (d) the exercise or non-exercise of any right, power or remedy contained, referred to or implied in this Deed.

17.2 Currency Indemnity

If any amount is received by the Mortgagee in a currency other than the Required Currency (whether pursuant to a judgment, in the winding up of the Mortgagor or otherwise), the Mortgagor's obligations under this Deed shall be discharged only to the extent that the Mortgagee may, upon receipt of such amount, purchase the Required Currency with such other currency in accordance with the usual banking procedures of the Mortgagee. If the amount in the Required Currency which may be so purchased is, after deducting any costs of exchange and any other related costs, less than the relevant sum payable under this Deed, the Mortgagor shall, as a separate and independent obligation and notwithstanding any time or other indulgence granted to the Mortgagor or any other act, matter or thing, forthwith pay to the Mortgagee the amount of the shortfall.

18. SET-OFF

18.1 Set-Off

If an Event of Default occurs and has not been remedied or waived, the Mortgagee may (in addition to any general or banker's lien, right of set-off, right to combine accounts or any other right to which it may be entitled), without notice to the Mortgagor or any other person, set-off and apply any credit balance (or any part thereof in such amounts as the Mortgagee may elect) on any account (whether subject to notice or not and whether matured or not and in whatever currency) of the Mortgagor with the Mortgagee and any other moneys owing by the Mortgagor or any Lender to the Mortgagor against the liabilities (whether actual or contingent)

of the Mortgagor under this Mortgage, and the Mortgagee may purchase with the moneys standing to the credit of any such account such other currencies as may be necessary for this purpose.

19. NOTICES

19.1 Notices and Other Written Communications

All notices and other communications required by this Deed to be in writing shall be given by an Authorised Officer of the relevant party and shall be sent to the recipient by hand, telegram, pre-paid post (airmail if outside Australia), telex or facsimile.

19.2 Time of Receipt

Without limiting any other means by which a party may be able to prove that a notice has been received by another party, a notice or other communication shall be deemed to be duly received:

- (a) if sent by hand or telegram, when left at the address of the recipient;
- (b) if sent by pre-paid post, on actual delivery;
- (c) if sent by telex, upon receipt by the sender of the recipient's answerback code at the end of transmission; or
- (d) if sent by facsimile, upon receipt by the sender of an acknowledgement or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number.

19.3 Address for Notices

All notices and other communications shall be sent to the recipient at the address, telex or facsimile number set out below or to such other address, telex or facsimile number as a party may from time to time notify to the other in writing:

- (a) to the Mortgagor:

Address: 8180 Greensboro Drive, Suite 1100
McLean, Virginia
USA

Attention: Mr Paul Singh/Ms Julie Correlli
Facsimile No: 00111 703 848 4641

with copy to: Julia Corelli
Pepper Hamilton & Scheetz
3000 Two Logan Square
18th and Arch Streets
PHILADELPHIA PENNSYLVANIA
19103-2799
Facsimile No: 0015 1 215 981 4750

(b) to the Mortgagee:

Address: 475 Victoria Avenue
CHATSWOOD NSW 2067

Attention: The Company Secretary
Facsimile No: 02 413 4139

20. ASSIGNMENT

20.1 Assignment by Mortgagor

The Mortgagor shall not assign or otherwise transfer the benefit of this Deed or any of its rights, duties or obligations under this Deed without the prior written consent of the Mortgagee such consent not to be unreasonably withheld.

20.2 Assignment by Mortgagee

The Mortgagee may assign, transfer and otherwise grant participations or sub-participations in all or any part of the benefit of this Deed and any of its rights, duties and obligations under this Deed without the consent of the Mortgagor.

20.3 Disclosure

The Mortgagee may only disclose to a potential assignee, transferee, participant or sub-participant information about the Mortgagor with the Mortgagor's consent which shall not be unreasonably withheld.

21. MISCELLANEOUS

21.1 Waiver

No waiver by the Mortgagee of any provision of, or any right, power or remedy under this Deed shall be effective unless it is in writing signed by an Authorised Officer of the Mortgagee and such waiver

shall be effective only in the specific instance and for the specific purpose for which it was given. No failure or delay by the Mortgagee to exercise any right, power or remedy under this Deed or to insist on strict compliance by the Mortgagor with any obligation under this Deed, and no custom or practice of the parties at variance with the terms of this Deed, shall constitute a waiver of the Mortgagee's right to demand exact compliance with this Deed.

21.2 Invalidity

Any provision of this Deed which is or becomes prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent thereof without invalidating any other provision of this Deed, and any such prohibition or unenforceability shall not invalidate such provision in any other jurisdiction.

21.3 Amendments

This Deed may be only amended by an instrument in writing signed by the parties.

21.4 Counterparts

This Deed may be signed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

21.5 Mortgagee's Rights Cumulative

The rights, powers and remedies of the Mortgagee contained in this Deed are cumulative and not exclusive of any rights, powers or remedies provided to the Mortgagee by law. No single or partial exercise by the Mortgagee of any right, power or remedy under this Deed shall preclude any other or further exercise thereof or the exercise of any other right, power remedy.

21.6 Survival of Indemnities

The indemnities contained in this Deed are continuing obligations of the Mortgagor, separate and independent from the other obligations of the Mortgagor and shall survive the termination of this Deed.

21.7 Successors and Assigns

This Deed shall be binding upon and inure to the benefit of the parties to this Deed and their respective successors and permitted assigns. The Mortgagor shall at its own expense, within 5 Business Days of written demand by the Mortgagee, execute and cause its successors and permitted assigns to execute any instrument and do everything necessary, to bind its successors and permitted assigns to this Deed.

21.8 Moratorium Legislation

To the fullest extent permitted by law, the provisions of all existing or future laws which operate or may operate directly or indirectly to lessen or otherwise vary the Mortgagor's obligations under this Deed or to delay, curtail or otherwise prevent or prejudicially affect the exercise by the Mortgagee of all or any of its rights, powers and remedies under this Deed are expressly negatived and excluded.

21.9 Consent by Mortgagee

Any consent required of the Mortgagee under this Deed may, unless this Deed specifically provides otherwise, be given or withheld by the Mortgagee in its absolute discretion and either conditionally or unconditionally.

21.10 Governing Law

This Deed shall be governed by and construed in accordance with the laws of the State of Victoria.

21.11 Jurisdiction

The Mortgagor irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of the State of Victoria;
- (b) waives any objection it may now or in the future have to the bringing of proceedings in those courts and any claim that any proceedings have been brought in an inconvenient forum; and
- (c) agrees, without preventing any other mode of service permitted by law, that any document required to be served in any proceedings may be served in the manner in which notices and other written communications may be given under Clause 19.

21.12 Confidentiality

The Mortgagee undertakes that it, its employees, agents or representatives will not disclose any provision of this Deed and all information flowing from it to a third person without the prior consent of the Mortgagor unless the disclosure is related to information already within the public domain, required by law or any competent governmental authority, necessary for the purpose of protecting the interests of the Mortgagee in relation to the Secured Property or made to the Mortgagee's professional advisers.

EXECUTED as a deed on the date first appearing.

THE MORTGAGOR

SIGNED SEALED AND DELIVERED by

PRIMUS TELECOMMUNICATIONS,

INTERNATIONAL INC

by its

in the presence of: _____

THE MORTGAGEE

SIGNED SEALED AND DELIVERED by

FUJITSU AUSTRALIA LIMITED

by its Attorney TERENCE JOHN ROBERTSON

in the presence of: _____

74.

ANNEXURE 2

Share Mortgage to Original Vendors

-31-

EQUITABLE MORTGAGE OF SHARES

between

PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC.

and

ASPECT COMPUTING PTY. LTD.
A.C.N. 005 083 670

ALTA TELECOMMUNICATIONS PTY. LTD.
A.C.N. 067 270 375
(as trustee of the Caravias Family Trust)

CCT AUSTRALIA PTY. LTD.
A.C.N. 006 955 1 11
(as trustee of the Burns Family Trust)

CT CORPORATION PTY. LTD.
A.C.N. 062 380 803
(as trustee of the Lucas Family Trust)

WILLOWARE PTY. LTD.
A.C.N. 065 497 458
(as trustee of the Keenan Family Trust)

INCO PTY. LTD.
A.C.N. 066 926 403
(as trustee of the Darren Slaney Family Trust)

LPS INVESTMENTS PTY. LTD.
A.C.N. 066 926 494
(as trustee of the Peter Slaney Family Trust)

SMNR CONSULTING PTY. LTD.
A.C.N. 062 871 381
(as trustee of the SMNR Trust)

TABLE OF CONTENTS

CLAUSE	PAGE
1. INTERPRETATION.....	5
1.1 Definitions.....	5
1.2 Interpretation.....	9
2. COVENANTS TO PAY.....	9
2.1 Agreement.....	9
2.2 Demands by Mortgagee.....	10
3. MORTGAGE OF SECURED PROPERTY.....	10
3.1 Mortgage of Secured Property.....	10
3.2 Deposit of Certificates and Transfers.....	10
3.3 Priority Amount.....	10
4. RELEASE OF MORTGAGE.....	10
4.1 Release of Mortgage.....	10
5. DISTRIBUTIONS AND VOTING.....	11
5.1 Acquisition of Rights by Mortgagor.....	11
5.2 Prior to Event of Default.....	11
5.3 After Event of Default.....	11
5.4 Voting and Other Restrictions.....	12
6. REPRESENTATIONS AND WARRANTIES.....	12
6.1 Representations and Warranties Relating to Secured Property.....	12
6.2 Acknowledgment of Reliance.....	13
6.3 Additional Representations and Warranties.....	13
7. UNDERTAKINGS 13	
7.1 Undertakings Relating to Secured Property.....	13
7.2 Other Undertakings.....	15
7.3 Costs.....	15
8. EVENTS OF DEFAULT.....	15
8.1 Events of Default.....	15
8.2 Mortgagee's Right to Remedy Default.....	16
9. POWERS OF MORTGAGEE ON DEFAULT.....	16
9.1 Powers of Mortgagee.....	16
9.2 Exclusion of Notice.....	18
9.3 Not Mortgagee in Possession.....	18
9.4 Give up Possession.....	18
9.5 Exclusion of Liability.....	18
9.6 Protection of Third Parties.....	18
10. TRANSFER OF SECURED PROPERTY.....	18
10.1 Transfer of Secured Property.....	18

11.	APPOINTMENT OF RECEIVER.....	19
11.1	Appointment.....	19
11.2	Agent of Mortgagor.....	20
11.3	Powers of Receiver.....	20
12.	RECEIPT AND APPLICATION OF MONEYS.....	20
12.1	Order of Application.....	20
12.2	Credit Actual Receipts.....	20
12.3	Amounts Contingently Due.....	21
12.4	Surplus Moneys.....	21
12.5	Appropriation.....	21
12.6	Reinstatement of Mortgage.....	21
13.	GENERAL SECURITY PROVISIONS.....	22
13.1	Further Assurances.....	22
13.2	Power of Attorney.....	22
13.3	Other Security Interests.....	22
13.4	Priority of Future Advances.....	22
13.5	Rights Regarding Prior Security Interests.....	23
13.6	Judgments.....	23
13.7	Notice of Deed.....	23
13.8	Release.....	23
13.9	Acceptance of Payments.....	24
13.10	Continuing Security.....	24
14.	WITHHOLDINGS.....	24
14.1	Payments in Gross.....	24
14.2	Deductions and Withholdings.....	24
14.3	Receipts.....	24
15.	EXPENSES.....	24
15.1	Expenses.....	24
15.2	Stamp Duty and Registration Fees.....	25
15.3	Mortgagee May Debit Account of Mortgagor.....	25
16.	PAYMENTS AND EVIDENCE OF DEBT.....	25
16.1	Payments by Mortgagor.....	25
16.2	Business Days.....	25
16.3	Certificate Conclusive and Binding.....	26
17.	INDEMNITIES.....	26
17.1	General Indemnity.....	26
17.2	Currency Indemnity.....	26
18.	SET-OFF.....	26
18.1	Set-Off.....	26
19.	NOTICES.....	27
19.1	Notices and Other Written Communications.....	27
19.2	Time of Receipt.....	27
19.3	Address for Notices.....	27

20	ASSIGNMENT.....	28
20.1	Assignment by Mortgagor.....	28
20.2	Assignment by Mortgagee.....	28
20.3	Disclosure.....	28
21.	MISCELLANEOUS.....	28
21.1	Waiver.....	28
21.2	Invalidity.....	28
21.3	Amendments.....	29
21.4	Counterparts.....	29
21.5	Mortgagee's Rights Cumulative.....	29
21.6	Survival of Indemnities.....	29
21.7	Successors and Assigns.....	29
21.8	Moratorium Legislation.....	29
21.9	Consent by Mortgagee.....	30
21.10	Governing Law.....	30
21.11	Jurisdiction.....	30
21.12	Confidentiality.....	30

THIS DEED is made the day of 1996

BETWEEN:

PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC. a company incorporated in the State of Delaware, in the United States of America with its office at 8180 Greensboro Drive, McLean, Virginia, USA ("the Mortgagor");

AND ASPECT COMPUTING PTY. LTD. A.C.N. 005 083 670 of 551 Glenferrie Road, Hawthorn, Victoria, 31 22;

AND ALTA TELECOMMUNICATIONS PTY. LTD. A.C.N. 067 270 375 (as trustee of the Caravias Family Trust) of 6 Union Grove, Armadale, Victoria, Australia, 3143;

AND CCT AUSTRALIA PTY. LTD. A.C.N. 006 965 111 (as trustee of the Burns Family Trust) of C/- Hershman Serebro, Ground Floor, 377 Lonsdale Street, Melbourne, Victoria, Australia, 3000;

AND CT CORPORATION PTY. LTD. A.C.N. 062 380 803 (as trustee of the Lucas Family Trust) of 10 Powlett Street, East Melbourne, Victoria, 3002;

AND WILLOWARE PTY. LTD. A. C.N. 065 497 458 (as trustee of the Keenan Family Trust) of 5 Dinsdale Court, Mooroolbark, Victoria, Australia, 3138;

AND INCO PTY. LTD. A.C.N. 066 926 403 (as trustee of the Darren Slaney Family Trust) of 3 Stanley Street, Williamstown, Victoria, 3016;

AND LPS INVESTMENTS PTY. LTD. A.C.N. 066 926 494 (as trustee of the Peter Slaney Family Trust) of 15 Killara Court, Werribee, Victoria, Australia, 3030;

AND SMNR CONSULTING PTY. LTD. A.C.N. 062 871 381 (as trustee of the SMNR Family Trust) of 16 Highgate Grove, Ashburton, Victoria, Australia, 3147;
(collectively called "the Mortgagees").

THIS DEED WITNESSES AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

In this Deed, unless the context otherwise requires:

"Agreement" means the Share Acquisition Deed;

"Authorisation" includes any authorisation, approval, consent, licence, permit, franchise, permission, filing, registration, resolution, direction, declaration and exemption;

"Authorised Officer" means:

- (a) in relation to the Mortgagor, each director and secretary of the Mortgagor and each person from time to time notified in writing by the Mortgagor to the Mortgagee to be an Authorised Officer; and
- (b) in relation to the Mortgagee, each person or firm nominated by the Mortgagee to the Mortgagor as an Authorised Officer and not subsequently notified by the Mortgagee to the Mortgagor as having ceased to be an Authorised Officer);

"Bank" means a bank authorised under the Banking Act 1959 (Cth), or under the laws of a state, to carry on banking business in Australia or in that state;

"Business Day" means a day on which Banks are open for business in Melbourne;

"Certificates" means certificates or other instruments evidencing shares or other property forming part of the Secured Property;

"Cleared Funds" means moneys that are immediately available to, and freely transferable by, the recipient;

"Company" means Axicorp Pty Ltd (A.C.N. 061 754 943);

"Event of Default" means any event specified as such in Clause 8.1;

"Governmental Agency" includes any government, whether federal, state, territorial or local, and any minister, department, office, commission, delegate, instrumentality, agency, board, authority or organ thereof, whether statutory or otherwise;

"Insolvency Event" means in respect of the Mortgagor:

- (a) if a receiver, receiver and manager, liquidator provisional liquidator, administrator, a trustee in bankruptcy, or any similar official is appointed in respect of or over all of the assets of the Mortgagor or in respect of or over the Mortgagor's interest in the Shares (except where such appointment is made with the prior written consent of the Mortgagee); or
- (b) if a person pursuant to a Security Interest takes possession, or assumes control, whether by an agent or howsoever otherwise of all or any of the assets of the Mortgagor or the Mortgagor's interest in the Shares;

"Mortgage" means the mortgage over the Secured Property created by this Deed;

"Permitted Securities" means:

- (a) the Mortgage; and
- (b) liens or charges arising by operation of law in the ordinary course of business (other than those not discharged when due);

"Potential Event of Default" means any event which, with the giving of notice, the passage of time or the fulfilment of any other condition stipulated in this Deed or the Agreement, would become an Event of Default;

"Priority Amount" means \$9 million;

"Receiver" means the person or persons appointed in accordance with Clause 11;

"Related Body Corporate" has the same meaning as in the Corporations Law;

"Required Currency" means the lawful currency for the time being of the Commonwealth of Australia;

"Rights" means all of the Mortgagor's right, title and interest in and to all dividends, distributions, bonus shares, rights, issues, options, warrants, notes, convertible instruments, securities and other instruments of any kind whatsoever, and all allotments, accretions, offers, benefits and advantages whatsoever, now or hereafter made, granted, issued or otherwise distributed in respect of, in substitution for, in addition to, or in exchange for, the Shares, whether or not upon or by reason of a winding up, conversion, redemption, bonus, cancellation, re-classification, option, rights issue or otherwise;

"Secured Moneys" means all moneys, obligations and liabilities of any nature whatsoever that may now be, or might at any time in the future become or remain, due, owing or payable, whether actually or contingently, by the Mortgagor to the Mortgagee under the Agreement and this Deed and whether on account of or by way of unpaid purchase price (including any unpaid purchase price after exercise of any option under the Agreement), interest, fees, commissions, charges, costs, expenses, indemnity payments, losses, damages or otherwise and irrespective of:

- (a) the capacity (whether as principal, agent, trustee, beneficiary, partner or otherwise) of the Mortgagor or Mortgagee;

- (b) whether the Mortgagor is liable as principal debtor or as surety; and
- (c) whether the Mortgagor is liable alone or jointly and/or severally with any other person but shall not include any moneys due, owing or payable under a covenant or stipulation rendered void by section 261 of the Income Tax Assessment Act 1936 (Cth);

"Secured Property" means the Shares and the Rights;

"Security Interest" includes any mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation, arrangement for the retention of title and any other right, interest, power or arrangement of any nature whatsoever having the purpose or effect of providing security for, or otherwise protecting against default in respect of, the obligations of any person;

"Share Acquisition Deed" means the Share Acquisition Deed between the Mortgagor, Mortgagee and others dated on or about the date of this Deed pursuant to which the Mortgagee agreed to sell 78,667 shares in the capital of the Company to the Mortgagor and to grant to and be granted by the Mortgagor options in respect of 157,333 shares in the capital of the Company owned by the Mortgagee;

"Shareholders" means those persons who from time to time hold shares in the Company;

"Shares" means

- (a) 78,667 ordinary shares in the capital of the Company, owned by the Mortgagor; and
- (b) any shares in the capital of the Company acquired by the Mortgagee upon any exercise (if applicable) of the First Put Option or the First Call Option in respect of whole or part of the First Tranche or of the Second Put Option or the Second Call Option in respect of the whole or part of the Second Tranche and acquisition by the Mortgagor of any shares following such option exercise, unless at the time of the relevant acquisition the Mortgagor acquires the whole or (if applicable) the balance of the First Tranche and the Second Tranche;

"Tax" includes any tax, levy, charge, impost, rate, fee, deduction, stamp duty, financial institutions duty, bank account debit tax or other tax, withholding or remittance of any nature, now or hereafter payable or required to be remitted to, or imposed, levied, collected or assessed by, any Governmental Agency and includes any interest, expense, fine, penalty or other charge payable or claimed in respect

thereof but does not include any tax on overall net income of the Mortgagee; and

"Transfer" means a transfer in registrable form executed by the Mortgagor (or if the Mortgagor is not the registered holder of the Secured Property, by such registered holder) as transferor, but otherwise blank.

1.2 Interpretation

In this Deed, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include every gender;
- (c) references to any document (including this Deed) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time;
- (d) references to this Deed are references to this Deed and the Annexures;
- (e) references to Clauses, paragraphs and Annexures are references to clauses and paragraphs of, and annexures to, this Deed;
- (f) headings are for convenience only and shall be ignored in construing this Deed;
- (g) references to any party to this Deed include references to its respective successors and permitted assigns;
- (h) references to law include references to any constitutional provision, treaty, decree, convention, statute, act, regulation, rule, ordinance, subordinate legislation, rule of common law and of equity and judgment;
- (i) references to any law are references to that law as amended, consolidated, supplemented or replaced from time to time; references to judgment include references to any order, injunction, decree, determination or award of any court or tribunal;
- (k) references to any person include references to any individual, company, body corporate, association, partnership, firm, joint venture, trust and Governmental Agency;
- (l) references to time are to Melbourne time; and
- (m) the terms "First Put Option", "First Call Option", "First Tranche" and "Second Tranche" have the same meanings as in the Agreement.

2. COVENANTS TO PAY

2.1 Agreement

The Mortgagor shall pay or satisfy the Secured Moneys as and when due in accordance with the Agreement or this Deed but if an Event of Default occurs and has not been remedied or waived the Mortgagor shall, notwithstanding any delay or

waiver of any previous default, pay those Secured Moneys upon demand by the Mortgagee.

2.2 Demands by Mortgagee

Any demand by the Mortgagee under Clause 2.1 shall be by written notice to the Mortgagor and may be made from time to time.

3. MORTGAGE OF SECURED PROPERTY

3.1 Mortgage of Secured Property

The Mortgagor as beneficial owner mortgages to the Mortgagee all of the Mortgagor's right, title and interest in and to the Secured Property by way of first ranking equitable mortgage as security for the due and punctual payment and satisfaction of the Secured Moneys.

3.2 Deposit of Certificates and Transfers

The Mortgagor shall deposit with the Mortgagee:

- (a) on the date of this Deed, three (3) Transfers in respect of the Shares; and
- (b) on the date on which the Mortgagor receives the Certificates in respect of the Shares, all Certificates in respect of the Shares.
- (c) on the date the Mortgagor beneficially acquires any Secured Property which becomes subject to this Deed after the date of this Deed, all Certificates evidencing that Secured Property and such number of Transfers in respect of that Secured Property as the Mortgagee may reasonably require.

3.3 Priority Amount

For the purpose only of Division 3 of Part 3.5 of the Corporations Law and without limiting the Secured Moneys, the maximum prospective liability (within the meaning of the Corporations Law) secured by this Deed is the Priority Amount.

4. RELEASE OF MORTGAGE

4.1 Release of Mortgage

The Mortgagee shall not be obliged to discharge the Mortgage unless either:

- (i) all of the Secured Moneys have been paid or satisfied in full; or
- (ii) the Mortgagor has provided alternative security to the Mortgagee in accordance with Clause 6.5 of the Agreement.

5. DISTRIBUTIONS AND VOTING

5.1 Acquisition of Rights by Mortgagor

The Mortgagor shall:

- (a) upon the earlier of the acquisition by the Mortgagor of any Rights or receipt by the Mortgagor of notification of any entitlement to any Rights, provide the Mortgagee with full particulars of those Rights;
- (b) acquire Rights upon the request of the Mortgagee if failure to take up such Rights might, in the Mortgagee's discretion, result in this Deed being materially lessened in value; and
- (c) subject to Clause 5.2(a), pay to the Mortgagee any moneys received by the Mortgagor in respect of any Rights.

5.2 Prior to Event of Default

Until the Secured Property is registered in the name of the Mortgagee (or its nominee) or the Mortgagee gives written notice to the Mortgagor following the occurrence of an Event of Default that has not been remedied or waived (whichever is the sooner):

- (a) the Mortgagor may retain and apply for its own use any money (including without limitation any cash dividend) or property payable in respect of the Secured Property;
- (b) the Mortgagor may, subject to Clause 5.4, exercise the right to vote in respect of the Secured Property and exercise the right to acquire any further shares in the Company; and
- (c) the Mortgagee shall not exercise any voting or other rights in respect of the Secured Property other than those rights which it may have under this Deed.

5.3 After Event of Default

Immediately after the earlier of the Secured Property becoming registered in the name of the Mortgagee (or its nominee) or the Mortgagor receiving written notice under Clause 5.2, all the rights of the Mortgagor under Clause 5.2 shall cease and the Mortgagee alone shall be entitled to exercise those rights and the Mortgagor shall, at its own expense, promptly execute such proxies and other instruments as the Mortgagee may require to enable the Mortgagee to exercise the right to vote in respect of the Secured Property and to become the registered holder of the Secured Property. If the Mortgagor receives any cash dividend or any other property which forms part of the Secured Property after the Secured Property is registered in the name of the Mortgagee (or its nominee) or after receipt of any such notice, the Mortgagor shall promptly pay the amount of any such cash dividend and deliver any such other property received by it to the Mortgagee and the Mortgagee may retain and apply any such amount or other

property received by it in reduction of the Secured Moneys in accordance with Clause 12.

5.4 Voting and Other Restrictions

The Mortgagor shall not vote or agree to vote in favour of any resolution the effect of which will be to vary the Memorandum or Articles of Association of the Company or vote, agree to vote, vary, agree to vary, terminate or agree to terminate any agreements relating to the Secured Property without the prior written consent of the Mortgagee which consent shall not be unreasonably withheld.

6. REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties Relating to Secured Property

The Mortgagor represents and warrants to the Mortgagee by reference to facts and circumstances existing at the time, that as long as any Secured Moneys are owing to the Mortgagee:

- (a) ownership: the Mortgagor is, or is entitled to be, or in the case of -----
the First Tranche and the Second Tranche may become entitled to be, and at the time of delivery of any Certificates or Transfers pursuant to Clause 3, will be, the sole registered and beneficial owner of the Secured Property;
- (b) priority: the Mortgage is a first ranking mortgage over the Secured -----
Property and the obligations of the Mortgagor under this Deed rank ahead of all other obligations of the Mortgagor (other than those which may be mandatorily preferred by law);
- (c) no Security Interests: the Secured Property is free from all -----
Security Interests except Permitted Securities;
- (d) no options: there are no existing options, warrants, conversion -----
privileges, rights to call or commitments of any kind relating to the Secured Property created by the Mortgagor;
- (e) compliance with laws: the Secured Property complies with all laws -----
and no Governmental Agency has issued any notice or otherwise directed or requested the Mortgagor or any other person to do any act, matter or thing in relation to any Secured Property, which notice, direction or request has not been complied with to the satisfaction of the relevant Governmental Agency; and
- (f) no litigation: no litigation, arbitration, administrative proceeding -----
or other procedure for the resolution of disputes is currently taking place, pending or, to the knowledge of the Mortgagor, threatened, which involves the Secured Property.
- (g) non-contravention: this Mortgage does not contravene any of the -----
provisions of the Mortgagor's constituent documents.

6.2 Acknowledgment of Reliance

The Mortgagor acknowledges that the Mortgagee has entered into this Deed in reliance upon the representations and warranties contained in this Deed.

6.3 Additional Representations and Warranties

The representations and warranties contained in Clause 6.1 are in addition to any other representations and warranties contained in the Agreement.

7. UNDERTAKINGS

7.1 Undertakings Relating to Secured Property

Unless the Mortgagee otherwise agrees in writing, which agreement shall not be unreasonably withheld, the Mortgagor shall:

- (a) no Security Interests: not create, agree or attempt to create or

allow to exist, any Security interest (other than Permitted Securities) over or in respect of any Secured Property;

- (b) Permitted Securities: promptly comply with all the terms of any

Permitted Security and not do, omit to do or allow to occur any act, thing or omission whereby the obligations of any other person in respect of the Permitted Security would be in any way lessened;

- (c) no sales: not sell, redeem, dispose of, part with possession of or

otherwise deal with, any Secured Property other than in accordance with this Deed;

- (d) calls: pay all calls, instalments or other moneys which are payable

in respect of the Secured Property;

- (e) transfer requirements: if the requirements for the transfer of any

Secured Property alter as to the form or content of transfer approved by the Company, the information required by the Company in connection with a transfer or in any other respect, immediately upon such alteration notify the Mortgagee and lodge with or provide to the Mortgagee all instruments and information as may, in the reasonable opinion of the Mortgagee, be necessary to enable the Secured Property to be transferred to the Mortgagee in accordance with the terms of this Deed;

- (f) notices to Shareholders: at the same time as notices are, by the

Corporations Law or by the Memorandum or Articles of Association of the Company, required to be given to Shareholders, give to the Mortgagee a copy of each such notice (together with copies of all reports, accounts, circulars or other information distributed with such a notice) and, upon request, give to the Mortgagee any reports, accounts, circulars or other information or documents which may be given to members from time to time;

- (g) protect: institute or defend any legal proceedings which the

Mortgagee may require to protect any of the Secured Property;
- (h) not prejudice: not do, omit to do or allow to occur, any act,

omission or thing which would or might result in any Secured Property
being surrendered, forfeited, cancelled or materially prejudiced in
any manner whatsoever or reduced in value, or this Deed or any
rights, powers or remedies of the Mortgagee under this Deed being
materially prejudiced or adversely affected;
- (i) pay Taxes: whether or not the Mortgagee has taken possession, duly

and punctually pay all Taxes in respect of any Secured Property and
upon demand provide the Mortgagee with copies of all notices received
in respect of such Taxes and copies of receipts for all payments;
- (j) comply with laws: duly and punctually comply with and observe all

laws and all guidelines, directions, requests or requirements of any
Governmental Agency applicable to or affecting any Secured Property
or the enjoyment of the Secured Property by the Mortgagor;
- (k) other obligations: duly and punctually comply with and observe all

Security Interests affecting any Secured Property;
- (l) consents: duly and punctually comply with the terms attaching to any

consent given by the Mortgagee in connection with this Deed; and
- (m) issue of Certificates: procure that the Company issues Certificates

in respect of the Shares in the name of the Mortgagor immediately
after payment of stamp duty on the transfers relating to the Shares
and shall then comply with clause 3.2(b);
- (n) merger: procure that the Company shall not merge or consolidate with

any other entity or take any step with a view to dissolution,
liquidation or winding-up, such consent not to be unreasonably
withheld;
- (o) capital reorganisation: procure that the Company shall not purchase

or redeem any of its issued shares, reduce its capital, pass any
resolution under section 188(2) of the Corporations Law, issue any
shares or make a distribution of assets or other capital to its
shareholders;
- (p) dividends: procure that the Company shall not declare or pay any

dividend or make any other income distribution to its shareholders if
an Event of Default or Potential Event of Default has occurred and
has not been remedied or waived in writing; and
- (q) representations: notify the Mortgagee immediately upon any of the

representations contained in Clause 6.1 hereof failing to continue to
be true and correct

with reference to the facts and circumstances then subsisting.

7.2 Other Undertakings

The undertakings contained in Clause 7.1 are in addition to any other undertakings of the Mortgagor contained in any Agreement.

7.3 Costs

All costs and expenses incurred in doing or refraining from doing any act, matter or thing in accordance with Clause 7.1 shall be paid by the Mortgagor.

8. EVENTS OF DEFAULT

8.1 Events of Default

Each of the following events shall be an Event of Default:

- (a) default under Agreement: an event of default (however described)

occurs under the Agreement and has not been remedied or waived;
- (b) default under this Deed: the Mortgagor fails to perform or observe

any provision of this Deed and if that failure can be remedied that failure is not remedied within 30 Business Days after the Mortgagor receives notice from the Mortgagee requiring the failure to be remedied;
- (c) ownership: the Mortgagor ceases for any reason to be the registered

and beneficial owner of any part of the Secured Property (other than as permitted by Clause 5.2(a));
- (d) other Security Interests: any Security Interest over any or all

property, assets or revenues of the Mortgagor becomes capable of being enforced or is enforced;
- (e) resumption: any Governmental Agency seizes, confiscates,

requisitions, resumes or compulsorily acquires (whether permanently or temporarily and whether with payment of compensation or not) any Secured Property;
- (f) litigation: a Judgment or award is obtained, against the Mortgagor,

in which the title of the Mortgagor to any Secured Property is impeached;
- (g) priority: the Mortgage ceases for any reason whatsoever to be a

first ranking mortgage or any obligation of the Mortgagor (other than obligations which may be mandatorily preferred by law) ranks ahead of or pari passu with the Secured Moneys;
- (h) failure to pay: the Mortgagor shall fail to pay any part of the

Secured Moneys on the due date (including any agreed grace period);
- (i) Insolvency Events: an Insolvency Event occurs to the Mortgagor; and

(j) representations: any representation or warranty made by the

Mortgagor in this Deed or in the Agreement proves to have been incorrect or misleading when made in any material respect or if at any time any of the events described in Clause 6.1 hereof prove to be incorrect or misleading in any material respect.

8.2 Mortgagee's Right to Remedy Default

If an Event of Default occurs the Mortgagee may (without being obliged to do so) do or procure the doing of all things and pay or procure the payment of all moneys necessary to remedy that Event of Default. Any moneys which the Mortgagee pays or expenses which the Mortgagee incurs in remedying or attempting to remedy any Event of Default shall form part of the Secured Moneys.

9. POWERS OF MORTGAGEE ON DEFAULT

9.1 Powers of Mortgagee

Immediately upon or at any time after the occurrence of an Event of Default, in addition to any rights, powers or remedies conferred by this Deed or by law, and notwithstanding any delay or waiver of any previous default, the Mortgagee shall have the power to do all acts and things and exercise all rights, powers and remedies that the Mortgagor could do or exercise in relation to the Secured Property including, without limitation, the power to:

(a) take possession: take possession and assume control of the Secured

Property;

(b) receive distributions: receive all dividends or other distributions

(whether monetary or otherwise) made or to be made in respect of the Secured Property;

(c) sell: sell or agree to sell the Secured Property (whether or not the

Mortgagee has taken possession) on such terms as the Mortgagee thinks fit and:

(i) whether by public auction, private treaty or by tender;

(ii) for cash or on terms that payment of all or any part of the purchase price is deferred (whether at interest or not and whether with or without security);

(iii) in one lot or in parcels;

(iv) whether or not in conjunction with the sale of other property by the Mortgagee or any other person; and

(v) whether with or without special provisions as to title or time or mode of payment of the purchase money or otherwise;

(d) grant options: grant to any person an option to purchase any Secured

Property upon such terms as the Mortgagee thinks fit;

- (e) transfer property: surrender or transfer the Secured Property to any

Governmental Agency (whether or not for fair compensation);
- (f) exchange property: exchange (whether or not for fair value) with any

person any Secured Property for an interest in property of any tenure
and the property so acquired may be dealt with by the Mortgagee as if
it were part of the Secured Property and, for that purpose, the
Mortgagee may create a Security Interest over that property in favour
of the Mortgagee;
- (g) employ: employ managers, solicitors, officers, agents, accountants,

auctioneers, consultants, workmen and servants on such terms as the
Mortgagee thinks fit;
- (h) delegate: delegate to any person for such time as the Mortgagee

approves any or all of the powers of the Mortgagee on such terms as
the Mortgagee thinks fit;
- (i) give receipts: give receipts for all moneys and other assets that

may come into the hands of the Mortgagee, which receipts shall
exonerate any person paying or handing over such moneys or other
assets from all liability to see to the application thereof and from
all liability to enquire whether the Secured Moneys have become due
or payable or otherwise as to the propriety or regularity of the
appointment of any Receiver or other person appointed by the
Mortgagee; perform and enforce: carry out and enforce, or refrain
from carrying out or enforcing, rights and obligations of the
Mortgagor which may arise in connection with the Secured Property or
obtained or incurred in the exercise of the rights, powers and
remedies of the Mortgagee;
- (k) take proceedings: institute, conduct, defend, settle, arrange,

compromise and submit to arbitration any claims, questions or
disputes whatsoever which may arise in connection with the business
of the Mortgagor or in respect of the Secured Property or in any way
relating to this Deed, and to execute releases or other discharges in
relation thereto;
- (l) borrow: advance moneys or otherwise provide financial accommodation

for the account of the Mortgagor or borrow any money or obtain other
financial accommodation from any person which may be required for any
of the purposes mentioned in this Clause 9.1 and in the name of the
Mortgagor or otherwise and secure any borrowings or other financial
accommodation by a Security Interest over the Secured Property
ranking in priority to, pari passu with or after the Mortgage, in
each case on such terms as the Mortgagee thinks fit; and
- (m) execute documents: execute documents on behalf of the Mortgagor

under seal or under hand to effect any of

the foregoing and any moneys which the Mortgagee pays or becomes liable to pay by reason of doing any of the above shall form part of the Secured Moneys.

9.2 Exclusion of Notice

Any notice, period of time or other condition precedent prescribed by law to the exercise of any rights, powers or remedies of the Mortgagee is dispensed with except to the extent (if any) that the relevant law does not afford the opportunity to dispense by agreement with its requirements, in which event the relevant right, power or remedy may be exercised by the Mortgagee at the time and in the circumstances prescribed by law.

9.3 Not Mortgagee in Possession

If the Mortgagee, an attorney of the Mortgagee or Receiver takes possession of any Secured Property none of the Mortgagee, any such attorney or the Receiver shall be liable as a mortgagee in possession.

9.4 Give up Possession

The Mortgagee may give up possession of any Secured Property at any time and may discontinue any receivership.

9.5 Exclusion of Liability

The Mortgagee shall not be responsible for any losses of any kind whatsoever (including, without limitation, the negligence, default or dishonesty of any servant, agent or auctioneer employed by the Mortgagee, any attorney of the Mortgagee or the Receiver) which may occur in or about the exercise, attempted exercise or non-exercise of any of the rights, powers or remedies of the Mortgagee.

9.6 Protection of Third Parties

No person dealing with the Mortgagee, any attorney of the Mortgagee or the Receiver in connection with the exercise of any of the rights, power or remedies of the Mortgagee shall be bound to inquire whether any Event of Default has occurred, as to the due appointment of any Receiver or otherwise as to the propriety or regularity of any such dealing and shall not be affected by express notice that any such dealing is unnecessary or improper, and notwithstanding any irregularity or impropriety in any such dealing the same shall as regards the protection of that person be deemed to be valid and effective.

10. TRANSFER OF SECURED PROPERTY

10.1 Transfer of Secured Property

Without limiting any rights, powers or remedies conferred upon the Mortgagee by this Deed or by law, at any time after the occurrence of an Event of Default that has not been remedied or waived:

- (a) the Mortgagee may:
 - (i) insert the name of the Mortgagee or its nominee (or the name of any purchaser pursuant to a power of sale conferred by law or the power of sale referred to in Clause 9.1) in all or any of the Transfers (and other relevant documents, if any) deposited with the Mortgagee in respect of the Secured Property;
 - (ii) in the name of the Mortgagor sign, seal and deliver all or any of those Transfers (and those other relevant documents);
 - (iii) cause all or any of those Transfers to be registered; and
 - (iv) deliver the Certificates deposited with the Mortgagee in respect of the Secured Property (and/or any certificates issued consequent upon any such registration of the Transfers) to any such nominee (or any such purchaser); and
- (b) the Mortgagor shall forthwith on the request of the Mortgagee procure the approval of the Company and/or the board of directors of the Company or any other relevant person (if necessary) to the registration of the Transfers (and, if applicable, the delivery to the Mortgagee or its nominee (or any such purchaser of any certificates issued upon any such registration of the Transfers).

11. APPOINTMENT OF RECEIVER

11.1 Appointment

Immediately upon or at any time after the occurrence of an Event of Default that has not been remedied or waived and notwithstanding that an order may have been made or a resolution passed for the winding up of the Mortgagor, the Mortgagee may appoint in writing any person to be a receiver or receiver and manager of any Secured Property and:

- (a) the Receiver may be appointed by the Mortgagee on such terms as the Mortgagee thinks fit;
- (b) the Mortgagee may remove a Receiver and, in the case of removal, retirement or death of the Receiver, may appoint another in his place;
- (c) the Mortgagee may from time to time fix the remuneration of the Receiver at an amount or rate of commission agreed between the Mortgagee and the Receiver and, in the absence of such agreement, at the rate determined by the Mortgagee; and
- (d) if 2 or more persons are appointed as Receiver they may be appointed jointly and/or severally and may be appointed in respect of different parts of the Secured Property.

11.2 Agent of Mortgagor

Unless and until the Mortgagee by notice in writing to the Mortgagor and to the Receiver requires that the Receiver act as agent of the Mortgagee, or until an order is made or resolution is passed for the winding up of the Mortgagor, the Receiver shall be the agent of the Mortgagor, and the Mortgagor alone shall be responsible for the acts and defaults of the Receiver, but in exercising any powers of the Mortgagee, the Receiver shall have the authority of both the Mortgagor and the Mortgagee.

11.3 Powers of Receiver

Subject to any specific limitations placed upon him by the terms of his appointment, the Receiver may, in addition to any right, power or remedy conferred upon him by law, do any act, matter or thing and exercise any right, power or remedy that may be done or exercised by the Mortgagee in relation to the Secured Property.

12. RECEIPT AND APPLICATION OF MONEYS

12.1 Order of Application

All moneys received by the Mortgagee, any attorney of the Mortgagee or the Receiver on account of the Secured Moneys shall be applied in the following order, unless the Mortgagee elects otherwise:

- (a) firstly, in payment of the costs, charges, expenses and other moneys payable by the Mortgagor under Clause 15 and Clause 17 or otherwise incurred in the exercise or attempted exercise of the rights, powers or remedies of the Mortgagee;
- (b) secondly, in payment of the Receiver's remuneration;
- (c) thirdly, in payment or satisfaction of Security Interests of which the Mortgagee has notice having priority over the Mortgage, in order of, and to the extent of, their priorities;
- (d) fourthly, in payment of the Secured Moneys;
- (e) fifthly, in payment of subsequent security interests of which the Mortgagee has notice, in the order of their priorities; and
- (f) sixthly, in payment to the Mortgagor.

12.2 Credit Actual Receipts

In applying any moneys toward satisfaction of the Secured Moneys, the Mortgagee shall credit the Mortgagor with only those moneys actually received by the Mortgagee in cash, and such credit shall date from the time of actual receipt.

12.3 Amounts Contingently Due

If any moneys are available for distribution to the Mortgagee in respect of Secured Moneys contingently due to the Mortgagee, those moneys shall be placed in an interest bearing deposit account with a person (including the Mortgagee or a Related Body Corporate of the Mortgagee) selected by the Mortgagee on terms selected by the Mortgagee until those Secured Moneys become actually due and payable or the Mortgagee determines they are unlikely ever to become actually due and payable. At that time the amount actually owing may be paid to the Mortgagee and the balance distributed in accordance with Clause 12.1.

12.4 Surplus Moneys

If at any time after satisfaction of the Secured Moneys the Mortgagee holds any surplus money payable to the Mortgagor, those moneys shall carry interest and may be placed to the credit of an account in the name of the Mortgagor with a bank and the Mortgagee shall thereupon be under no further liability in respect thereof.

12.5 Appropriation

The Mortgagor irrevocably authorises the Mortgagee to appropriate any money received by the Mortgagee, any attorney of the Mortgagee or any Receiver in and toward such of the Secured Moneys as the Mortgagee thinks fit.

12.6 Reinstatement of Mortgage

If any claim is made that any moneys received by the Mortgagee in payment or satisfaction of the Secured Moneys must be repaid or refunded, or that any settlement, obligation, transaction, conveyance or transfer affecting or relating to the Secured Moneys is void or voidable, under any law (including, without limitation, under any law relating to preferences, bankruptcy, insolvency or the winding up of companies):

- (a) the Mortgagor shall, at its own expense, promptly do, execute and deliver, and use its best endeavours to cause any relevant third person to do, execute and deliver, all such acts and instruments as the Mortgagee may require to reinstate the Mortgage upon the terms of this Deed and to restore to the Mortgagee any Security Interest, guarantee, indemnity or other security held by it immediately prior to such payment, satisfaction, obligation, transaction, conveyance or transfer; and
- (b) if the claim is upheld, compromised or admitted, the Mortgagee shall be entitled to the same rights, powers and remedies against the Mortgagor and the Secured Property as it would have had if the relevant moneys had never been applied in payment or satisfaction of the Secured Moneys or if such settlement, obligation,

transaction, conveyance or transfer had not been incurred or taken place, and this Clause 12.6 shall survive the discharge of the Mortgage unless the Mortgagee expressly agrees otherwise in writing.

13. GENERAL SECURITY PROVISIONS

13.1 Further Assurances

If requested by the Mortgagee, acting reasonably, from time to time to do so, the Mortgagor shall at its own expense promptly do, execute and deliver, and cause any relevant third person to do, execute and deliver, all such other and further acts and instruments as are necessary for more satisfactorily giving effect to this Deed and for more fully vesting in the Mortgagee all rights, powers and remedies conferred or intended to be conferred by this Deed.

13.2 Power of Attorney

The Mortgagor irrevocably appoints the Mortgagee, each Authorised Officer of the Mortgagee and each Receiver for the time being, severally, the attorneys of the Mortgagor for such time as an Event of Default continues unremedied and unwaived to do (either in the name of the Mortgagor or the attorney) all acts and things that the Mortgagor is obliged to do under this Deed or which, in the opinion of the Mortgagee, are necessary or desirable in connection with the Secured Property or the protection or perfection of the Mortgagee's interest in the Secured Property or the exercise of the rights, powers and remedies of the Mortgagee and, without limiting the generality of the foregoing, to execute all documents of whatever nature, but without rendering the Mortgagee liable as a mortgagee in possession and with full power for all or any of such purposes from time to time to appoint a substitute or sub-attorney and to revoke any such appointment.

13.3 Other Security Interests

This Deed is in addition to, and not in substitution for any other Security Interest which the Mortgagee now has, or may hereafter take, in respect of the Secured Moneys. This Deed does not merge with, discharge, postpone or otherwise affect prejudicially any other Security Interest held by the Mortgagee.

13.4 Priority of Future Advances

Notwithstanding any rule of law or equity to the contrary, all moneys which are expressed to be secured by this Deed and which are advanced, paid or otherwise provided after the receipt of notice by the Mortgagee of the creation of any other Security Interest shall nevertheless be secured by this Deed in priority to any moneys secured by that

other Security Interest, unless the Mortgagee specifically agrees otherwise in writing.

13.5 Rights Regarding Prior Security Interests

The Mortgagee may (but without being obliged to do so) pay any moneys, obligations or liabilities secured by any Security Interest having priority over this Deed and, at the expense of the Mortgagor, take a transfer thereof for the benefit of the Mortgagee and:

- (a) the Mortgagee shall not be bound to enquire whether the moneys claimed to be owing under that prior Security Interest are actually owing;
- (b) the person having the benefit of the prior Security Interest shall not be bound to enquire whether any moneys remain due under this Deed;
- (c) the Mortgagor authorises, directs and consents to person having the benefit of the prior Security Interest providing the Mortgagee from time to time with all information it may require in relation to the prior Security Interest, including the state of accounts thereunder; and
- (d) any moneys paid by the Mortgagor to the Mortgagee after the date of transfer shall be available to be applied by the Mortgagee in its absolute discretion to either the Secured Moneys or to the moneys secured by the prior Security Interest.

13.6 Judgments

Notwithstanding any judgment which the Mortgagee may recover against the Mortgagor in respect of any Secured Moneys, the Mortgagee shall hold the judgment collaterally with this Deed as security for the due payment and satisfaction of Secured Moneys and this Deed shall not merge in any judgment.

13.7 Notice of Deed

The Mortgagee need not give any notice of this Deed to any person, enforce payment of any Secured Moneys, enforce or realise any Collateral Securities or take any steps or proceedings for any purpose unless the Mortgagee thinks fit.

13.8 Release

The Mortgagee may release any Secured Property from the mortgage granted in accordance with this Deed at any time and any such release shall not in any way affect, prejudice or invalidate the Mortgage over any other Secured Property or the obligations of the Mortgagor under this Deed or any Agreement and the Mortgagor shall not be obliged to resort to the Agreement in priority to this Deed.

13.9 Acceptance of Payments

This Deed may be enforced notwithstanding that the Mortgagee may have accepted payment of any Secured Moneys after the occurrence of an Event of Default.

13.10 Continuing Security

This Deed shall be a continuing security notwithstanding any settlement of account or other matter or thing whatsoever until a final discharge shall have been given to the Mortgagor.

14. WITHHOLDINGS

14.1 Payments in Gross

All moneys payable by the Mortgagor under this Deed shall be paid in full without set-off (subject to any contrary term in the Agreement) or counterclaim of any kind and free and clear of any Tax, deduction or withholding of any kind.

14.2 Deductions and Withholdings

If the Mortgagor or any other person required by law to make any deduction or withholding from any payment to the Mortgagee under this Deed, the Mortgagor shall, together with such payment, pay an additional amount so that, after all deductions or withholdings, the Mortgagee actually receives for its own benefit the full amount which it would have received if no such deductions or withholdings had been required but the obligations of the Mortgagor under this Clause shall not include obligations of the nature rendered void by Section 261 of the Income Tax Assessment Act 1936 (Cth).

14.3 Receipts

The Mortgagor shall pay the full amount of any deduction or withholding referred to in Clause 14.2 to the appropriate Governmental Agency within the time required by applicable law and promptly forward to the Mortgagee the originals of all official receipts.

15. EXPENSES

15.1 Expenses

The Mortgagor shall forthwith upon demand pay or reimburse the Mortgagee for all reasonable costs, charges and expenses (including legal fees and disbursements on a full indemnity basis) incurred or payable by the Mortgagee in connection with or arising out of:

- (a) any approval, consent, valuation or waiver to be made or given by the Mortgagee under this Deed, provided those costs, charges and expenses do not exceed \$500 or the Mortgagee has obtained the prior written consent of the Mortgagor for any costs, charges and expenses which exceed \$500; and

- (b) any variation, release or discharge to be made or given by the Mortgagee under this Deed; and
- (c) any enforcement of or preservation of rights, powers and remedies under this Deed or otherwise in respect of the Secured Property.

15.2 Stamp Duty and Registration Fees

The Mortgagor shall pay when due all present and future stamp duties and other like levies, charges and imposts (including financial institutions duty and bank account debit taxes) and any interest, fines or penalties in relation thereto (other than as may be incurred by reason of the wilful default or negligence of the Mortgagee), and all registration, recording and other like fees which may be payable in respect of this Deed and any documents executed pursuant to Clause 12.6 or Clause 13.1 and the Mortgagor indemnities the Mortgagee from and against all actions, suits, claims, demands, losses, liabilities, damages, costs and expenses which may be made or brought against or suffered or incurred by the Mortgagee arising out of or in connection with any default in the payment thereof.

15.3 Mortgagee May Debit Account of Mortgagor

The Mortgagee may without prejudice to any other right, power or remedy of the Mortgagee, at any time and from time to time, without further authority than this Clause 15.3, debit and charge any account of the Mortgagor with the Mortgagee with any of the following moneys:

- (a) any costs, expenses or other moneys referred to in Clause 15.1;
- (b) any stamp duties or other moneys referred to in Clause 15.2; and
- (c) any moneys referred to in Clause 17.

16. PAYMENTS AND EVIDENCE OF DEBT

16.1 Payments by Mortgagor

All payments by the Mortgagor under this Deed shall be made in the Required Currency (which shall be the currency of account and of payment) and shall be made to the Mortgagee not later than 11:00 am on the due date for payment in Cleared Funds as the Mortgagee may from time to time notify in writing.

16.2 Business Days

If any amount would otherwise become due for payment on a day which is not a Business Day, that amount shall become due on the next following Business Day or, if that Business Day is in another calendar month, on the immediately preceding Business Day.

16.3 Certificate Conclusively and Binding
A certificate signed by an Authorised Officer of the Mortgagee stating any amount or rate for the purpose of this Deed shall, be prima facie evidence of its contents.

17. INDEMNITIES

17.1 General Indemnity

The Mortgagor indemnifies the Mortgagee from and against all actions, suits, claims, demands, losses, liabilities, damages, reasonable costs and expenses which may be made or brought against or suffered or incurred by the Mortgagee arising out of or in connection with:

- (a) any Event of Default or Potential Event of Default;
- (b) any failure by the Mortgagor to make a payment or perform an obligation in accordance with this Deed;
- (c) the holding of the Secured Property; or
- (d) the exercise or non-exercise of any right, power or remedy contained, referred to or implied in this Deed.

17.2 Currency Indemnity

If any amount is received by the Mortgagee in a currency other than the Required Currency (whether pursuant to a judgment, in the winding up of the Mortgagor or otherwise), the Mortgagor's obligations under this Deed shall be discharged only to the extent that the Mortgagee may, upon receipt of such amount, purchase the Required Currency with such other currency in accordance with the usual banking procedures of the Mortgagee. If the amount in the Required Currency which may be so purchased is, after deducting any costs of exchange and any other related costs, less than the relevant sum payable under this Deed, the Mortgagor shall, as a separate and independent obligation and notwithstanding any time or other indulgence granted to the Mortgagor or any other act, matter or thing, forthwith pay to the Mortgagee the amount of the shortfall.

18. SET-OFF

18.1 Set-Off

If an Event of Default occurs and has not been remedied or waived, the Mortgagee may (in addition to any general or banker's lien, right of set-off, right to combine accounts or any other right to which it may be entitled), without notice to the Mortgagor or any other person, set-off and apply any credit balance (or any part thereof in such amounts as the Mortgagee may elect) on any account (whether subject to notice or not and whether matured or not and in whatever currency) of the Mortgagor with the Mortgagee and any other moneys owing by the Mortgagee or any Lender to the Mortgagor against the liabilities (whether actual or contingent) of the Mortgagor under this Mortgage, and the Mortgagee may purchase with the moneys standing to the

credit of any such account such other currencies as may be necessary for this purpose.

19. NOTICES

19.1 Notices and Other Written Communications

All notices and other communications required by this Deed to be in writing shall be given by an Authorised Officer of the relevant party and shall be sent to the recipient by hand, telegram, pre-paid post (airmail if outside Australia), telex or facsimile.

19.2 Time of Receipt

Without limiting any other means by which a party may be able to prove that a notice has been received by another party, a notice or other communication shall be deemed to be duly received:

- (a) if sent by hand or telegram, when left at the address of the recipient;
- (b) if sent by pre-paid post, on actual delivery;
- (c) if sent by telex, upon receipt by the sender of the recipient's answerback code at the end of transmission; or
- (d) if sent by facsimile, upon receipt by the sender of an acknowledgement or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number.

19.3 Address for Notices

All notices and other communications shall be sent to the recipient at the address, telex or facsimile number set out below or to such other address, telex or facsimile number as a party may from time to time notify to the other in writing:

- (a) to the Mortgagor:

Address: 8180 Greensboro Drive, Suite 1100
McLean, Virginia
USA
Attention: Mr Paul Singh/Ms Julie Correlli
Facsimile No: 00111 703 848 4641
with copy to: Julia Corelli
Pepper Hamilton & Scheetz
3000 Two Logan Square
18th and Arch Streets
PHILADELPHIA PENNSYLVANIA
19103-2799
Facsimile No: 0015 1 215 981 4750

(b) to the Mortgagee:

Address: 475 Victoria Avenue
CHATSWOOD NSW 2067
Attention: The Company Secretary
Facsimile No: 02 413 4139

20. ASSIGNMENT

20.1 Assignment by Mortgagor

The Mortgagor shall not assign or otherwise transfer the benefit of this Deed or any of its rights, duties or obligations under this Deed without the prior written consent of the Mortgagee such consent not to be unreasonably withheld.

20.2 Assignment by Mortgagee

The Mortgagee may assign, transfer and otherwise grant participations or sub-participations in all or any part of the benefit of this Deed and any of its rights, duties and obligations under this Deed without the consent of the Mortgagor.

20.3 Disclosure

The Mortgagee may only disclose to a potential assignee, transferee, participant or sub-participant information about the Mortgagor with the Mortgagor's consent which shall not be unreasonably withheld.

21. MISCELLANEOUS

21.1 Waiver

No waiver by the Mortgagee of any provision of, or any right, power or remedy under this Deed shall be effective unless it is in writing signed by an Authorised Officer of the Mortgagee and such waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No failure or delay by the Mortgagee to exercise any right, power or remedy under this Deed or to insist on strict compliance by the Mortgagor with any obligation under this Deed, and no custom or practice of the parties at variance with the terms of this Deed, shall constitute a waiver of the Mortgagee's right to demand exact compliance with this Deed.

21.2 Invalidity

Any provision of this Deed which is or becomes prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent thereof without invalidating any other provision of this Deed, and any such

prohibition or unenforceability shall not invalidate such provision in any other jurisdiction.

- 21.3 **Amendments**
This Deed may be only amended by an instrument in writing signed by the parties.
- 21.4 **Counterparts**
This Deed may be signed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.
- 21.5 **Mortgagee's Rights Cumulative**
The rights, powers and remedies of the Mortgagee contained in this Deed are cumulative and not exclusive of any rights, powers or remedies provided to the Mortgagee by law. No single or partial exercise by the Mortgagee of any right, power or remedy under this Deed shall preclude any other or further exercise thereof or the exercise of any other right, power remedy.
- 21.6 **Survival of Indemnities**
The indemnities contained in this Deed are continuing obligations of the Mortgagor, separate and independent from the other obligations of the Mortgagor and shall survive the termination of this Deed.
- 21.7 **Successors and Assigns**
This Deed shall be binding upon and inure to the benefit of the parties to this Deed and their respective successors and permitted assigns. The Mortgagor shall at its own expense, within 5 Business Days of written demand by the Mortgagee, execute and cause its successors and permitted assigns to execute any instrument and do everything necessary, to bind its successors and permitted assigns to this Deed.
- 21.8 **Moratorium Legislation**
To the fullest extent permitted by law, the provisions of all existing or future laws which operate or may operate directly or indirectly to lessen or otherwise vary the Mortgagor's obligations under this Deed or to delay, curtail or otherwise prevent or prejudicially affect the exercise by the Mortgagee of all or any of its rights, powers and remedies under this Deed are expressly negated and excluded.

21.9 Consent by Mortgagee
Any consent required of the Mortgagee under this Deed may, unless this Deed specifically provides otherwise, be given or withheld by the Mortgagee in its absolute discretion and either conditionally or unconditionally.

21.10 Governing Law
This Deed shall be governed by and construed in accordance with the laws of the State of Victoria.

21.11 Jurisdiction
The Mortgagor irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of the State of Victoria;
- (b) waives any objection it may now or in the future have to the bringing of proceedings in those courts and any claim that any proceedings have been brought in an inconvenient forum; and
- (c) agrees, without preventing any other mode of service permitted by law, that any document required to be served in any proceedings may be served in the manner in which notices and other written communications may be given under Clause 19.

21.12 Confidentiality
The Mortgagee undertakes that it, its employees, agents or representatives will not disclose any provision of this Deed and all information flowing from it to a third person without the prior consent of the Mortgagor unless the disclosure is related to information already within the public domain, required by law or any competent governmental authority, necessary for the purpose of protecting the interests of the Mortgagee in relation to the Secured Property or made to the Mortgagee's professional advisers.

EXECUTED as a deed on the date first appearing.

THE MORTGAGOR

SIGNED SEALED AND DELIVERED
by
PRIMUS TELECOMMUNICATIONS,
INTERNATIONAL INC
by its
in the presence of:

THE MORTGAGEE

SIGNED SEALED AND DELIVERED by
FUJITSU AUSTRALIA LIMITED
by its Attorney TERENCE JOHN ROBERTSON
in the presence of:

ANNEXURE 3
Disclosure Book

AXICORP PTY LTD
SALE BY FUJITSU AUST. LTD & "ORIGINAL VENDORS"
TO
PRIMUS TELECOMMUNICATIONS, INC.

DISCLOSURE BOOK

(Reference to warranty sec. below are for case of reference and do not imply that the section is relevant only to the stated warranty.)

Documents referred to in italics are still to be provided.

Contents

VOLUME 1

CARRIERS

1. Telstra

- 1.1 BCS Tariffs (contained on computer disc):
 - (a) Service Provider Tariff 1
 - (b) Multi Site Plan 1 (now expired)
 - (c) Call Saver 1, 5, 8 & 10 Flexi-Plans
 - (d) Netplan 1, 2 & 3
 - (e) Pacplan
- 1.2 Application Forms for Pricing Plans as follows:
 - (a) Multi Site Plan 1
 - (b) Call Saver 8 Flexi-Plan
 - (c) Netplan 1
 - (d) Netplan 2
 - (e) Netplan 3
 - (f) Pacplan
 - (g) Call Saver Flexi-Plans
 - (h) Service Provider Tariff 1
- 1.3 Service Provider Agreement commencing 3 May 1995 between Telstra and Axicorp (nb - applies to mobile services only)
- 1.4 Telstra Solution Plus Dealer Agreement Fixed Network between Telstra and Auscorp Telecommunications Pty Ltd (then called Ultimate Communications Pty Ltd) dated 8/1/96
- 1.5 Letter from the Company to Telstra dated 18/1/96 re: change of control of Axicorp
- 1.6 Letter from Telstra to the Company dated 23/1/96 re: change of control of Axicorp
- 1.7 Strategic Partnership Agreement dated 22 October 1993
- 1.8 Strategic Partnership Agreement Release document dated 30/6/95.
- 1.9 Agreement between Telstra and the Company (Consulting Agreement) undated, effective 1/7/95 to 30/4/96.

2. Optus

- 2.1 Reseller Agreement (Long Distance) dated 12 October 1994 between Optus Networks Pty Ltd and Axicorp
- 2.2 Optus Reseller Manual (referred to in Agreement in 2.1)

AGENTS AND DEALERS

3. Non-Standard Agreements - Agents and Associations

- 3.1 Preferred Supplier Agreement between the National Purchasing Corporation Ltd and Axicorp dated 8 June 1994
- 3.2 Deed of Endorsement dated 22/11/95 between Axicorp and The Pharmacy Guild of Australia
- 3.3 Bell Horizon Pty Ltd - Memorandum of Understanding dated 11/3/94
- 3.4 Bell Horizon Pty Ltd - Non-Disclosure 15/6/94
- 3.5 Fujitsu Australia Limited - Letter dated 23/2/96 re existing arrangements

4. Axicorp Agency Agreements
 - 4.1 Standard Agency Agreement
 - 4.2 Carrera Telecommunications P/L
 - 4.3 Tooreelier P/L
 - 4.4 PSR Marketing Australia
 - 4.5 Australian Telephone Services P/L
 - 4.6 Pulse Communications Pty Ltd
5. Axicorp Distributor Agreements
 - List-Axicorp Distributor Network
 - 5.1 AC Communications Pty Ltd
 - 5.2 Allcom Pty Ltd dated 20/4/1995
 - 5.3 Bendigo Telephone Company dated 21/4/95
 - 5.4 Bettatech Service Pty Ltd dated 28/7/95
 - 5.5 Carrera Telecommunications P/L dated 23/3/95
 - 5.6 Geelong Telephone Co (Applcorp Pty Ltd) dated 27/11/95
 - 5.7 Group Business Services Pty Ltd dated 1/8/95
 - 5.8 Mildura Office equipment Pty Ltd
 - 5.9 Parrys Office Supplies dated 27/4/95
 - 5.10 Rivercom Pty Ltd dated 30/10/95
 - 5.11 Southtel Communications (Alemdar Holdings Pty Ltd) dated 22/5/95
 - 5.12 TWS Pty Ltd
 - 5.13 Warrnambool Telephone Company (E & J Read Pty Ltd) dated 23/5/95
 - 5.14 Watersons Communications Pty Ltd dated 15/5/95

VOLUME 2

6. Axicorp Savings Plan Agreements
 - 6.1 List of associations paid commission by the Company
 - 6.2 Albany Chamber of Commerce & Industry
 - 6.3 Australian Dental Association, South Australian Branch Inc
 - 6.4 Australian Dental Association Victorian Branch Inc
 - 6.5 South West Region Tourist Association
7. Axicorp Mobile Agency Arrangements
 - 7.1 Note to Burns, King & Youdel dated 9/8/95
 - 7.2 Letter to JR Allied
 - 7.3 Letter to Equal Access
8. General
 - 8.1 Incomplete (unsigned) Agreements and File notes
 - (a) Australian Dental Association Western Australia Branch Inc
 - 8.2 Termination Arrangements and Disputes - Agreements, Correspondence & File Notes
 - (a) Hounslow Communications
 - (b) Consolidated Communications P/L
 - (c) Accountants Resource Network
 - (d) Change the Way Pty Ltd
 - (e) Phone-net

PERSONNEL

9. Personnel (Warranty 60 & 61)
 - 9.1 Employee Handbook
 - 9.2 Standard Conditions of Employment (current)
 - 9.3 Mary Chrisant

- 9.4 Document headed "Sales Force".
- 9.5 Document headed "Management, Personnel and Board of Directors
- 9.6 Agreement to join BT Master Superannuation Fund dated 11/4/94
- 9.7 Bankers Trust Life Superannuation Trust Trust Deed as at November 1995

- 10. Commission Structures
 - 10.1 Agents Commission payments 1995
 - 10.2 Axicorp Staff Commission payments 1995
 - 10.3 Consulting payments for 1995
 - 10.4 Axicorp Staff Commission schedule 1/1/96
 - 10.5 Regional Distributors Commission Schedule
 - 10.6 Axicorp Channels & Commissions 1/1/96
 - 10.7 Axicorp Mobile Services Compensation Plan 1995
 - 10.8 Internal memorandum by David Miller dated 10/11/95 re Commission Structure (distributed to all staff but subsequently not implemented due to change in Telstra tariff)
 - 10.9 Internal memorandum by Campbell Burns dated 1/2/96 re: Commission Structure.
 - 10.10 Draft Pricing plan for 1996
 - 10.11 Internal memorandum by Campbell Burns dated 5/2/96 re: Mobile Phone Bonus.

VOLUME 3

- 11. Employee Contracts
 - 11.1 Personnel Details
 - 11.2 Individual Contracts, as per list of Personnel Details
 - Abletez, Ferdinand (0)
 - Andronikou, Paul (0)
 - Auddino, Maria (0)
 - Barrett, Clare (0)
 - Basdogan, Connie (0)
 - Bell, George (0)
 - Bell, Shirley (N, CA)
 - Berrill, Ian (0)
 - Boylan, Kevin (N, CA)
 - Bylstra, Jan (0)
 - Byrne, Chris (0)
 - Carlson, Linda (N, CA)
 - Charleston, Kate (N, CA)
 - Claasz, Elisabeth (0)
 - Clarke, Andrew (N, CA)
 - Close, Toni (N, no CA)
 - Colantuono, Robert (0)
 - Commisso, Rose (N, CA)
 - Cornelissen, Sue (0)
 - Crespi, Daniel (N, CA)
 - Crutchfield, Leanne (0)
 - Di Carlo, Caroline (0)
 - Edwards, Andy (0)
 - Elliott, Geoffrey (0)
 - Forster, Enza (0)
 - Goninon, Anthea (0)
 - Grasso, Mary-Anne (0)
 - Green, Marc (N, CA)
 - Ho, Joe (N, CA)

Horgan, John (0)
Jaffe, Peter (0)
Jenkins David (0)
Johnston, Fiona (0)
Kemeris, Sue (formerly Vasiliadis)
Kenny, Maurice (0)
Knights, David (N, no CA)
Kocsis, Belinda (0)
Koning, Suzanne (N, CA)
Lade, Jacqueline (0)
Liamzon, Gloria (0)
Larsen, Kalev (N, CA)
Lau, Catherine (0)
MacFarlane, David (0)
McQuaid, Rebecca (0)
Miller, David (non-standard, no termination provision, signed by both parties,
subsequent renegotiation not resolved - no confidentiality agreement)
Mills, Jennifer (N, CA)
Minettos, Denise (N, CA)
Mizzi, Felicity (0)
Morgan, Rod (non standard, no termination provision, signed by both parties,
- no confidentiality agreement)
Moritz, Kyla (0)
Muffet, David (0)
Murley, Joan (0)
Nelson, Claire (0)
O'Grady, Alicia (0)
O'Shannessy, Graeme (0)
Papandreou, Loula (0)
Pearson, Priscilla (N, CA)
Peng, Beverley (0)
Pengelly, Allison (N, CA)
Price, David (N, CA)
Rahiman, Hughes (0)
Redmond, Gary (0)
Riddell, Grant (0)
Ryan, Patricia (0)
Sach, Andrew (0)
Salmon, Craig (0)
Sebastian, Lorraine (offer - non-standard - acceptance and other papers to be
provided)
Sherwill, Christopher (0)
Slaney, Roger (0)
Smedley, Mark (0)
Sortino, Vincent (0 - Paxus format)
Squires, Lisa (N, CA)
Stamatakis, Shawn (0)
Tapsas, Vicky (0)
Taylor, Andrew (N, CA)
Thompson, Sarah (0)
Tovey, Tim (0)
Turner, Laverne (non standard - no formal agreement, done by letter - no
termination clause, CA)

Usenich, Rob (0)
 Vasiliadis, Sue (see Kemeris, Sue)
 Verruso, Mario (0)
 Wadsworth, Deborah (0 - not signed)
 Wakefield, Karen (N, CA)
 Walsh, Felicity (N, CA)
 Watson, Darin (N, CA)
 Williams, Tracey (N, CA)
 Wilson, Justin (N, no CA)
 Xiang, Dale (N, CA)

Code is: 0 = old form of contract
 N = new form of contract
 CA = Confidentiality Agreement

VOLUME 4

12. Consulting Agreements
 12.1 Services Agreement dated 24 November 1995 between Axicorp and C.T. Corporation Pty Ltd
 12.2 Services Agreement dated 24 November 1995 between Axicorp and Alta Telecommunications Pty Ltd
 12.3 Contract of Confidentiality dated 3/10/95 with Sklenar Software Pty Ltd (systems development and related duties)
 12.4 Contract for systems development dated 19/9/95 with Sklenar Software Pty Ltd
 12.5 Contract - Barry Foster dated 17/10/94
 12.6 Contract extension dated 5/4/95 - Barry Foster (systems development)
 12.7 Contract extension dated 19/9/95 - Barry Foster (systems development)
 12.8 Engagement letter for Curtis, Robert (not signed by Curtis)

FINANCE

13. Audited Accounts
 13.1 Financial Statements 31/3/95
 13.2 Price Waterhouse letter dated 24/8/95 re:
 - audit qualification
 - management controls
14. Balance Sheet and Other Financial Statements 31/12/95
15. Various Financial Information (NB Not warranted or represented, insofar as relates to future)
 - Customer Breakdown provided 1/2/96
 - Customer Billings by Carrier Segment provided 1/2/96
 - Breakdown of items comprising Operating Expenses
 - Various Client Reports
16. Asset Register - List of Capital assets >\$1,000 in value at purchase (Warranty 23)
17. Debtors Summary as at 31/12/96 & List of Telstra Doubtful Debts (Warranty 25)
18. List of Cancelled Clients 13/10/95 to 12/1/96 (Warranty 36)

FINANCE

19. Finance Agreements & Rental Agreements
 Schedule of Rentals - Axicorp
 19.1 Lease Agreement with Canon Finance Australia Ltd dated 27/1/95 for Canon 6030

Photocopier

- 19.2 Rental Agreement with Corporate Acceptance Pty Ltd dated 18/5/94 for 2 Ricoh photocopiers, models 5590 and FT4220
- 19.3 Contract Rental Agreement with Esanda Finance Corporation Ltd dated 27/3/95 1994 for 1 x Minolta photocopier
- 19.4 Rental Agreement with Berkman Capital Finance P/L dated 21/9/94 for Messages on Hold and related product - Melb. & Sydney.
- 19.5 Rental Agreement with Berkman Capital Finance P/L dated 21/9/94 for Messages on Hold and related product.
- 19.6 Rental Agreement with Berkman Capital Finance P/L for Messages on Hold and related product - Bris. & Perth.
- 19.7 Rental Agreement with Telecom Aust. re telephone system
- 19.8 Master Facility Agreement dated 15/2/96 with Multilease Limited for Fujitsu PABX system
- 19.9 Canon Finance Lease for Photocopier \$469 p mth dated 1/9/95
- 19.10 Motor Vehicle Sub-Leasing Plans (Salary Sacrifice):
 - Joe Ho
 - Paul Keenan
 - Jan Bylstra
 - David Price

20. Bank Guarantees

ADMINISTRATION

- 21. Axicorp Applications for Telecommunications Services
 - 21.1 Telecom Australia Services Only
 - 21.2 Optus Long Distance Only
- 22. Insurance Policies
 - 22.1 N.Z.I. Insurance Australia Ltd Multi Risk Policy, Policy no. 74 WF06130 OFF, covering all properties & contents, expiring 2/12/96
 - 22.2 Associated Marine Insurers, Policy no. WCN 340919, covering mobiles and laptops
 - 22.3 Pacific Indemnity, Policy no. CA 46912, covering professional indemnity insurance.
 - 22.4 Various material on workers compensation obligations
- 23. Internal Policies, Practices and Financial Controls

VOLUME 5

- 24. Premises Leases
 - 24.1 Lease dated 4/5/94 between the Company and Local Authorities Superannuation Board in respect of part premises at Level 4, 468 St. Kilda Road, Melbourne
 - 24.2 Deed of Variation of Lease in (i) dated 2/2/95
 - 24.3 Draft Lease between the Company and Local Authorities Superannuation Board in respect of premises at Level 4, 468 St. Kilda Road, Melbourne
 - 24.4 Lease dated 29/5/95 between the Company and Local Authorities Superannuation Board in respect of premises at Level 5, 468 St. Kilda Road, Melbourne
 - 24.5 Lease dated 2/2/95 between the Company and Local Authorities Superannuation Board in respect of premises at Level 5, 468 St. Kilda Road, Melbourne
 - 24.6 Lease between the Company and Showa Shoji Aust. P/L in respect of premises at Level 4, Tower 32, Walker Street, North Sydney NSW
 - 24.7 Deed of Covenant dated 2/4/95 between the Company, TKC Services Pty Ltd and Australian Mutual Provident Society in respect of premises at Level 13, 10 Eagle Street, Brisbane, Qld.

- 24.8 Sub-Lease between the Company, MSJ Services Pty Ltd and Australian City Properties Pty Ltd in respect of premises at Level 5, 225 St. Georges Terrace, Perth, WA

GENERAL

25. Non Standard Agreements
- 25.1 Australian Fine Bone China Company Pty Ltd
 - 25.2 Boston Technology, Inc.- Marketing Representative Agreement dated 13/12/95
 - 25.3 Cheker Consultancy Pty Ltd - Auditing Service Agreement 19/4/95
 - 25.4 Datacraft Australia Pty Ltd - draft "Preferred Supplier" agreement
 - 25.5 AT&T Easylink Services Australia Ltd - Agency Agreement dated 23/2/94
 - 25.6 Frontier Communications International Inc. - Non-Disclosure Agreement dated 28/9/95
 - 25.7 Matrix Telecommunications Ltd - Reciprocal Non-Disclosure Agreement undated & unexecuted by Matrix
 - 25.8 Ericsson Australia P/L, Telstra, TCSI Corporation & the Company - Confidentiality Agreement dated 13/11/95
 - 25.9 Canon Photocopier Maintenance Agreement dated 25/8/95
- NB - Reference is also made to the Management Agreement (as defined in the Share Acquisition Deed) which is a material contract of the Company but is not disclosed here as it is a separate annexure to the Deed.
26. Limitations/Influences on Business/Material Considerations
- 26.1 Billing System - Limitations (Warranty 40B)
 - 26.2 Statement of factors influencing Company's Business (Warranty 52)
 - 26.3 Primus/Axicorp descriptive memorandum - Axicorp Section dated 11/1/96
 - 26.4 Pages from presentation re Axicorp (Warranty 52)
 - 26.5 Statement of general factors affecting Axicorp's business. (Warranty 52)
27. Marketing Material used by Axicorp
28. Notification of Claim by Greek Community (Warranty 54)
29. Intellectual Property (Warranty 27)
- Copies of 3 trade mark applications and Coltmans letter dated 14/7/95 advising lodgement
30. Price Waterhouse letter dated 23/2/96 re: carry forward tax losses (warranty 48)

VOLUME 6 - GLOBENET

Includes:

- 1. Agreement dated 22 October 1993 between Axicorp and Globenet Pty Ltd (no longer applicable)
- 2. Correspondence between the Company & Globenet
- 3. Correspondence between solicitors:
 - 3.1 Correspondence from Clayton Utz Solicitors to Axicorp
 - 3.2 Correspondence from Rawling & Company to Clayton Utz
- 4. ITC
- 5. Other

VOLUME 7 - STATUTORY RECORDS

Certified copy of memorandum & Articles of Association Of Axicorp (Warranty 2)
Statutory Records of Axicorp

VOLUME 8 - MINUTES OF DIRECTORS MEETINGS

Minutes of Directors Meetings

AXICORP PTY LTD
Profit & Loss for December 1995

	Accrual for Dec-95	Budget Dec-95	Difference %
Profit & Loss Statement			
Basic Carriage Services			
Customer Billing	9,609,601	12,187,264	-21.15%
Reseller Discount	3,018,918	2,195,806	37.49%
CRP Bonus - 1.5% to 2.3%	100,000	435,958	-77.06%
Payment to Telecom	9,616,581	11,216,342	-14.26%
Distribution to Customers	1,626,662	1,401,415	16.07%
Surplus	1,485,276	2,201,271	-32.53%
Extraordinary Items			
Commissions	448,834	467,000	-3.89%
VAS's - (Net)	30,165	65,540	-53.97%
Gross Margin	1,066,607	1,799,811	-40.74%
Operating Expenses			
Finance Expenses	28,899	3,900	641.01%
Salaries & Contractors	347,910	397,480	-12.47%
Casual/Consulting	71,998	5,500	1209.06%
Labour On Cost	64,953	84,266	-22.92%
Management Fee - Comm.	288,529	223,407	29.15%
Management Fee - Expenses	72,720	63,024	15.38%
Subscriptions & Mem'ship	807	2,000	-59.66%
Advertising & Promotions	38,642	16,830	129.60%
Billing & Office Systems	(216,349)	115,260	-287.71%
Entertainment	13,781	10,700	28.79%
Freight & Postage	13,496	4,000	237.39%
Professional Fees	4,240	30,965	-86.31%
Repair & Maintenance	9,382	6,800	37.98%
Stationary	16,097	7,900	103.76%
Travelling Expense	29,995	22,000	36.34%
Insurance	2,618	7,650	-65.78%
Occupancy	41,869	44,766	-6.47%
Communications	27,730	19,210	44.35%
Depreciation	24,043	26,349	-8.75%
Provision for Bad Debts	49,609	48,570	2.14%
Total Operating Expenses	930,970	1,140,577	-18.38%
Net Profit Before Tax			
	135,637	659,234	-79.43%
Income Tax			
	108,500	237,324	
Net Profit After Tax			
	27,137	421,910	-93.57%

AXICORP PTY LTD

PROFIT & LOSS FOR 9 MONTHS ENDED 31 DECEMBER 1995

Profit & Loss Statement

	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95
Gross Billings	12,666,667	13,910,417	15,179,167	16,472,917	18,004,167	19,560,417
Basic Carriage Services						
Customer Billing	275,543	331,296	393,760	556,708	769,166	868,768
Reseller Discount	2,618,240	2,544,584	2,771,475	3,233,868	2,863,106	4,164,840
CRP Bonus - 1.5% to 2.3%						
Payment to Telecom	270,294	322,305	368,877	509,643	704,672	785,388
Distribution to Customers	1,425,803	1,295,347	1,626,699	2,156,935	2,285,927	2,158,054
Surplus	1,197,686	1,258,228	1,169,660	1,123,998	641,673	2,090,166
Commissions	303,963	336,476	276,586	445,619	325,690	406,955
Gross Margin	893,723	921,752	893,074	678,379	315,982	1,683,211
Value Added Services Revenue	14,308	33,034	18,380	58,153	124,070	77,126
Cost of Sale	13,124	13,354	12,420	18,551	71,204	45,138
Gross Margin % of Revenue	1,184	19,680	5,960	39,602	52,866	31,988
Operating Expenses						
Finance Expense	3,662	7,883	(375)	8,473	6,746	13,596
Salaries & Contractors	219,427	248,045	277,120	325,383	309,727	321,110
Counsel/Consulting	40,591	70,075	51,450	45,402	33,458	35,876
Labour On Cost	35,362	41,946	54,306	58,662	65,516	56,062
Commissions - Staff	11,000	9,500	40,317	67,310	64,938	72,713
Management Fee - Comm.	119,000	121,534	123,000	166,589	161,354	151,472
Management Fee - Expenses	60,600	60,600	60,600	60,600	72,720	72,720
Subscriptions & Mem'ship	1,187	2,889	2,742	964	1,948	1,864
Advertising & Promotions	38,324	59,917	18,669	12,193	10,833	12,850
Billing & Office Systems	48,670	47,554	48,469	52,945	65,054	60,108
Entertainment	6,806	9,644	15,442	11,988	23,788	8,295
Freight & Postage	167,681	9,114	10,939	11,561	7,409	6,599
Professional Fees	-	8,970	15,147	3,563	20,600	13,787
Repair & Maintenance	3,564	12,719	10,414	10,661	13,893	9,135
Stationary	7,944	10,801	11,313	10,950	15,765	11,078
Travelling Expenses	20,419	28,780	36,684	25,745	45,715	36,003
Insurance	2,000	2,000	(1,602)	1,368	1,368	1,614
Occupancy	31,436	32,940	37,557	39,738	39,633	43,984
Communications	7,243	10,826	21,611	19,468	25,383	28,927
Depreciation	13,760	17,215	30,590	22,600	26,993	25,377
Provision for Bad Debts	-	-	85,000	15,332	10,459	19,237
Total Operating Expenses	838,675	812,973	949,393	971,495	1,023,299	1,002,407
Net Profit Before Tax	56,232	128,459	(50,359)	(253,514)	(654,450)	712,792
Income Tax	-	-	-	-	-	-
Net Profit After Tax	56,232	128,459	(50,359)	(253,514)	(654,450)	712,792

	Oct-95	Nov-95	Dec-95	Total
Gross Billings	21,216,667	22,427,677	23,302,677	162,740,773
Basic Carriage Services				
Customer Billing	987,682	1,052,502	11,902,803	17,138,229
Reseller Discount	4,105,947	3,136,693	3,080,044	28,518,796
CRP Bonus - 1.5% to 2.3%		500,000	100,000	600,000
Payment to Telecom	853,161	1,035,891	12,173,293	17,023,524
Distribution to Customers	2,557,448	2,190,174	1,234,334	16,930,721
Surplus	1,683,021	1,463,130	1,675,219	12,302,780
Commissions	575,956	415,450	375,351	3,462,047
Gross Margin	1,107,064	1,047,680	1,299,848	8,840,732
Value Added Services Revenue	93,487	57,600	111,973	588,132
Cost of Sale	53,245	38,912	81,807	347,755

Gross Margin	40,242	18,689	30,165	240,377
% of Revenue				
Operating Expenses				
Finance Expense	14,972	17,184	28,899	101,038
Salaries & Contractors	316,751	327,570	347,910	2,693,044
Counsel/Consulting	31,580	39,497	71,998	419,927
Labour On Cost	62,383	60,871	64,953	500,061
Commissions - Staff	79,484	104,693	79,641	529,595
Management Fee - Comm.	164,000	291,711	288,529	1,587,188
Management Fee - Expenses	72,720	72,720	72,720	606,000
Subscriptions & Mem'ship	2,013	1,960	807	16,372
Advertising & Promotions	23,197	12,926	38,642	227,551
Billing & Office Systems	55,223	35,442	(216,349)	197,115
Entertainment	9,639	7,633	13,781	107,017
Freight & Postage	8,970	16,057	13,496	251,827
Professional Fees	22,128	18,943	4,240	107,378
Repair & Maintenance	12,499	14,280	9,382	96,547
Stationary	7,828	11,525	16,097	103,303
Travelling Expenses	16,098	23,659	29,995	263,098
Insurance	2,555	1,368	2,618	13,289
Occupancy	41,246	50,450	41,869	359,053
Communications	27,249	(13,185)	27,730	155,251
Depreciation	24,995	24,444	24,043	210,037
Provision for Bad Debts	34,800	44,380	49,609	258,817
Total Operating Expenses	1,030,329	1,164,328	1,010,611	8,803,509
Net Profit Before Tax	116,977	(97,959)	319,423	277,600
Income Tax	-	-	108,500	108,500
Net Profit After Tax	116,977	(97,959)	210,923	169,100

AXICORP PTY LTD

PROFIT & LOSS FOR 9 MONTHS ENDED 31 DECEMBER 1995

	Actual Apr-95	Actual May-95	Actual Jun-95	Accrual for Jul-95	Accrual for Aug-95	Accrual for Sep-95
Profit & Loss Statement						
Basic Carriage Services						
Customer Billing	275,543	331,296	393,760	556,708	769,168	868,768
Reseller Discount	2,334,584	2,337,934	3,073,868	3,202,345	3,295,600	4,020,326
MRP Bonus - 1.5% to 2.3%				100,000	100,000	100,000
Payment to Telecom	(270,294)	(322,305)	(368,877)	(509,643)	(704,672)	(785,388)
Distribution to Customers	(1,566,525)	(1,433,988)	(1,809,914)	(1,932,771)	(1,805,693)	(2,404,392)
Surplus	779,308	912,937	1,288,837	1,416,638	1,654,401	1,799,314
Extraordinary Items						
Commissions	(322,203)	(364,719)	(490,784)	(429,476)	(402,109)	(622,011)
VAS's - (Net)	1,184	19,680	5,960	39,602	52,866	31,988
Gross Margin	452,289	567,899	804,014	1,026,765	1,305,158	1,209,291
Operating Expenses						
Finance Expense	(3,662)	(7,883)	375	(8,473)	(6,746)	(13,596)
Salaries & Contractors	(219,427)	(248,045)	(277,120)	(325,383)	(309,727)	(321,110)
Casual/Consulting	(40,591)	(70,075)	(31,450)	(45,402)	(33,458)	(35,876)
Labour Or Cost	(35,362)	(41,946)	(54,306)	(58,662)	(65,516)	(56,062)
Management Fee - Comm.	(119,000)	(121,534)	(123,000)	(166,589)	(161,354)	(151,472)
Management Fee - Expenses	(60,600)	(60,600)	(60,600)	(60,600)	(72,720)	(72,720)
Subscriptions & Mem'ship	(1,187)	(2,889)	(2,742)	(964)	(1,948)	(1,864)
Advertising & Promotions	(38,324)	(59,917)	(18,689)	(12,193)	(10,833)	(12,850)
Billing & Office Systems	(48,670)	(47,554)	(48,469)	(52,945)	(65,054)	(60,108)
Entertainment	(6,806)	(9,644)	(15,442)	(11,988)	(23,788)	(8,295)
Freight & Postage	(167,681)	(9,114)	(10,939)	(11,561)	(7,409)	(6,599)
Professional Fees	-	(8,970)	(15,147)	(3,563)	(20,600)	(13,787)
Repair & Maintenance	(3,564)	(12,719)	(10,414)	(10,661)	(13,893)	(9,135)
Stationery	(7,944)	(10,801)	(11,313)	(10,950)	(15,765)	(11,078)
Traveling Expense	(20,419)	(28,780)	(36,684)	(25,745)	(45,715)	(36,003)
Insurance	(2,000)	(2,000)	1,602	(1,368)	(1,368)	(1,614)
Occupancy	(31,436)	(32,940)	(37,557)	(39,738)	(39,633)	(43,984)
Communications	(7,243)	(10,826)	(21,611)	(19,468)	(25,383)	(28,927)
Depreciation	(13,760)	(17,235)	(30,590)	(22,600)	(26,993)	(25,377)
Provision for Bad Debts	-	-	(85,000)	(15,332)	(10,459)	(19,237)
Total Operating Expenses	(827,675)	(803,473)	(909,076)	(904,185)	(958,361)	(929,694)
Net Profit Before Tax	(375,387)	(235,575)	(105,062)	122,580	346,797	279,597
Income Tax	-	-	-	-	-	-
Net Profit After Tax	(375,387)	(235,575)	(105,062)	122,580	346,797	279,597

	Accrual for Oct-95	Accrual for Nov-95	Accrual for Dec-95	Prior Year	Total
Profit & Loss Statement					
Basic Carriage Services					
Customer Billing	1,106,740	3,514,846	9,609,601		17,138,229
Reseller Discount	2,942,314	3,302,925	3,018,918	138,884	27,955,898
MRP Bonus - 1.5% to 2.3%	100,000	100,000	100,000		600,000
Payment to Telecom	(982,200)	(3,463,564)	(9,616,581)		(17,023,524)
Distribution to Customers	(2,112,669)	(2,055,457)	(1,626,662)	(21,151)	(16,769,222)
Surplus	1,054,186	1,398,750	1,485,276	117,733	11,901,382
Extraordinary Items					
Commissions	(486,924)	(485,844)	(448,834)	61,261	(3,991,643)
VAS's - (Net)	40,242	18,689	30,165		240,377
Gross Margin	607,504	931,595	1,066,607	580,392	8,551,514
Operating Expenses					
Finance Expense	(14,972)	(17,184)	(28,899)		(101,038)
Salaries & Contractors	(316,751)	(327,570)	(347,910)		(2,693,044)
Casual/Consulting	(31,580)	(39,497)	(71,998)		(419,927)
Labour Or Cost	(62,383)	(60,871)	(64,953)		(500,061)
Management Fee - Comm.	(164,000)	(291,711)	(288,529)		(1,587,188)
Management Fee - Expenses	(72,720)	(72,720)	(72,720)		(606,000)
Subscriptions & Mem'ship	(2,013)	(1,960)	(807)		(16,372)
Advertising & Promotions	(23,197)	(12,926)	(38,642)		(227,551)
Billing & Office Systems	(55,223)	(35,442)	216,349		(197,115)

Entertainment	(9,639)	(7,633)	(13,781)		(107,017)
Freight & Postage	(8,970)	(16,057)	(13,496)		(251,827)
Professional Fees	(22,128)	(18,943)	(4,240)		(107,378)
Repair & Maintenance	(12,499)	(14,280)	(9,382)		(96,547)
Stationery	(7,828)	(11,525)	(16,097)		(103,303)
Traveling Expense	(16,098)	(23,659)	(29,995)		(263,098)
Insurance	(2,555)	(1,368)	(2,618)		(13,289)
Occupancy	(41,246)	(50,630)	(41,869)		(359,053)
Communications	(27,249)	13,185	(27,730)		(155,251)
Depreciation	(24,995)	(24,444)	(24,043)		(210,037)
Provision for Bad Debts	(34,800)	(44,380)	(49,609)		(258,817)

Total Operating Expenses	(950,845)	(1,059,635)	(930,970)	-	(8,273,914)

Net Profit Before Tax	(343,341)	(128,040)	135,637	580,392	277,600
Income Tax	-	-	(108,500)	-	(108,500)

Net Profit After Tax	(343,341)	(128,040)	27,137	580,392	169,100

ANNEXURE 4

Axicorp Balance Sheet as at 31 December 1995

AXICORP PTY LTD

Statement of Cash Flows

For the nine months ended 31 December 1995

	Dec-95	Mar-95
Cash flows from operating activities		
Receipts from trade and other debtors	34,234,298	11,317,189
Payments to trade creditors, other suppliers and creditors and employees	(31,347,754)	(9,417,595)
Interest received	109,991	22,554
Income tax paid	(126,865)	-
Interest paid	4,921	(7,614)
	-----	-----
Net cash inflows/(outflows) from operating activities	2,874,591	1,914,534
	-----	-----
Cash flows from investing activities		
Payments for property, plant and equipment	(709,676)	(458,608)
Payments for investments	173,228	(216,312)
	-----	-----
Net cash flows from investing activities	(536,448)	(674,920)
	-----	-----
Cash flows from financing activities		
Proceeds from issue of shares	-	30,000
Proceeds from borrowings	1,795,079	359,921
	-----	-----
Net cash flows from financing activities	1,795,079	389,921
	-----	-----
Net increase in cash held	4,133,222	1,629,535
Cash at the beginning of the financial year	1,973,231	343,696
	-----	-----
Cash at the end of the financial year	6,106,453	1,973,231
	=====	=====

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AXICORP PTY LTD

Balance Sheet as at 31 December 1995

	Note	31-Dec-95 \$	31-Mar-95 \$
CURRENT ASSETS			
Cash		6,106,453	1,973,231
Receivables	2	14,670,640	2,292,131
Investments	3	58,084	231,312
Other	5	452,362	179,916
		-----	-----
TOTAL CURRENT ASSETS		21,287,539	4,676,590
		-----	-----
NON-CURRENT ASSETS			
Investments	3	10,000	10,000
Property, Plant and Equipment	4	1,002,019	502,380
Other	5	860,974	298,209
		-----	-----
TOTAL NON-CURRENT ASSETS		1,872,993	810,589
		-----	-----
TOTAL ASSETS		23,160,532	5,487,179
		-----	-----
CURRENT LIABILITIES			
Creditors and borrowings	6	17,263,854	3,315,941
Provisions	7	785,893	556,080
Other	8	1,234,098	561,266
		-----	-----
TOTAL CURRENT LIABILITIES		19,283,845	4,433,287
		-----	-----
NON-CURRENT LIABILITIES			
Creditors and borrowings	6	2,155,000	359,921
Provisions	7	974,506	115,890
		-----	-----
TOTAL NON-CURRENT LIABILITIES		3,129,506	475,811
		-----	-----
TOTAL LIABILITIES		22,413,351	4,909,098
		-----	-----
NET ASSETS		747,181	578,081
		=====	=====
SHAREHOLDERS' EQUITY			
Share Capital	8	590,000	590,000
Accumulated profits		157,181	(11,919)
		-----	-----
TOTAL SHAREHOLDERS' EQUITY		747,181	578,081
		=====	=====

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the accounts of the company Axicorp Pty Ltd are stated to assist in a general understanding of these accounts.

The accounts and consolidated accounts have been prepared in accordance with the requirements in Schedule 5 of the Corporations Regulations, and the Accounting Standards of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants of Australia.

(a) Basis of accounting

The accounts have been prepared on the basis of historical costs and except where stated, do not take into account current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Non-current assets are revalued from time to time as considered appropriate by the directors and are not stated at amounts in excess of their recoverable amounts. Except where stated recoverable amounts are not determined using discounted cash flows.

(b) Investments

Investments have been brought to accounts as follows:

Interest in companies - the Company's interests in companies which are not controlled are brought to account at cost and dividends are recognized in the profit and loss account when received.

(c) Depreciation and amortization of property, plant and equipment

Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line method. Profits and losses on disposal of property, plant and equipment are taken into account in determining the profit for the year.

(d) Receivables

A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

(e) Employee entitlements

Liabilities for employees' entitlements to wages and salaries, annual leave, sick leave and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates. Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees at the present values of future amounts expected to be paid.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid on become payable. Any deficiency in the net assets of the superannuation plan is recognized as a provision when it arises.

(f) Income tax

Income tax has been brought to account using the liability method of tax effect accounting.

(g) Operating Revenue

Sales revenue represents revenue earned from the sale of the Company's products and services. Other revenue includes fees earned from associations.

	31 December 1995 \$	31 March 1995 \$
2. Receivables		
Current		
Trade debtors	14,797,534	2,287,123
Deduct Provision for doubtful debts	(256,937)	(1,610)
	-----	-----
	14,540,597	2,285,513
Other debtors		
	130,043	6,618
	-----	-----
	14,670,640	2,292,131
	-----	-----
3. Investments		
Current		
Unlisted Securities (at cost)		
Bank bills		198,853
Amounts on deposit with financial institutions	58,084	32,459
	-----	-----
	58,084	231,312
	-----	-----
Non Current		
Unlisted Securities (at cost)		
Shares in other corporations	10,000	10,000
	-----	-----
4. Property, Plant and Equipment		
Leasehold improvements		
At cost	109,511	60,588
Less accumulated amortisation	(11,479)	(269)
	-----	-----
Written down value	98,032	60,319
	-----	-----
Plant and equipment		
At cost	1,167,000	506,515
Less accumulated amortisation	(263,013)	(64,454)
	-----	-----
Written down value	903,987	442,061
	-----	-----
Total Property, Plant and Equipment	1,002,019	502,380
	-----	-----

	31 December 1995 \$	31 March 1995 \$
5. Other Assets		
Current		
Prepayments	214,992	170,323
Stock	237,370	-
Other current assets	-	9,593
	-----	-----
	452,362	179,916
	-----	-----
Non-Current		
Future income tax benefit	860,974	298,209
	-----	-----
6. Creditors and Borrowings		
Current (Unsecured)		
Trade creditors	16,887,849	3,075,055
Other creditors	376,005	240,886
	-----	-----
Total current unsecured creditors and borrowings	17,263,854	3,315,941
	-----	-----
Non Current (Secured)		
From chief entity	2,155,000	359,921
	-----	-----
Total non current secured creditors and borrowings	2,155,000	359,921
	-----	-----
7. Provisions		
Current		
Taxation	-	187,351
Employee entitlements	201,373	85,463
Customer Loyalty Programme	584,520	283,266
	-----	-----
	785,893	556,080
	-----	-----
Non Current		
Deferred income tax	974,506	115,890
	-----	-----
8. Other Liabilities		
Current		
Other	1,234,098	561,266
	-----	-----

	31 December 1995 \$	31 March 1995 \$
9. Share Capital		
Authorized Share Capital		
10,000,000 (30 June 1994: 1,000,000) ordinary shares of \$1 each	10,000,000	10,000,000
98,820 redeemable reference shares of \$1 each	98,820	98,820
1,180 special cumulative redeemable preference shares of \$1 each	1,180	1,180
	-----	-----
	10,100,000	10,100,000
	-----	-----
Issued Share Capital		
590,000 ordinary shares of \$1 each	590,000	590,000
Less: Calls in arrears	-	-
1,180 (30 June 1994: NIL) special cumulative redeemable preference shares of \$1 each	1,180	1,180
Less: Calls not yet made	(1,180)	(1,180)
	-----	-----
	590,000	590,000
	-----	-----

Assumptions made and breakdown of accounts as at 31 December 1995

2. Receivables

Trade Debtors

Trade debtors has three major components - Billing, BCS Discounts, Mobile and Contracting/Contracting Sales.

Billing - actual amounts billed to customers for the periods up to and including December 95 that as at month end were still unpaid. The amounts billed related to Telstra, Optus, DDS, Call Plan and Mobiles traffic.

The invoicing for December 95 period are accrued at month end and were sent to customers in January 96 (Telstra accrual \$6.5M and Optus \$934K).

BCS Discounts - are amounts owing to Axicorp from Telstra for SP1, Cost Mapping, Basic Carriage Services, Mobiles and Residential access adjustment that have been accrued but unpaid at month end.

Month end accruals -

SP1 for the period October 95 to December 95 total \$288K which are conservative estimates based on known Axicorp billing volumes.

Cost Mapping for the period July 95 to December 95 total \$600K based on an agreed amount of \$100K per month.

Basic Carriage Services Reseller Discounts based on prior month traffic volumes total \$3.1M. This figure has been reduced by \$351K which are December discounts that are accounted for in the Gross bill allocation and the payment owing to Telstra. The total monthly accrual for Basic Carriage Services Reseller Discounts is \$2.7M.

Mobiles have been accrued for the months of November and December 95 based on historical information received from MobileNet. The accruals are \$170K per month therefore totalling \$340K.

Residential Access Adjustment has been accrued for the months of October and November 95 after Axicorp had received acknowledgement from Telstra that the amounts were still outstanding at month end. the total amount is \$53K.

Mobile and Contracting/Contracting Sales - actual amounts billed to customers for the periods up to and including December 95 that as at month end were still unpaid.

Other Debtors

Other debtors relate to recovery of tax overpaid at March 95 and minor clearing accounts for items such as cancelled cheques.

3. Investments

Current-
Amounts on deposit with financial institutions are all Term Deposits held with the ANZ Banking Group Limited to cover bank guarantees and valued at cost.

Non Current-
Shares in other companies are listed at cost.

4. Property, Plant and Equipment

see note 1 (c).

5. Other Assets

Prepayments can be broken down into two components being General and Commission.

General prepayments primarily consist of Advertising & Promotion, Rent, Computer maintenance and Insurance expenses that have been paid before month end but relate to future periods.

Commission prepayments are commissions advanced to Rep's/Agents in relation to timing mismatches between revenue recognition and cash receipt. At month end Axicorp has not brought income to account for the periods that the commission advances relate to.

Stock relates to Mobile phones and relevant accessories which Axicorp commenced selling on a small scale in August 95. Stock on hand is valued at average cost with over 60% of the month end figure having been purchased during the month of December 95.

As at December 95 month end there have been no stock revaluations or write offs.

6. Creditors and Borrowings

Current (Unsecured)

Trade Creditors

Trade creditors has five major components - Billing, BCS rebates, Commission, Contracting/Contracting Sales and General Creditors.

Billing - relates to actual amounts owing to Telstra and Optus by Axicorp in relation to traffic billed to customers by Axicorp up to and including December 95.

BCS Rebates - are estimated amounts owing to customers in relation to estimated traffic volumes, Mobile rebates, SPI Lodgement fees.

Month end accruals -

BCS Rebate - November 95 \$1.9M based on actual discount received of \$3.2M multiplied by 68.15% (historical average of discount received that is paid out to customers) less \$267K which are discounts that have been passed to customers via Axicorp billing. December 95 \$1.4M based on estimated discount levels of \$3.2M less \$827K passed to customers via Axicorp billing.

Rebates in relation to Mobile traffic has been accrued for the months of November and December 95 based on Axicorp earning 7.5% and paying discounts to customers at an average of 4%.

SPI Lodgement fees have been estimated at YTD \$80K at month end based on billing details submitted to Telstra.

Commission - has been estimated for the months of November and December 95 based on the actual and estimated discounts received and using a rate of 13.62% (historical average of discount received that is paid out in commission) for commission to be paid. The December 95 accrual has been reduced by an amount of \$60K due to a reduction in rates to Globenet.

In addition commission has been accrued for Mobiles based on Axicorp earning 7.5% and paying commission at an average of 2% for the months of November and December 95.

Contracting/Contracting Sales - Actual costs incurred in relation to invoicing processed up to the end of December 95 that have not been paid by Axicorp at month end.

General Creditors - Expenses which Axicorp has received an invoice for that have been incurred but remain unpaid at December 95 end.

Other Creditors

Other creditors are Group tax, Payroll tax and Fringe Benefits tax that have been incurred and estimated but remain unpaid at December 95 end.

Non Current (Secured)

Secured (Fixed and Floating Charge) borrowing's from Fujitsu Australia Limited that remain outstanding at December 95 month end.

7. Provisions

Current

Taxation provision relates to estimated provision as at December 95.

Employee entitlements relates to annual leave that is accrued monthly for all employees from their commencement date with Axiocorp.

Customer Loyalty Programme (CSP 1000) is a provision for customers where they are paid 1% additional rebate after completion of one year from their date of joining Axiocorp. The payment is made annually and only after each full year is completed, it is not paid for part years. The accrual is calculated monthly based on the full liability owed at month end.

Non Current

Deferred income tax is based on the estimated calculations as at December 95.

8. Other Liabilities

Other liabilities relate to accruals for known incurred expenditure for which Axiocorp has not received an invoice at December 95 end. The major components of this account are Royalty payments owing to Ultrasys, Help Desk payment to Telstra, Audit costs to Price Waterhouse and Debt Collection costs to Dun & Bradstreet.

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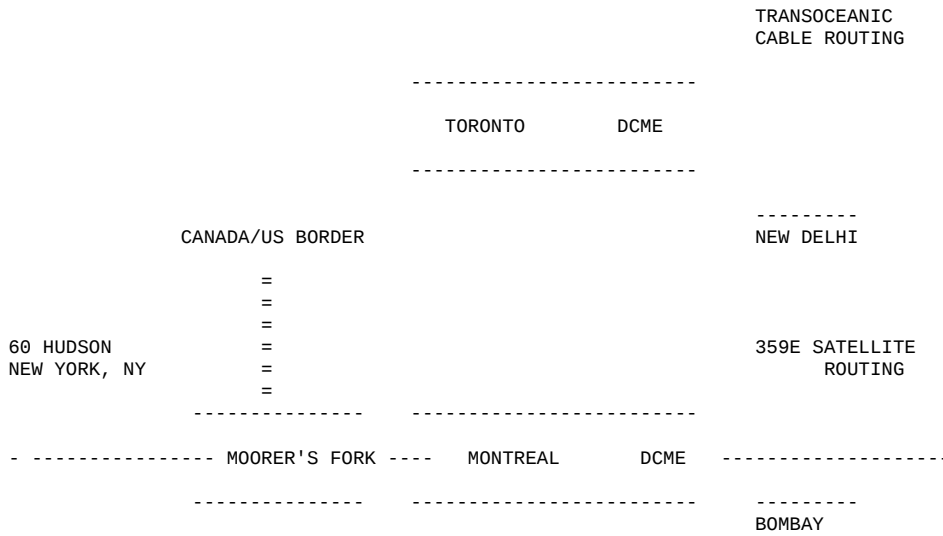
SWITCHED TRANSIT AGREEMENT
 BETWEEN TELEGLOBE AND GLOBAL TELECOMMUNICATIONS, INC.
 FOR SERVICES TO INDIA

The Service:
 - - - - -

Teleglobe will arrange to provide GTI, at its designated and agreed upon operating center, and GTI will use and pay Teleglobe for international switched transit services to India via the following configuration, whereby GTI will arrange foreign-end service in cooperation with VSNL (India) including direct settlement, subject to Teleglobe's receipt of confirmation of satisfactory settlement procedures from GTI and VSNL (India). The provision of these facilities will be on satellite and cable facilities now, or in the future, in operation.

Transition from switched to hardpatched facilities may occur following Primus' request and following 90 days from which time the international switched facilities become operational, and subject to capacity and concurrence and readiness by Teleglobe and VSNL to effectuate service transition. No penalties or charges would be incurred by GTI in requesting and implementing this transition.

Configuration:
 - - - - -



Invoicing:
 - - - - -

Teleglobe will invoice GTI monthly for the services. All invoice amounts are due 30 days from invoice date. The service commencement date will be the "in service" date of the international facilities.

Teleglobe reserves the right to terminate service with thirty (30) days written notice for accounts with past due balances.

Operational:
- - - - -

The service performance will be commensurate with Teleglobe's backbone network, which meets and exceeds the standards of the industry.

DCME or low-rate encoded compression will be used to no more than 4:1 on the routes.

Liability:
- - - - -

TELEGLOBE shall not be liable for any loss or damage sustained by GTI, its interconnecting carriers or its end users. by reason of any failure in or breakdown of the communication facilities associated with the circuits under this agreement or for any interruption or degradation of service whatsoever shall be the cause of such failure, breakdown, interruption or degradation and however long it shall last.

TELEGLOBE will not be responsible for any direct, indirect, consequential, or any other damages resulting from any action that might be taken by VSNL which would result in the cancellation of service or cause a disruption of service.

Confidentiality:
- - - - -

GTI will treat this agreement, all product information, descriptions and prices, methods of operation and their terms and conditions as strictly confidential. GTI will not disclose any of this information or any of these materials to any person who is not a party to this agreement. Notwithstanding the foregoing, GTI may disclose, on a limited basis, agreement terms as necessary or required by regulatory authorities, auditors, attorneys or government agents.

Term:
- - - - -

The term for this service will be one year, commencing upon the "in-service" date of the international facilities, or until service transition to hardpatch transit circuits occurs.

Pricing and Volume Commitment:
- - - - -

The monthly charge for this service will be US\$22,500. Teleglobe will retroactively adjust billing to GTI, based upon GTI's actual monthly call volume at the rate of \$0.15/minute, with call durations rounded up to the nearest six seconds and monthly volume rounded up to the nearest minute, and subject to an average volume commitment of 150,000 minutes per month during the period that GTI has in service with Teleglobe. Any installation charges for line connections from New York to the US/Canadian border, not to exceed US\$3,000 per line, would be passed through as assessed.

Force Majeure:
- - - - -

No failure or omission by either party to carry out or observe any of the terms and conditions of this Agreement shall give rise to any claim against the party in question or be deemed a breach of this Agreement if such failure or omission arises from a cause of force majeure, an act of Government or any other cause beyond the reasonable control of that party.

LETTER OF AGREEMENT
BY AND BETWEEN TELEGLOBE USA INC. AND
GLOBAL TELECOMMUNICATIONS, INC.

Re: Switched and Hardpatch Transit Service Agreement between Teleglobe and
Global Telecommunications, Inc.; India

In connection with the telecommunications services agreement between Teleglobe
and Global Telecommunications, Inc. dated _____, 1995, Teleglobe has
agreed to provide Global Telecommunications, Inc. with a credit of US\$2,000 per
month against the fixed monthly charges of the DS-1 (_____) interconnect
circuit.

This credit will continue in effect so long as the current facility
configuration between Teleglobe and GTI remains unchanged, and may be adjusted
from time to time to reflect changes in the cost of leased line facilities.

Agreed to by:

TELEGLOBE

GLOBAL TELECOMMUNICATIONS, INC.

Name

Name

Title

Title

Date

Date

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HARDPATCH TRANSIT AGREEMENT
BETWEEN TELEGLOBE AND PRIMUS TELECOMMUNICATIONS, INC.
FOR SERVICES TO IRAN

Description of Service:

- - - - -

Teleglobe will arrange to provide Primus, at its designated and agreed upon operating center, and Primus will use and pay for a 512 KB circuit (eight clear 64 KB contiguous channel voice half-circuits) to Iran. The provision of this facility is in cooperation with T.C.I. (Iran) via INTELSAT 359E satellite facilities now, or in the future, in operation, or other satellite facilities as may be required and mutually agreed to by Teleglobe, T.C.I. and Primus.

These facilities will be subject to concurrence and matching order by T.C.I.

Term:

- - - - -

The term for this service will be six months, commencing upon the "in service" date of the international facilities. This service will be renewable in calendar month increments.

Pricing:

- - - - -

The monthly charge for the eight clear channel international voice half-circuit service is US\$11,908. FOB 60 Hudson, Room 1107, New York, New York 10013.

Invoicing:

- - - - -

Teleglobe will invoice Primus monthly for the service. All invoice amounts are due 30 days from invoice date. The service commencement date will be the "in service" date of the international facilities.

Teleglobe reserves the right to terminate service with thirty (30) days written notice for accounts with past due balances.

Operational:

- - - - -

The service activation for the eight clear channel international voice half-circuits would be within 60 days of the execution of the Agreement. Teleglobe will request space segment match from T.C.I. and initiate procurement of space segment within seven days of the execution of this agreement.

The service performance will be commensurate with Teleglobe's backbone network, which meets and exceeds the standards of the industry.

Any required echo cancellation and/or signaling will be the responsibility of GTI.

The restoration of these station-kept, non-preemptible satellite facilities, in the event of an outage or failure, would be in accordance with the standard INTELSAT policy under Article III of the INTELSAT Agreement.

Termination:

- - - - -

If, before the expiration of the contracted terms, the service is canceled by the customer for any reason, the customer shall pay a termination charge of one hundred percent (100%) of the total monthly charges for the unexpired portion of the contracted term, unless the customer signs a new, mutually agreeable commitment that would provide Teleglobe with revenues that would be equal to or exceeding those of the original requirements remaining dollar commitment over an equivalent period.

Force Majeure:

- - - - -

No failure or omission by either party to carry out or observe any of the terms and conditions of this Agreement shall give rise to any claim against the party in question or be deemed a breach of this Agreement if such failure or omission arises from a cause of force majeure, an act of Government or any other cause beyond the reasonable control of that party.

Liability:

- - - - -

TELEGLOBE shall not be liable for any loss or damage sustained by Primus, its interconnecting carriers or its end users, by reason of any failure in or breakdown of the communication facilities associated with the circuits under this Agreement or for any interruption or degradation of service whatsoever shall be the cause of such failure, breakdown, interruption or degradation and however long it shall last.

TELEGLOBE will not be responsible for any direct, indirect, consequential, or any other damages resulting from any action that might be taken by T.C.I. which would result in the cancellation of service or cause a disruption of service.

Confidentiality:

- - - - -

Primus will treat this agreement, all product information, descriptions and prices, methods of operation and their terms and conditions as strictly confidential. Primus will not disclose any of this information or any of these materials to any person who is not a party to this agreement. Notwithstanding the foregoing, Primus may disclose, on a limited basis, agreement terms as necessary or required by regulatory authorities, auditors, attorneys or government agents.

Approval:

- - - - -

The parties have executed this Agreement through their duly authorized representatives.

TELEGLOBE

PRIMUS TELECOMMUNICATIONS, INC.

Name

Name

Title

Title

Date

Date

AGREEMENT

FOR

BILLING AND

RELATED SERVICES

between

GLOBAL TELECOMMUNICATIONS, INC.

and

ELECTRONIC DATA SYSTEMS CORPORATION

AGREEMENT
FOR BILLING AND
RELATED SERVICES

THIS AGREEMENT, dated as of February _____, 1995 (the "Effective Date"), is between Global Telecommunications, Inc., a _____ corporation ("Customer"), and Electronic Data Systems Corporation, a Texas corporation ("EDS").

RECITALS

WHEREAS, Customer desires to purchase from EDS certain billing and related services, and EDS is willing to provide, or cause to be provided, such services to Customer upon the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I. AGREEMENT, TERM AND DEFINITIONS

1.1 Agreement.

(a) Scope. During the term of this Agreement, EDS will provide to

Customer, and Customer will purchase from EDS, the billing and related services described in this Agreement, all upon the terms and subject to conditions specified in this Agreement.

(b) Affiliates. If Customer so requests, EDS will provide Services

(as defined in Section 2.1) pursuant to this Agreement to any specified affiliate of Customer, provided that such affiliate agrees in writing to be bound by the terms and provisions of this Agreement by its execution and delivery of a "Ratification and Acceptance Agreement," substantially in the form attached as Exhibit A. Unless otherwise specified or the context otherwise requires, any references in this Agreement to "Customer" also include a reference to any such affiliate of Customer to which EDS provides Services. Customer agrees to be jointly and severally liable with any such affiliates for any obligations or liabilities incurred by any such affiliates pursuant to this Agreement.

1.2 Term and Renewal.

(a) Term. The term of this Agreement will commence on the date

hereof and will expire on the 60-month anniversary of the Start of Processing Date (as defined in Section

1.3), unless earlier terminated in accordance with Article VIII or extended pursuant to Section 1.2(b).

(b) Automatic Renewal. Notwithstanding the provisions of Section 1.2(a), the term of this Agreement will automatically extend for -----

successive one-year periods after the 60-month anniversary of the Start of Processing Date unless either of the parties notifies the other party in writing at least six months prior to such anniversary date or at least six months prior to the end of any such one-year extension period, as the case may be, that this Agreement will not be so extended (such expiration date, on the 60-month anniversary of the Start of Processing Date or as so extended, being hereinafter referred to as the "Expiration Date"). In the event that Customer notifies EDS that the term of this Agreement will not be extended pursuant to this Section -----

1.2(b), EDS will cooperate with the transition of the Services as -----
reasonably requested by Customer, provided that to the extent any such transition requires resources beyond those otherwise then being provided by EDS hereunder, all such services will be performed as Additional Services pursuant to Section 2.4.

1.3 Certain Definitions. As used in this Agreement, the terms set forth -----
below will have the following respective meanings:

"Business Day" means any day except a Saturday, Sunday or other day on which national banks in the city where EDS is providing Services pursuant to this Agreement are authorized or required by law to close.

"Client" means a customer of Customer that provides various telecommunications services to End Users and that desires to receive billing services through EDS from Customer.

"Customer Data" means the data specific to the business of Customer, Clients, and End Users of Customer, with respect to which Services are to be provided under this Agreement.

"End User" means the ultimate customer or subscriber of the telephone or information services provided by Customer or one of the Clients.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, judicial, regulatory or administrative functions of or pertaining to government (including, without limitation, the Federal Communications Commission and any public utility commission or public service commission of any state).

"Local Time" means the time at the EDS Data Center (as defined in Section 2.1) where EDS is performing Services pursuant to this Agreement.

"Message" means a record of those mutually agreed upon and legally permitted (i) telephone calls originated by an End User through Customer or one of the Clients, or (ii) other services provided by or through Customer to End Users.

"Person" means any individual, corporation, partnership, joint venture, association, trust or any other entity or organization of any kind or character, including a Governmental Authority.

"Software" means (a) computer programs, including without limitation software, application programs, operating systems, files and utilities, (b) supporting documentation for such computer programs, including without limitation input and output formats, program listings, narrative descriptions, operating instructions, and (c) the tangible media upon which such programs and documentation are recorded, including without limitation hard copy, tapes and disks.

"Start of Processing Date" means the date when EDS prints the first End User bills pursuant to Section 1.6 of Schedule 2.1, as such date is reflected on the "Start of Processing Date Notice" delivered by EDS to Customer in accordance with Section 2.1.

"Tax Returns" means returns, declarations, reports, claims for refund and informational returns or statements relating to Taxes, including any schedules or attachments thereto.

"Taxes" means any taxes, however designated or levied, based upon amounts payable to EDS pursuant to this Agreement, including state, local, and federal taxes, and any taxes or amounts in lieu thereof paid or payable by EDS in respect of the foregoing, exclusive, however, of franchise taxes, taxes based on the net income of EDS and taxes that (i) are measured by (A) EDS' cost in acquiring property, goods and services and not by Customer's cost in acquiring property, goods or services from EDS, or (B) with respect to property taxes, the value of any property used by EDS in performing the Services under this Agreement and (ii) are imposed on EDS' purchase or use of such property, goods or services.

1.4 Other Definitions. Capitalized terms in this Agreement that are not otherwise defined in Section 1.3 will have the respective meanings assigned to such terms in this Agreement.

ARTICLE II. EDS OBLIGATIONS

- 2.1 EDS Services. Commencing on the Start of Processing Date, EDS will

provide to Customer the services described on Schedule 2.1 (the

"Services") and promptly thereafter deliver to Customer a "Start of
Processing Date Notice", substantially in the form attached as Exhibit
B; any or all of which Services may be undertaken in any one or more
data or information processing centers maintained by EDS (an "EDS Data
Center"). Notwithstanding the foregoing, any failure of EDS to deliver
the Start of Processing Date Notice will not affect the rights or
obligations of the parties under this Agreement.
- 2.2 Performance Standards. EDS will provide the Services in accordance with

the performance standards set forth on Schedule 2.2 (the "Performance

Standards").
- 2.3 Safeguarding of Customer Data. EDS will maintain safeguards against the

destruction, loss or alteration of the Customer Data in the possession
of EDS in conformity with the safeguards described on Schedule 2.3.

- 2.4 Additional Services. Customer may from time to time request EDS to

provide services that relate to Customer's billing and related needs but
that are not expressly provided for in this Agreement, including,
without limitation, any enhancements or modifications to any of EDS'
Software (the "Additional Services"). EDS will provide to Customer such
Additional Services as to which the parties have reached a written
agreement regarding (a) the scope and nature of the Additional Services
to be provided, (b) the time period in which EDS will provide the
Additional Services and (c) the basis upon which EDS will be compensated
therefor in accordance with Section 3.4.

- 2.5 Disclaimer of Warranties. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN

THIS AGREEMENT, EDS MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR
IMPLIED, TO CUSTOMER OR TO ANY OTHER PERSON, INCLUDING, WITHOUT
LIMITATION, ANY WARRANTIES REGARDING TITLE, THE MERCHANTABILITY,
SUITABILITY, ORIGINALITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE
(IRRESPECTIVE OF ANY PREVIOUS COURSE OF DEALINGS BETWEEN THE PARTIES OR
CUSTOM OR USAGE OF TRADE) OF ANY SERVICES, SOFTWARE OR MATERIALS
PROVIDED UNDER THIS AGREEMENT.
- 2.6 Reliance on Instructions. EDS will be entitled to rely upon any routine

instructions or information provided to EDS by the Customer
Representative (as defined in Section 4.7) or by such other persons

designated in writing by Customer, and EDS will incur no liability in so
relying.

ARTICLE III. PAYMENTS TO EDS

- 3.1 Compensation to EDS. In consideration for the Services to be provided

by EDS pursuant to this Agreement, Customer will pay to EDS the charges
and fees set forth in Schedule 3.1.

- 3.2 Reimbursement of Expenses. Customer will pay, or reimburse EDS for, all

actual out-of-pocket costs and expenses, including, without limitation,
travel and travel-related expenses, incurred with the approval of the
Customer Representative and in connection with EDS' performance of its
obligations under this Agreement.
- 3.3 Extension Period Charges. If this Agreement is extended for any period

pursuant to Section 1.2(b), the charges for the Services provided by EDS

for such period will be such charges as will be mutually agreed upon by
the parties in writing for such period by an amendment or supplement to
Schedule 3.1; provided, however, that in the absence of such an express

agreement in writing, the charges will be based on the rates then in
effect under this Agreement, as adjusted for the new year pursuant to
Section 3.6.

- 3.4 Charges for Additional Services. In consideration for any agreement by

EDS from time to time to provide Additional Services pursuant to Section

2.4, Customer will pay to EDS (a) any applicable additional charges set

forth on Schedule 3.1 or any other amounts mutually agreed upon by the

parties for such Additional Services by an amendment or supplement to
Schedule 3.1, if any, and (b) the reasonable out-of-pocket expenses,

including, without limitation, travel and travel-related expenses,
incurred by EDS with the approval of the Customer Representative and in
connection with the provision by EDS of the Additional Services.
- 3.5 Rerun Expenses. Customer will pay all reasonable fees and expenses of

EDS (not to exceed the fees and expenses set forth on Schedule 3.1) for

reruns necessitated (a) by incorrect, incomplete or omitted information,
or erroneous instructions supplied to EDS by Customer, its employees or
agents, (b) for the correction of programming, operator and other
processing errors caused by Customer, its employees or agents, and (c)
by incorrect reports that were not rejected by Customer within the
applicable time periods provided in Section 4.4.

- 3.6 Cost of Living Adjustments. If, during the term of this Agreement, the

Consumer Price Index for All Urban Consumers, All Cities Average, 1982-
84 = 100, as published by the Bureau of Labor Statistics of the
Department of Labor (the "CPI"), will at any anniversary of the first
calendar day of the month in which the Start of Processing Date occurs
(the "Current Index") be higher than the highest CPI on any previous

anniversary of the first calendar day of the month in which the Start of Processing Date occurs (the "Base Index"), then, effective as of such anniversary, all amounts payable to EDS from and after such anniversary pursuant to this Article III will be increased thereafter by the percentage that the Current Index will have increased from the Base Index and such amounts as increased pursuant to this Section 3.6 will be

deemed incorporated herein. Notwithstanding the foregoing, the percentage increase in any 12-month period will not exceed 3 % per year.

3.7 Invoice and Time of Payment. Any amount due EDS pursuant to this

Agreement for which a time for payment is not otherwise specified will be due and payable 30 days after Customer's receipt of an invoice from EDS. Any amount owing to EDS pursuant to this Agreement that is not paid when due and payable will thereafter bear interest until paid at a rate of interest equal to 4% per annum more than the prime or base rate established from time to time by Citibank, N.A. in New York, New York; provided, however, that in no event will such interest rate exceed the maximum rate of interest allowed by applicable law.

3.8 Taxes. There will be added to any charges under this Agreement, and

Customer will pay to EDS, amounts equal to any Taxes, or surcharges, however designated or levied, based upon such charges, or upon this Agreement, or the Services, or items provided pursuant to this Agreement, or their use, including state and local sales, use, privilege or excise taxes, or federal excise taxes based on gross revenue and any taxes or amounts in lieu thereof paid or payable by EDS in respect of the foregoing, exclusive, however, of franchise taxes and taxes based on net income of EDS.*

ARTICLE IV. CUSTOMER OBLIGATIONS

4.1 Customer Obligations. As soon as is practicable after the date hereof

but, in any event, before the Start of Processing Date and throughout the term of this Agreement, Customer will perform those obligations set forth on Schedule 4.1.

4.2 Certification Requirements. Commencing with the date hereof and

throughout the term of this Agreement, Customer (a) will, and will cause each Client to, obtain and maintain in full force and effect all legally required licenses, franchises, privileges, permits, consents, exemptions, certificates (including, without limitation, certificates of public convenience and necessity), registrations, orders, approvals, authorizations and similar documents and instruments (collectively, the "Certifications"), (b) will promptly notify EDS in writing of any expiration, revocation, termination, amendment or renewal of any such Certification, and (c) will,

and will cause each Client to, comply in all respects with the Certifications.

- 4.3 **Bad Debt Collection.** Customer will be solely responsible for the

collection of any End User bills not paid by the End Users. EDS will have no responsibility or liability with respect to any such unpaid End User bills.
- 4.4 **Inspection of Reports.** Customer will inspect and review all reports

prepared by EDS and reject all incorrect reports (a) within five Business Days after receipt thereof with respect to daily reports, (b) within seven Business Days after receipt thereof with respect to weekly reports, and (c) within ten Business Days after receipt thereof with respect to monthly or other reports. Failure to reject any such report within the times provided in this Section 4.4 will constitute acceptance

thereof.
- 4.5 **Data Transportation, Communication, Access and LEC Billings.** Customer

will (a) provide, or will request EDS to provide at Customer's expense, all necessary transportation for delivery of data and other input from, and for distribution of reports and other output to, Customer, (b) be responsible for the acquisition and provision of any equipment (including, without limitation, terminals, printers and modems but excluding any data telecommunication lines or equipment at or between any EDS Data Centers), that are necessary or appropriate for Customer to access Customer Data at any EDS Data Center, (c) be responsible for the payment of all LEC and clearinghouse charges related to LEC billings, and (d) enter into arrangements with data telecommunication network carriers for the provision of access to such networks and pay any usage costs or charges relating thereto, as may be necessary or appropriate for Customer to access Customer Data at any EDS Data Center.
- 4.6 **Priorities and Cooperation.** Customer will cooperate with EDS (a) to

establish priorities for the Services to be provided to Customer and (b) in good faith in the performance of Customer's activities contemplated by this Agreement through, among other things, making available, as reasonably requested by EDS, such information, facilities, management decisions, approvals, authorizations and acceptances in order that EDS' provision of Services under this Agreement may be accomplished in a proper, timely and efficient manner.
- 4.7 **Customer Representative.** Customer will designate an officer or employee

of Customer (the "Customer Representative") who will be authorized to act generally as the primary point of contact for EDS in dealing with Customer with respect to the Services. If Customer will fail to expressly designate a Customer Representative, the principal executive officer of

Customer will be the Customer Representative. The Customer Representative will be responsible for directing, insofar as EDS is concerned, all activities of Customer affecting the provision by EDS of the Services under this Agreement and will also work with EDS to establish Customer's priorities for the Services.

4.8 Other Financial Obligations. In addition to any other financial

responsibilities of Customer contemplated by this Agreement, Customer will pay all costs and expenses related to each item that is to be provided by Customer pursuant to this Agreement and for which the financial responsibility has not been expressly assigned to EDS, including, without limitation, those items set forth in this Article IV.

ARTICLE V. PROPRIETARY, DATA, SECURITY AND AUDIT RIGHTS

5.1 EDS Software. Any Software that is owned by EDS (and not proprietary to

any other party), any developments, improvements, modifications, additions or enhancements made by or for EDS to any such Software and any new Software developed or created by EDS pursuant to this Agreement will be and will remain solely EDS' property. Customer will have no ownership interests or other rights to any of such items.

5.2 Customer Data. As between EDS and Customer, the Customer Data will

remain solely Customer's property. Customer hereby authorizes EDS to have access to and to make use of the Customer Data (including, without limitation, the back-up copies of switch data established and maintained by Customer pursuant to Section 1.4 of Schedule 4.1) as is appropriate

for the performance by EDS of its obligations under this Agreement and in accordance with the safeguards described in Schedule 2.3. Upon the

expiration or termination of this Agreement for any reason, EDS will either delete such Customer Data from the data files maintained by EDS or return the Customer Data to Customer. Except as is expressly provided for in this Agreement, EDS will not sell, assign, lease or otherwise dispose of, or commercially exploit, the Customer Data.

5.3 Confidentiality. Except as otherwise provided in this Agreement, all

confidential information or trade secrets (including, without limitation, any Software or Customer Data) (collectively, the "Confidential Information") communicated to one party by the other party, whether before or after the Start of Processing Date, will be, and will be deemed to have been, received in strict confidence and will be used only for the purposes of carrying out the obligations of, or as otherwise contemplated by, this Agreement. Without obtaining the prior written consent of the other party, neither party will disclose any such Confidential Information received from the other party. Confidential Information will not include

any information that (a) is already in the possession of such party without being subject to another confidentiality agreement; (b) is or becomes generally available to the public other than as a result, directly or indirectly, of a disclosure of information by such party or by other persons to whom such party disclosed information; (c) is or becomes available to such party on a non-confidential basis from a source other than the other party or its representatives, provided that such source is not bound by a confidentiality agreement with the other party; (d) is independently developed by such party without the use of the other party's information; (e) is required to be disclosed pursuant to an arbitration proceeding conducted in accordance with Article VI,

provided that such disclosure is made in accordance with the approval and at the direction of the Arbitration Panel (as defined in Section

6.1(c)); or (f) is required to be disclosed pursuant to a requirement of

any Governmental Authority or any statute, rule or regulation, provided that such party gives the other party notice of such requirement prior to any such disclosure.

5.4 Security Access. Only by complying with such reasonable security

procedures that EDS may adopt from time to time, will the employees, officers or authorized agents of Customer be permitted to (a) enter any EDS Data Center, (b) operate, directly or indirectly, any equipment or Software in any EDS Data Center or (c) access data or information in any EDS Data Center via telecommunications lines or modems.

5.5 Audit Rights. Upon reasonable prior written notice by Customer, EDS

will agents from any Governmental Authority exercising jurisdiction over Customer's business with (a) reasonable access to any Customer Data located at any EDS Data Center from which EDS is providing Services pursuant to this Agreement for the limited purpose of performing audits or inspections of Customer and (b) such assistance of a routine nature as they may reasonably require in connection with such audit or inspection. In the event of any request beyond the scope of the foregoing, such request will be deemed a request for Additional Services pursuant to Section 2.4. Notwithstanding the foregoing, any such access provided pursuant to this Section 5.5 will be limited to the Customer Data and will not interfere with, and will be limited by, EDS' reasonable work or security needs.

ARTICLE VI. ARBITRATION

6.1 Dispute Resolution. In the event of any dispute, controversy or claim

of any kind or nature arising under or in connection with this Agreement or the provision of the Services by EDS that the parties are unable to resolve through informal

discussions or negotiations, the parties agree to submit such dispute, controversy or claim to arbitration in accordance with the following procedures:

- (a) Either party may demand arbitration by giving the other party written notice to such effect, which notice will (i) describe, in reasonable detail, the nature of the dispute, controversy or claim, and (ii) name an arbitrator who is experienced in the resolution of disputes, controversies or claims relating to information technology services.
- (b) Within 30 days after the other party's receipt of such demand, such other party will name a second arbitrator who is experienced in the resolution of disputes, controversies or claims relating to information technology services.
- (c) The two arbitrators so named will promptly select a third arbitrator who also is experienced in the resolution of disputes, controversies or claims relating to information technology services. The arbitration will be heard by a panel of the three arbitrators so chosen (the "Arbitration Panel"), and the resolution of the dispute, controversy or claim will be determined by a majority vote of the Arbitration Panel. The Commercial Arbitration Rules of the American Arbitration Association will govern the conduct of the arbitration.
- (d) Customer and EDS will each bear 50% of all fees, costs and expenses of the arbitration, and each party will bear its own legal fees and expenses, and costs of all experts and witnesses; provided, however, that if the claim of either party is upheld by the Arbitration Panel in all material respects, then the Arbitration Panel may apportion between the parties as the Arbitration Panel may deem equitable the costs incurred by the prevailing party.
- (e) The party demanding arbitration will request the Arbitration Panel to (i) allow for the parties to request reasonable discovery pursuant to the rules then in effect under the Federal Rules of Civil Procedure for a period not to exceed 60 days prior to such arbitration and (ii) require the testimony to be transcribed. No findings of fact or opinions of law will be required to be made by the arbitrators.
- (f) Any award rendered by the Arbitration Panel will be final, conclusive and binding upon the parties and any judgment thereon may be entered and enforced in any court of competent jurisdiction.

6.2 Exclusive Remedy. Other than any action necessary to enforce the

award of the Arbitration Panel, the parties agree that the provisions of
this Article VI are a complete defense to any suit, action or other

proceeding instituted in any court or before any administrative tribunal
with respect to any dispute, controversy or claim arising under or in
connection with this Agreement or the provision of the Services by EDS.
Nothing in this Article VI prevents the parties from exercising their

rights to terminate this Agreement in accordance with this Agreement.

6.3 Continued Performance. Unless (a) EDS has commenced a proceeding or has

presented a claim pursuant to this Article VI for nonpayment of amounts

due under this Agreement by Customer and Customer does not promptly pay
all amounts in dispute into the escrow account referred to below, or (b)
this Agreement has been terminated in accordance with Article VIII

(including, without limitation, Section 8.2), EDS will continue to

provide the Services during any arbitration proceedings commenced
pursuant to this Article VI and Customer will continue to perform its

obligations (including the making of payments to EDS) in accordance with
this Agreement. Up to the maximum amount in dispute, any disputed
payment will be paid pending rendition of the award by the Arbitration
Panel, into an escrow account that is structured by agreement of the
parties, or if agreement cannot be reached, as directed by the
Arbitration Panel. Any such escrow account will provide for the payment
of interest on the amounts deposited therein, and the Arbitration Panel
will make the determination regarding distribution of such deposited
amounts plus interest. Notwithstanding the foregoing, if EDS has
commenced a proceeding or presented a claim pursuant to this Article VI

for nonpayment of amounts due under this Agreement by Customer, and
Customer does not promptly pay all amounts in dispute into such escrow
accounts, EDS may (upon the exercise of its sole discretion and without
reference to any independent standard of judgment) (x) cease to perform
Services ten days after the commencement of such proceeding or the
presentation of such claim for the duration of such arbitration
proceeding and/or (y) exercise its rights to terminate this Agreement
pursuant to Section 8.2.

6.4 Tax Disputes. Customer is liable for all Taxes to the same extent that

Customer is liable for other amounts payable to EDS by Customer under
this Agreement. Customer will pay Taxes to EDS at the same time and in
the same manner that it pays such other amounts to which the Taxes
related. EDS and Customer will cooperate to minimize and properly
calculate any applicable Taxes and, in connection therewith, Customer
will provide EDS any resale certificates, information regarding out-of-
state use of materials, services or sales, or other exemption
certificates or information reasonably requested by

EDS. EDS will have sole control over the response to and settlement of any claims for Taxes that may be asserted by applicable taxing authorities. Customer will be entitled to any refunds or rebates of taxes granted to the extent such refunds or rebates are of Taxes that were paid by Customer.

ARTICLE VII. INDEMNITIES AND LIABILITY

7.1 Personal Injury and Property Indemnity. Customer will not be liable to

EDS for any injury to any person or property caused by the acts of EDS or its employees, and EDS agrees to indemnify, defend and hold harmless Customer from and against any and all claims, actions, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) relating to or arising out of any such injury. EDS will not be liable to Customer for any injury to any person or property caused by the acts of Customer or its employees, and Customer agrees to indemnify, defend and hold harmless EDS from and against any and all claims, actions, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) relating to or arising out of any such injury.

7.2 Intellectual Property Indemnity. Each of the parties will indemnify,

defend and hold harmless the other party from and against any and all claims, actions, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) relating to or arising out of any claims of infringement of any patent, copyright, trademark, service mark, trade name, trade secret or similar proprietary rights conferred by contract or by common law or by any law of the United States or any state alleged to have occurred because of Software or other intellectual property (or the access or other rights to such Software or property) provided by such party to the other party pursuant to this Agreement.

7.3 Tax Indemnity. Customer will indemnify, defend and hold harmless EDS

from and against any and all claims, actions, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) relating to or arising out of any Taxes payable by EDS as a result of (a) the delay or failure of Customer, for any reason, to pay any such Taxes, or to timely file any Tax Return as required by law or this Agreement; (b) EDS' compliance with this Agreement or any determination, direction or advice of Customer; (c) EDS' use, in accordance with this Agreement, of information provided by Customer; (d) in the absence of any direction from Customer to the contrary, any act or omission of EDS, excluding any act or omission that is determined to have been undertaken by EDS with willful misconduct or gross negligence; or (e) a determination by the Internal Revenue Service ("IRS") or any

other Governmental Authority, whether in response to a ruling request or in the course of an audit of any Person, that EDS is responsible for collecting and remitting Taxes or for filing any Tax Returns relating thereto, applicable to Customer; provided, however, that with respect to this clause (e), EDS will not be entitled to any indemnification with respect to any penalties or interest on any such Taxes that EDS failed to collect and remit in violation of its obligations under this Agreement.

7.4 Billing Related Indemnities. Customer will indemnify, defend and hold

harmless EDS from and against any and all claims, actions, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) relating to or arising out of (a) the failure, neglect or refusal of any End User to pay any amounts due and owing to Customer, (b) any breach or alleged breach by Customer of Customer's obligations set forth in Section 4.2, (c) the

incorrectness or incompleteness of any data or information supplied to EDS by Customer pursuant to Section 1.1, 1.2 or 1.3 of Schedule 4.1 or

(d) any of Customer's billing or collection practices determined by any Governmental Authority to be unlawful.

7.5 Indemnity Procedures. Any party entitled to indemnification under this

Article VII will give the party from which it is seeking indemnification

prompt written notice of any matters in respect of which the indemnity may apply and of which the party claiming indemnification has knowledge; provided, however, that if a party claiming indemnification fails to give the other party prompt written notice, such other party will only be relieved of its obligations under this Article VII if and to the

extent that such party is prejudiced thereby. In addition, the party claiming indemnification will give the other party full opportunity to control the response thereto and the defense thereof, including, without limitation, any agreement relating to the settlement thereof.

7.6 Limitation of Liability. If EDS is at any time liable to Customer as a

result of any breach, dispute, controversy or claim of any kind or nature arising under or in connection with this Agreement (including, without limitation, any failure of EDS to comply with its obligations under Section 2.3), whether arising by negligence or otherwise, the

amount of damages recoverable against EDS for all events, acts or omissions will not exceed, in the aggregate, an amount equal to the aggregate amount of all charges paid to EDS pursuant to this Agreement during the three-month period immediately preceding the initial occurrence of such event, act or omission. Notwithstanding any other provisions in this Agreement to the contrary, in no event will the measure of damages recoverable by Customer against EDS include any

amounts for indirect, consequential or punitive damages of Customer or any other Person, or for loss of anticipated profits or other economic loss of Customer or any other Person, or for damages that could have been avoided, using reasonable diligence, by Customer. In addition, Customer may not assert any cause of action against EDS that accrued more than two years prior to the filing of a suit alleging such cause of action.

- 7.7 Acknowledgement. Customer and EDS expressly acknowledge that the

limitations contained in Section 7.6 represent the express agreement of

the parties with respect to the allocation of risks between the parties, including the level of risk to be associated with the provision of the Services as related to the amount of the payments to be made to EDS for such Services, and each party fully understands and irrevocably accepts such limitations.

ARTICLE VIII. TERMINATION

- 8.1 Termination for Cause. Subject to Section 10.3, if either party

materially or repeatedly defaults in the performance of any of its duties or obligations under this Agreement (excluding a default in payments to be made to EDS, which will be governed by Section 8.2),

which default is not substantially cured within 45 days after written notice is given to the defaulting party specifying the default, or, with respect to those defaults that cannot reasonably be cured within 45 days, if the defaulting party fails to proceed within 45 days to commence curing said default and thereafter to proceed with all reasonable diligence substantially to cure the same, then the non-defaulting party may, by giving written notice thereof to the defaulting party, terminate this Agreement as of the date of receipt by the defaulting party of such notice or as of a future date specified in such notice of termination.
- 8.2 Termination for Nonpayment. If Customer defaults in the payment when

due of any amount due to EDS pursuant to this Agreement and does not cure such default within 30 days after being given written notice of such default, then EDS may, by giving written notice thereof to Customer, terminate this Agreement as of the date of receipt by Customer of such notice or as of a future date specified in such notice of termination.
- 8.3 Termination for Insolvency. If either party is declared insolvent or

bankrupt, is the subject of any proceedings relating to its liquidation, insolvency or for the appointment of a receiver or similar officer for such party, makes an assignment for the benefit of all or substantially all of its creditors, or enters into an agreement for the composition,

extension or readjustment of all or substantially all of its obligations, then the liquidator, trustee, receiver, conservator, new owner, manager or other agent or representative of such party will, subject to applicable law, have 60 days from the date of any initial declaration, commencement of proceedings, or such assignment or agreement to notify the other party, subject to applicable law, that it is terminating this Agreement as of a date within such 60-day period. If the other party is not so notified, this Agreement will not be terminated but will continue in full force and effect on all of the terms and conditions stated in this Agreement.

8.4 Termination for Regulatory Event. Either party may terminate this

Agreement if any statute, rule, regulation, interpretation, judgment, order or injunction will have been enacted, enforced, promulgated, amended, issued or deemed applicable to (a) either party or any of its affiliates or (b) this Agreement, the transactions contemplated by this Agreement or the provision of the Services by EDS pursuant to this Agreement, by any Governmental Authority that renders illegal or materially inhibits the provision of the Services by EDS pursuant to this Agreement. To terminate this Agreement pursuant to this Section

8.4, the party seeking such termination will give written notice thereof

to the other party at least 30 days prior to the date on which such party desires to terminate this Agreement.

8.5 Rights Upon Termination. Upon expiration or termination of this

Agreement for any reason, Customer will pay EDS for all Services provided and expenses incurred through the date of such expiration or termination. The provisions of this Section 8.5, Section 5.3, Articles

VI and VII will survive the expiration or termination of this Agreement

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for any reason.

ARTICLE IX. OPTION TO ACQUIRE LICENSE

9.1 Option to Acquire License. Provided Customer is not then in default of

any of its obligations under this Agreement, Customer will have the option at anytime during the term of this Agreement to acquire a license from EDS to use the Software described in Section 2 of Schedule 2.1 in order that Customer may perform its own billing services (the "Billing Software"), which option may only be exercised by Customer complying with each of the following requirements:

- (a) giving written notice to EDS at least 90 days prior to the date that Customer desires to acquire a license to the Billing Software;
- (b) executing EDS' then current standard form of license agreement for the Billing Software (or, if no standard

form then exists, an agreed upon license agreement for the Billing Software);

(c) paying to EDS a Billing Software object code license fee of \$175,000, plus a maintenance fee equal to EDS' then current maintenance fees; and

(b) complying with any applicable provisions of Section 8.5 of this Agreement, including payment of the Minimum Message Requirement for the 12-month period ending on the date Customer acquires such license, prorated as appropriate for any partial 12-month period.

ARTICLE X. MISCELLANEOUS

10.1 Right of EDS to Perform Services for Others. Customer acknowledges and agrees that EDS may provide billing and related services to other Persons at any EDS Data Center that EDS may utilize for providing the Services or for processing the Customer Data pursuant to this Agreement.

10.2 Relationship of Parties. EDS, in furnishing the Services to, or on behalf of, Customer, is acting only as an independent contractor. EDS does not undertake by this Agreement or otherwise to perform any obligation of Customer or any other Person, whether regulatory or contractual, or to assume any responsibility for the business or operations of Customer or any other Person. EDS will not be considered or be deemed to be an employee, joint venturer or partner of Customer or any other Person, and no other similar relationship is intended or created by and between EDS and Customer or any other Person. EDS has the sole right and obligation to supervise, manage, contract, direct, procure, provide or cause to be provided, all Services to be provided pursuant to this Agreement.

10.3 Force Majeure. Each party will be excused from performance under this Agreement for any period, and the time of any performance will be extended, to the extent reasonably necessary under the circumstances, if such party is prevented from performing, in whole or in part, its obligations under this Agreement, as a result of acts or omissions by the other party or any act of God or any Governmental Authority or any outbreak or escalation of hostilities, war, civil disturbance, court order, labor dispute, third party nonperformance or any other cause beyond its reasonable control, including without limitation, failures or fluctuations in electrical power, heat, light, air conditioning or telecommunications equipment or lines or other equipment. Such nonperformance on the part of either party will not be a default under this Agreement or a ground for termination of this Agreement; provided that the party

whose performance has been excused will perform such obligation as soon as is reasonably practicable after the termination or cessation of such event or circumstance.

10.4 Compliance with Laws. In performing its obligations under this

Agreement, neither party will be required to undertake any activity that would conflict with the requirements of any applicable statute, rule, regulation, interpretation, judgment, order or injunction of any Governmental Authority.

10.5 Media Releases. All press and media releases, public announcements and

public disclosures by either party relating to this Agreement or its subject matter, including, without limitation, promotional or marketing material (but not including any announcement intended solely for internal distribution by such party to its directors, officers or employees or any disclosures required by legal, accounting or regulatory requirements beyond the reasonable control of the parties) will be coordinated with and approved by the other party prior to the release thereof. When consent or approval of either party is required for release of promotional or marketing material, neither party may unreasonably withhold or delay its consent.

10.6 Notices. Except as otherwise expressly provided in this Agreement, all

notices, requests, claims, demands, designations, approvals, consents, acceptances and other communications under this Agreement will be in writing and will be deemed to have been duly given if delivered personally, telecopied or mailed by first class mail, postage prepaid, to the parties at the addresses specified on Schedule 10.6. All notices and other communications required or permitted under this Agreement that are addressed as provided in Schedule 10.6, (i) if delivered personally, will be deemed given upon delivery, (ii) if delivered by telecopy, will be deemed given when confirmed and (iii) if delivered by mail in the manner described above, will be deemed given on the seventh Business Day after the day it is deposited in a regular depository of the United States mail. Any party from time to time may change its address for the purpose of notices to that party by giving a similar notice specifying a new address, but no such notice will be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

10.7 Severability.

(a) Subject to the provisions of Section 10.7(b), if any provision of this Agreement or the application of any such provision to any Person or circumstance, will be declared judicially to be

invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Agreement, it being the intent and agreement of the parties that this Agreement will be deemed to have been amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent or, if such modification is not possible, by substituting therefor another provision that is legal and enforceable and that achieves the same objective. In addition, if such invalid, unenforceable or void provision does not materially affect the payments to be made to EDS under this Agreement, and if the remainder of this Agreement will not be affected by such declaration and is capable of substantial performance, then each provision not so affected will be enforced to the maximum extent permitted by law.

(b) If any provision referred to in Section 10.7(a) is declared judicially to be invalid, unenforceable or void, and the fact thereof, or any amendment or modification thereto as set forth in Section 1 , materially affects the payments to be made to EDS under this Agreement, then this Agreement in its entirety will be entirely void and of no force and effect.

10.8 Amendment. This Agreement may not be modified or amended except by a

written instrument executed by or on behalf of each of the parties to this Agreement.

10.9 Waivers. The observance of any term of this Agreement may be waived

(either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term, but such waiver will be effective only if it is in a writing signed by the party entitled to enforce such term and against which such waiver is to be asserted. Unless otherwise expressly provided in this Agreement, no delay or omission on the part of any party in exercising any right or privilege under this Agreement will operate as a waiver thereof, nor will any waiver on the part of any party of any right or privilege under this Agreement operate as a waiver of any other right or privilege under this Agreement nor will any single or partial exercise of any right or privilege preclude any other or further exercise thereof or the exercise of any other right or privilege under this Agreement.

10.10 Entire Agreement. This Agreement (including the Schedules and Exhibits

hereto) constitutes the entire agreement between the parties with respect to the subject matter of

this Agreement and supersedes all prior and contemporaneous agreements and understandings, whether written or oral, between the parties with respect to the subject matter of this Agreement, and there are no representations, understandings or agreements relating to this Agreement that are not fully expressed in this Agreement. All Exhibits and Schedules attached to this Agreement are expressly made a part of, and are incorporated by reference into, this Agreement.

- 10.11 Parties in Interest; Assignment. This Agreement will be binding upon -----
and inure to the benefit of the parties to this Agreement and their respective successors and assigns (it being understood and agreed that, except as expressly provided in this Agreement, nothing contained in this Agreement is intended to confer upon any other Person (including any affiliate of Customer or any End User) any rights, benefits or remedies of any kind or character whatsoever under or by reason of this Agreement). No party may assign this Agreement without obtaining the prior written consent of the other party. Notwithstanding the foregoing, either party may assign this Agreement, and its rights and obligations under this Agreement, to any of its respective affiliates without the consent of the other party; provided, however, that any such assignment will not relieve the assigning party of any of its obligations under this Agreement.
- 10.12 Certain Construction Rules. The Article and Section headings and the -----
table of contents used in this Agreement are for convenience of reference only and in no way define, limit, extend or describe the scope or intent of any provisions of this Agreement. In addition, as used in this Agreement, unless otherwise expressly stated to the contrary, (a) all references to days, months or years are references to calendar days, months or years and (b) any reference to a "Section," "Article," "Exhibit" or "Schedule" is a reference to a Section or Article of this Agreement or an Exhibit or Schedule attached to this Agreement.
- 10.13 Inconsistencies. The provisions of this Agreement are qualified in -----
their entirety by reference to the information and the terms set forth in the Schedules and the Exhibits. To the extent that the provisions of this Agreement and the Schedules to this Agreement are inconsistent, the provisions of the Schedules and the Exhibits to this Agreement will govern and control.
- 10.14 Governing Law. This Agreement will be construed in accordance with, and -----
the rights of the parties will be governed by, the substantive laws of the State of Texas,

without giving effect to any choice-of-law rules that might require the application of the laws of another jurisdiction.

10.15 Counterparts. This Agreement may be executed in multiple counterparts, -----
each of which will be deemed an original and all of which taken together will constitute one instrument.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first set forth above.

ELECTRONIC DATA SYSTEMS
CORPORATION

GLOBAL TELECOMMUNICATIONS, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EDS SERVICES

SECTION 1 - BILLING SERVICES

Utilizing the Software described in Section 2 of this Schedule 2.1, EDS will provide to Customer the following billing services:

- 1.1 Standard Message Format. EDS will from time to time communicate with Customer relating to the standard record detail format required by EDS in order to process the Messages (the "Standard Message Format"). EDS may from time to time communicate to Customer revisions of the Standard Message Format for Messages as they become necessary.
- 1.2 Editing, Balancing and Formatting. Upon receipt of Messages from Customer, EDS will determine whether the Messages contained thereon are in the Standard Message Format. If Customer's Messages are in the Standard Message Format, EDS will edit, balance and format such Messages for subsequent processing. If any of Customer's Messages are not in the Standard Message Format or are rejected by EDS as a result of editing or balancing of the Messages (collectively, the "Rejected Messages"), EDS will notify the Customer of such fact.
- 1.3 Message Rating. EDS will (a) calculate the applicable charges for all Messages transmitted by Customer to EDS solely based on the rating information and the End User information provided by Customer to EDS pursuant to Section 1.2 and 1.3 of Schedule 4.1 and (b) have no responsibility or liability for any miscalculation of charges for any Messages resulting from any such information that is inaccurate or incomplete. As and when requested by Customer, EDS will forward any applicable Messages to a clearinghouse or other billing agent who provides LEC billing services to Customer.
- 1.4 Calculation of Taxes. EDS will use commercially reasonable efforts to (a) calculate the federal excise tax and all local and state taxes or tax-like charges and surcharges, applicable to each Message (the "Calculated Taxes") and (b) furnish the information relating to such Calculated Taxes to Customer in sufficient detail to enable Customer or Client to file the appropriate Tax Returns. EDS will have no responsibility or liability for any miscalculation of any End User's Taxes resulting from the use by EDS of inaccurate or incomplete tax or End User information supplied to EDS by Customer pursuant to Section 1.3 of Schedule 4.1. Customer expressly acknowledges and agrees that EDS will rely, and will have no liability in so relying, upon (i) Customer for determining the

tax status of Customer's End Users, (ii) such End User information as is provided by Customer to EDS and (iii) in connection with determining the applicable tax rates, such tax data as is provided to EDS by Vertex, Inc. of Philadelphia, Pennsylvania or by Customer pursuant to Section

1.3 of Schedule 4.1, as the case may be.

1.5 Billing of Taxes. EDS will, for the benefit of and on behalf of

Customer, use commercially reasonable efforts to print all applicable federal, state and local excise taxes and surcharges on bills to be sent to End Users. Customer acknowledges and agrees that EDS is acting only as Customer's agent with respect to the billing of such taxes, and in no event will EDS be entitled to retain or receive from Customer (or from any End User) any statutory fee or share of such taxes to which the Person collecting the same may be entitled under applicable law unless the IRS determines that EDS has the responsibility for collecting such taxes and filing federal excise tax returns.

1.6 Printing & Bill Format. On any date EDS will bill an End User as

mutually agreed to by Customer and EDS, EDS will (a) sort all rated Messages into the applicable End User account and (b) print, directly on the End User's bill, any or all of Customer's or Client's name or such promotional messages of Customer or Client as Customer may request five or more Business Days prior to such date and that are in conformity with the bill format shown on Exhibit C. Neither EDS' name nor EDS' logo will

appear on any End User bills. Subject to any applicable regulations of any Governmental Authority, any promotional messages so requested to be printed on the End User bill summary page will comprise no more than two lines, each line having up to 78 characters. Any requests by Customer for changes in the bill format shown on Exhibit C will be deemed to be

requests for Additional Services pursuant to Section 2.4 of this

Agreement.

1.7 Promotional Inserts. Subject to size limitations and any applicable

regulations of any Governmental Authority, EDS will also include in the assembled End User bills up to three promotional inserts of Customer or Client as Customer supplies to EDS for such purposes; provided, however, that the number of such inserts, when added to the number of printed promotional pages will not exceed three per End User bill per month.

1.8 Mailing of Bills. EDS will (a) presort the End Users' bills to take

advantage of any applicable postage discounts, (b) affix appropriate first class U.S. mail postage and (c) deliver the End Users' bills to the U.S. Postal Service.

1.9 Billing Reports. EDS will provide Customer, at such times as EDS and

Customer mutually agree, with standardized accounting reports, in the
format set forth on Exhibit D. Any request by Customer for other

information regarding End User billing or changes in the list of reports
set forth on Exhibit D will be deemed to be a request for Additional

Services pursuant to Section 2.4 of this Agreement.

SECTION 2 - DESCRIPTION OF SOFTWARE

2.1 The description of the EDS proprietary software that will be used by EDS
to perform the Billing Services, known as "IXplus" is described below:

MENU SYSTEM Menus may be modified to meet business requirements.
 Selections can be tailored for specific users or
 departments and passwords may be assigned for security.

CALL RATING The IXplus Software can process and account for all of
 the data received from the network switching equipment.
 The information from the switch is converted into a
 format compatible with the IXplus Software and
 accounting totals are accumulated. Unbillable calls are
 reported and routed back through the IXplus Software
 for corrective procedures. These calls are maintained
 by the IXplus Software until they are corrected or
 deleted.

 The Call Rating subsystem allows for virtually
 unlimited rate structures. Call Rating variables
 include:

 V/H Coordinates
 Flat Rate
 Mileage Band
 A/C and LATA Band
 Rate Step
 Day/Evening/Night - Weekend/Holiday

CALL BILLING The Call Billing subsystem creates the customer bill
 format, offering selectable features such as customized
 messages, call detail reporting and discounts.

 The Project Billing subsystem provides a commercial
 customer with call detail plus the total levels
 required for charge-back of telecommunications
 expenses. This subsystem also allows for variable
 volume discounts and unlimited rate steps.

The Cycle Billing subsystem assists cash flow tracking and provides a method for distributing the work load more evenly for a large customer base. The Cycle-end reporting subsystem provides the necessary checkpoints and controls to properly manage a billing cycle.

A copy of the printed customer bills may be maintained on-line for inquiries, reprints, and archival purposes. The statement images may be transferred to magnetic tape for long-term storage.

CUSTOMER
SERVICE

The IXplus Software allows customer inquiries to be made by name or partial name, authorization code, account code, and telephone number.

Customer calls concerning new business, service changes and complaints may be recorded in an on-line database. Customer service personnel may then record the responses to customer calls in the same manner. A follow-up screen may be used by management to insure that the customer is being handled in a timely manner.

ACCOUNTS
RECEIVABLE

An accounts receivable system will assist in cash flow management.

The Accounts Receivable subsystem provides detailed reports of cash receipts, adjustments, customer charges, deposits, account balances, and aged receivables. Numerous inquiry screens display current and historical customer transactions and information regarding collection contacts.

A delinquent processing function provides the ability to customize and print past due notices and final notices.

TRAFFIC
ANALYSIS

The Traffic Analysis subsystem produces a series of reports that provides the ability to analyze traffic patterns, time patterns, line usage, and line utilization by billing cycle. Some of the reports which may be generated are:

Traffic by LATA
Traffic by Top 100 LATAs
Traffic by City
Traffic by Top 100 Cities
Traffic Analysis by Product
Busy Hours by Output Facility and Line
Traffic Analysis by Output Facility and Line
Traffic Analysis by Input Facility and Line
Billing Analysis by Output Facility
Revenue by Volume and Customer

- 2.2 The EDSCDC - Call Detail Collection Software communicates with switching equipment, billing, traffic and security systems to deliver call detail information in real time. EDSCDC - Call Detail Collection Software also converts the call detail information into the IXplus CDR format.
- 2.3 EDSSEC - Fraud Detection Software analyzes records from the network as they occur. EDSSEC - Fraud Detection Software alerts you of potential fraud, identifies the source, and can take corrective action on its own. EDSSEC -Fraud Detection Software learns the calling patterns of your customers on your network and provides self adjusting alert thresholds.

PERFORMANCE STANDARDS

SECTION 1 - BILLING SERVICES PERFORMANCE STANDARDS

1.1 Certain Definitions.

When used in this Section 1 of Schedule 2.2, the following terms will have the following respective definitions:

- (a) "On-line Availability" will mean the "uptime" percentage measurement indicating the time that the EDS central processing unit (CPU) will be available for on-line terminal usage by Customer. This measurement will be based on scheduled Online Availability, as set forth in Section 1.2(b) of this Schedule 2.2, and will not reflect any period of non-availability because of any circuit outage, any application Software problem or any problem caused by Customer or Customer's personnel, agents or representatives. The calculation is expressed in percentages and is derived by reviewing any incidents that have caused a service interruption and subtracting the interruption time from the scheduled time.
- (b) "Prime Time" will mean 6:00 a.m. to 6:00 p.m., Local Time, Monday through Friday.
- (c) "Daily On-line Outage During Prime Time" will mean the amount of time when the EDS equipment or Software is unavailable during Prime Time on a daily basis during each month.

1.2 Performance Standards.

- (a) Mailing of End User Bills. EDS will print and mail End Users' bills within an average of six Business Days after the applicable Determination Date (as defined herein). Such average time period will be determined by (i) measuring, for the month in question and for each of the five preceding months, the number of days elapsed between the Determination Date and the date on which the End Users' bills corresponding to such Determination Date were actually mailed, (ii) adding together the number of such days elapsed for all six months measured, and (iii) dividing such sum by six. A "Determination Date" is the later to occur of (i) the date on which EDS is to bill a particular End User (as such date is set forth in the End User information provided to EDS pursuant to Section 1.3 of Schedule 4. 1) or (ii) the date of the receipt of the

most recent magnetic tape or disk containing the applicable Messages.

- (b) On-line Availability. The average On-line Availability during -----
Prime Time during each month will be 98%.
- (c) Maximum and Average Daily On-line Outages During Prime Time. The -----
maximum Daily On-line Outage During Prime Time will not exceed
one hour per day for more than any two days in any month and the
average Daily On-line Outage During Prime Time will not exceed 10
minutes during any month.
- (d) Scheduled On-line Availability.

 - (i) Monday through Friday: 12 hour availability during Prime
Time or as otherwise mutually agreed. All other time,
Monday through Friday, will be held in reserve for data
back-up or emergencies which cannot wait for the
maintenance time period scheduled on Sunday.
 - (ii) Saturday and Sunday: unavailable midnight to 8:00 a.m.
Local Time, and available at such other times as Customer
has requested in advance and that EDS has approved in
advance.

SAFEGUARDS

SECTION I - RETENTION SCHEDULE

EDS will store any Customer Data that is sent off-site for recovery purposes in a protected vault for mutually agreeable periods of time.

SECTION 2 - OFF-SITE DATA STORAGE

The off-site data storage facility will employ security and environmental protection systems that guard against theft and fire and that control humidity and temperature.

SECTION 3 - SOFTWARE AND DATA SECURITY

EDS will require users of the Software operated by EDS to enter a valid password in order to gain access to certain applications, functions and databases that contain the Customer Data. EDS will secure the Customer Data using Software that restricts access to the Customer Data and assists in the administration of the security of the Customer Data.

SECTION 4 - FACILITY SECURITY

EDS will control and limit physical access to any EDS Data Centers where the Services are provided, and EDS will utilize alarm systems that guard against theft, fire, heat and water.

SECTION 5 - CONTINGENCY PLANS

EDS will provide a contingency plan to facilitate continued processing of Messages at the EDS Data Center in the event of a catastrophe or other event of natural force majeure or in the event of single processor failure within the EDS Data Center or the failure of the entire EDS Data Center.

SECTION 6 - MAILING RECORD

For a period of at least six months after mailing of End User bills, EDS will retain a record of such mailing.

CHARGES

SECTION I - INSTALLATION CHARGES

1.1 Installation and Training Fee. Customer will pay to EDS a one-time

 installation and training fee of \$29,200 in consideration of EDS providing its standard installation and training assistance for the IXplus Software, the EDSCDC - Call Detail Collection Software and the EDSSEC - Fraud Detection Software. The installation and training support will include three to five days of on-site assistance to be provided by EDS at Customer's McLean, Virginia location for the purpose of assisting Customer with its data input process. The installation and training fee will be due and payable by Customer to EDS as follows: (i) \$5,840 upon the Start of Processing Date, and (ii) the remaining \$23,360 will be payable by Customer in twelve equal monthly installments of \$1,946.67 each beginning with the month following the six-month anniversary of the Effective Date, plus interest accruing from such date on the unpaid balance of such fee at a rate of interest equal to 9.5% per annum. In the event that any installation and or training is required that is in excess of the standard installation and training assistance provided by EDS, then such assistance will be performed as Additional Services pursuant to Section 2.4. Pursuant to Section 3.2, Customer will pay or

 reimburse EDS for all out-of-pocket expenses incurred in the performance of the installation and training assistance.

SECTION 2 - BILLING SERVICES CHARGES

2.1 Minimum Message Requirement and Charge.

 (a) Subject to the Minimum Message Requirement payment set forth below, Customer will pay to EDS a monthly charge based on the number of Messages (other than Rejected Messages) rated and billed by EDS during each 12-month period during the term of this Agreement calculated at the following charge per Message:

12-Month Periods following the Start of Processing Date -----	Charge per Message -----	Minimum Message Requirement per 12-Month Period -----
Months 1 through 12	\$.0069 per Message	12,000,000 Messages
Months 13 through 24	\$.0059 per Message	30,000,000 Messages
Months 25 through 36	\$.0054 per Message	60,000,000 Messages
Months 37 through 48	\$.0053 per Message	100,000,000 Messages
Months 49 through 60	\$.0052 per Message	135,000,000 Messages

(b) During the term of this Agreement, Customer will be obligated to submit to EDS for rating and billing the Minimum Message Requirement per each 12-month period as set forth above in the last category. If, at the end of each 12-month period during the term of this Agreement, the total number of Messages (other than Rejected Messages) rated and billed by EDS is less than the Minimum Message Requirement for such 12-month period, then within 30 days after the end of each 12-month period, Customer will pay to EDS an amount equal to the difference between (i) the actual number of Messages (other than Rejected Messages) submitted by Customer for rating and billing by EDS, and (ii) the applicable Minimum Message Requirement, multiplied by \$.0002 per Message. Notwithstanding anything in this subparagraph (b) to the contrary, the Minimum Message Requirement and all amounts owed to EDS in connection therewith for Months 1 through 24 will accrue during the first 24 months following the Start of Processing Date, with all amounts due and owing to EDS for such 24-month period to be paid by Customer within 30 days after Month 24.

(c) Notwithstanding anything in subparagraph (b) above to the contrary, if, upon the 60-month anniversary of the Start of Processing Date, the total number of Messages (other than Rejected Messages) submitted by Customer for rating and billing for the prior 12-month period is less than the Minimum Message Requirement for such period, then Customer may, by providing EDS with written notice within 30 days following the 60-month anniversary of the Start of Processing Date, elect to extend the term of this Agreement for an additional 12-month period in lieu of Customer's requirement to pay EDS the shortfall calculated in accordance with subparagraph (b) above. During each month of such 12-month extension period, Customer will pay EDS at the rate of \$.0052 per Message (other than Rejected Messages) submitted to EDS for rating and billing.

(d) In the event Messages are submitted by Customer or Clients to EDS from a foreign country, and EDS is unable to process such Messages for any reason, then EDS will adjust the Minimum Message Requirement for any 12-month period as appropriate.

2.2 Monthly Image Charges. For each month following the Start of Processing

Date and during the term of this Agreement, Customer shall pay to EDS, in addition to the monthly Message charge, a monthly print charge of \$0.041 per image. For purposes of this Agreement, "Image" means one side of an End User's bill on which EDS has printed billing data, Customer's or Client's name or logo, or any promotional message of Customer or Client requested by Customer in accordance with Section 1.6 of Schedule

2.1 of this Agreement. By way of example, a two-sided End User bill

printed by EDS for Customer hereunder shall constitute two Images.

2.3 Other Billing Related Charges.

Description -----	Charge -----
EDS Data Center personal computer usage fee	\$100.00 per month
Carrier billing records/1/	\$0.0020 per Message
Messages sent to clearinghouse for LEC billing	\$0.0025 per Message
Past due notices (once per month)	\$0.15 each letter
Forms and envelopes	cost plus 10%
Microfiche/postage	cost plus 5%
Delivery	cost plus 10%
Magnetic tapes and/or floppy diskettes sent to Customer	\$8.00 handling fee plus supplies at cost plus 10%
Mail stuffing:	
Large envelope	\$0.30 per bill
Box	\$5.00 per box
Inserts for billing	\$0.02 each page

SECTION 3 - CHARGES FOR ADDITIONAL SERVICES

3.1 Additional Personnel. Customer will pay to EDS the following charges in consideration for any Additional Services provided to Customer by EDS pursuant to Section 2.4 of this Agreement which require additional personnel resources:

Job Category -----	Monthly Rate -----
Systems Engineer	\$ 9,600.00

3.2 Additional Computer Resources. Customer will pay to EDS the following charges in consideration for any Additional Services provided to Customer by EDS pursuant to Section 2.4 of this Agreement which require additional computer resources:

1. Any carrier billing records which are processed by EDS but are to be billed by the carrier will be returned to such carrier at no charge to the Customer; provided however, Customer will furnish the tapes and supplies related to all such carrier billing records.

Time ----	Charge -----
CPU/1/ - Interactive	\$4.47 per minute
CPU/1/ - Batch	
Prime Time/2/	\$2.68 per minute
Non-Prime Time/2/	\$1.34 per minute
Direct-Access Storage Device (DASD)	\$0.0245 per Megabytes/day
Laser Print	\$0.732 per 1000 lines

3.3 Other Charges. Customer will pay to EDS such other charges for any

Additional Services provided to Customer pursuant to Section 2.4 as

mutually agreed upon and approved in writing by the parties from time to
time.

1. CPU unit charges are based upon an IBM AS/400 E70 processor. If EDS operates on any other processor EDS will normalize the actual CPU minutes to reflect the amount of time that would have been required had EDS been using an IBM AS/400 Model E70.

2. "Prime Time" is defined in Section 1.1(b) of Schedule 2.2. "Non-Prime

Time" means all times other than Prime Time.

CUSTOMER OBLIGATIONS

SECTION 1 - BILLING OBLIGATIONS

- 1.1 Preliminary Processing and Delivery of Messages. Customer will record

and deliver the Messages to EDS from the appropriate Customer switching location via magnetic tape or electronic data transmission, in the Standard Message Format, to allow EDS to process the Message in accordance with Section 1 of Schedule 2.1. Customer will establish and

maintain appropriate Customer procedures regarding the development and delivery of such Messages to EDS. EDS will have no responsibility or liability to Customer, any of the Clients or any other Person for the accuracy or completeness of any data or Messages supplied by or through Customer. Customer acknowledges that EDS will have no obligation to accept for processing any Messages that do not conform to the Standard Message Format.
- 1.2 Rating Information. Customer will (a) determine, initially enter into

the appropriate database and subsequently maintain a schedule of rates containing all necessary information regarding its pricing programs and optional calling plans and will be solely responsible for any changes or additions thereof and (b) if EDS is required to respond to End Users' inquiries pursuant to this Agreement, provide EDS with copies of Customer's policies with respect to granting credits or adjustments to the End Users' accounts.
- 1.3 End User and Tax Information. Customer will enter into the applicable

database any information specific to the End Users that is needed to rate Messages and calculate End User bills (including the dates on which EDS is to bill each particular End User). EDS will establish the format for such End User information. Customer may, if mutually agreed upon by the parties, provide EDS with tax data to be used for determining the applicable tax rates.
- 1.4 Customer Back-up of Switch Data. Customer will (a) establish back-up

security for and keep back-up switch data in its possession and (b) for a period of at least 60 days after delivery of such switch data, produce and retain duplicate copies of all Messages delivered to EDS pursuant to Section 1.1 of this Schedule 4.1; provided, however, that EDS will have

such access to any such back-up switch data as is reasonably required by EDS in connection with the performance of its obligations under this Agreement.
- 1.5 Filing and Paying of Taxes. Customer will be solely responsible for (a)

preparing and filing in a timely manner with the applicable taxing authorities and Governmental Authorities all

Tax Returns and for promptly paying in full and remitting to such taxing authorities and Governmental Authorities all Taxes owed, and (b) will be obligated to pay any additional Taxes imposed by any Governmental Authority as a result of the nonpayment of required Taxes by Customer. If, as a result of any request or requirement of any Governmental Authority, it is necessary for EDS to deliver copies of such Tax Returns, Customer will provide EDS with copies of any and all Tax Returns that Customer has prepared and filed and other applicable information relating to the payment of the Taxes; provided, however, that Customer will not be required to provide EDS with any information regarding Customer's state or federal income taxes. Notwithstanding the foregoing, Customer will not be deemed to be in breach of this Section

1.5 of this Schedule 4.1, if it is contesting in good faith the

imposition of any unpaid Taxes in appropriate administrative or litigation proceedings. In addition, EDS will furnish Customer all information in EDS' possession reasonably necessary for Customer to file its Tax Returns. Such information will be in a format agreed upon by Customer and EDS.

1.7 Notice of Volume Changes.

Customer acknowledges and agrees that the resources of EDS are limited. Customer agrees to provide estimates and forecasts, from time to time, to EDS in order to enable EDS to have adequate facilities to handle the volume of Messages anticipated by Customer without having an excessive amount of under-utilized capacity. If Customer anticipates, after achieving a monthly volume of 5,000,000 Messages, that any additional increase in Customer's volume of Messages in any six month period will exceed 100% of the volume of Messages in the immediately preceding six month period, then Customer will give EDS written notice of such anticipated increase at least 120 days prior to the need for such increased level of utilization. If Customer does not give EDS such written notice, EDS will have 120 days to increase its resources to handle the increased load, during which period EDS will have no liability for failure to meet the Performance Standards set forth in Section 1.2 of Schedule 2.2, and any failure by EDS to meet the

Performance Standards set forth in Section 1.2 of Schedule 2.2 will not

be considered a default under this Agreement or grounds for termination of this Agreement.

NOTICES

Any notice referred to in Section 10.6 will be addressed to the appropriate

parties specified below:

(a) If to EDS, to it at:

Electronic Data Systems Corporation
5400 Legacy Drive
Mailstop H1-5C-35
Plano, Texas 75024
Attention: Communications Industry Group

with a copy to:

Electronic Data Systems Corporation
5400 Legacy Drive
Mailstop H3-3A-05
Plano, Texas 75024
Attention: General Counsel

(b) If to Customer, to it at:

Global Telecommunications, Inc.
8180 Greensboro Drive, Suite 1100
McLean, Virginia 22102
Attention: K. Paul Singh, CEO
Telecopy: 703/848-4641

AFFILIATE
RATIFICATION AND ACCEPTANCE AGREEMENT

THIS AFFILIATE RATIFICATION AND ACCEPTANCE AGREEMENT, dated as of _____, 19__ ("Ratification Agreement"), is between _____, a _____ corporation/partnership ("Affiliate"), and Electronic Data Systems Corporation, a Texas corporation ("EDS"). All terms used but not defined herein will have the meanings set forth in the Agreement referred to below.

WHEREAS, _____ ("Customer") and EDS have entered into an Agreement for Billing and Related Services, dated as of _____, 19__ (the "Agreement"), relating to the provision by EDS of certain billing and related services to Customer upon the terms and subject to the conditions set forth in the Agreement, and the Affiliate desires to obtain billing and related services under the Agreement upon such same terms and conditions;

NOW, THEREFORE, in consideration of the premises, and in order to induce EDS to provide certain billing and related services to the Affiliate pursuant to the Agreement, the Affiliate hereby agrees and represents and warrants to EDS as follows:

1. The Affiliate, by executing and delivering this Ratification Agreement, agrees to be bound by and subject to the terms and provisions of the Agreement with the same effect as if the Affiliate were an original party thereto and appoints Customer as the Affiliate's duly authorized and designated agent. The Affiliate acknowledges that Customer has and at all times during the term of the Agreement will have the authority (which is coupled with an interest and is irrevocable) to act for and on behalf of the Affiliate with respect to all matters relating to the Agreement and this Ratification Agreement, including without limitation, with regard to the giving or withholding of any agreement, approval, acceptance, consent, notice or other action required or permitted by the Agreement and this Ratification Agreement, the making of all payments to EDS, and the waiver, amendment or modification of any provision of the Agreement.

2. This Ratification Agreement will be construed in accordance with, and the rights of the parties will be governed by, the substantive laws of the State of Texas, without giving effect to any choice-of-law rules that might require the application of the laws of another jurisdiction.

IN WITNESS WHEREOF, the Affiliate has duly executed and delivered this Ratification Agreement as of the date first set forth above.

[INSERT NAME OF THE AFFILIATE]

By: _____
Name: _____
Title: _____

ACCEPTED AND AGREED:

ELECTRONIC DATA SYSTEMS CORPORATION

By: _____
Name: _____
Title: _____

FORM OF
START OF PROCESSING DATE NOTICE

This START OF PROCESSING DATE NOTICE serves to notify GLOBAL TELECOMMUNICATIONS, INC. that ELECTRONIC DATA SYSTEMS CORPORATION ("EDS") has commenced providing billing and related services as of _____, 19__ (the "Start of Processing Date"), pursuant to that certain Agreement for Billing and Related Services, dated as of 1995, between Global Telecommunications, Inc. and EDS.

ELECTRONIC DATA SYSTEMS
CORPORATION

By: _____
Name: _____
Title: _____

BILL FORMAT

SECTION 1 - BILL PAGE SIZE:

Page Measure 8 1/2" x 11" (single side or duplex).

SECTION 2 - LOGO:

Color logo on preprinted white stock.

SECTION 3 - SPECIFICATIONS FOR BILL INSERTS:

3.1 Size. 8 1/2" x 11"

3.2 Thickness of Media.

1/250" (0.01mm) to 3/16" (4.76mm) The total thickness of the bill, insert and return envelope must not exceed 7/32" (5.6mm) in order to properly insert mechanically into the mailing envelope.

SECTION 4 - SAMPLE BILL PAGES: See attached additional pages.

LIST OF BILLING REPORTS

[TO BE INSERTED]

EDS Bills

	Cost/Unit

Mail Stuffing - Large Envelopes	0.30
Mail Stuffing - boxes	5.00
Implementation Fee	
EDS Data Center PC usage	100
Postage (cost + 5%)	
Delivery (cost + 10%)	
Pass Through Travel	
Monthly Image Charges	0.0410
Minimum Message Req. & Charge	0.0069
Bill Stock (cost + 10%)	
Total	
Less: Nonrecurring Costs	
Total Processing Charges	
Bills Printed	
Cost per Bill	

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of June 1, 1994 by and between K. Paul Singh, a resident of Alexandria, Virginia (the "Executive"), and Global Telecommunications, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company").

WITNESSETH:

WHEREAS, the Executive is currently the Chairman of the Board, President and Chief Executive Officer of the Company; and

WHEREAS, the Board of Directors of the Company desires assurance that the Executive will continue as its leader for at least the next five years; and

WHEREAS, the Executive is willing to commit to undertake his responsibilities as Chairman of the Board, President and Chief Executive Officer of the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and intending to be legally bound, the parties, subject to the terms and conditions set forth herein, hereby agree as follows:

1. Employment and Term. The Company hereby employs the Executive, and the

Executive hereby accepts employment with the Company, for the period commencing on the date hereof and continuing until May 30, 1999 and from year to year thereafter,

unless terminated by either party by written notice of termination given to the other party. Termination by the Company of the employment of Executive hereunder shall be effective (a) 90 days after the date such notice is given if such termination is pursuant to paragraphs 5 or 6 below, or (b) immediately upon the date such notice is given if such termination is pursuant to paragraph 7 below.

2. Responsibilities. During the term of his employment, the Executive

shall devote his full time, attention, loyalty, skill and efforts to the performance of his responsibilities to the Company as Chairman of the Board, President and Chief Executive Officer, or if another person should be appointed President by the Board of Directors, as Chairman of the Board and Chief Executive Officer. Executive shall also be a member of the Compensation Committee of the Board of Directors. The Company will not during the terms of this Agreement demote the Executive or reduce his responsibility as the CEO, or otherwise reduce his stature in the Company.

3. Compensation. The Company shall pay or provide to the Executive, and

the Executive shall accept, the following as full compensation for all services rendered hereunder. All compensation shall be subject to all applicable withholding and similar requirements.

(A) Base Salary. The Company shall pay to the Executive a base salary

(the "Base Salary") at the annual rate of

\$185,000. The Base Salary shall be reviewed on an annual basis and may be increased from time to time at the discretion of the Board of Directors. It is understood and agreed that Executive has and will defer payment of Base Salary until April 1, 1995, at which time Executive will be entitled to received Base Salary since June 1, 1994.

(B) Bonus or Incentive Compensation. Executive will participate in

any bonus or incentive compensation plan (including stock option and stock bonus plans) approved by the Board of Directors for senior management of the Company.

(C) Benefits. The Company shall provide to the Executive, without any

payment or contribution by the Executive or members of his family, throughout his employment by the Company the following benefits:

a. Life Insurance. The policy in the amount of three times the

Base Salary insuring the life of the Executive currently owned by the Company, the death benefits of which are payable to the beneficiaries designated by the Executive.

b. Disability Insurance. Disability Insurance providing the

Executive with monthly payments during the period of his disability (after termination of his employment) in an amount equal to 1/12th of his then applicable annual Base Salary immediately prior to his disability. If the disability insurance policy should begin payment while the Executive is still being compensated by the Company under the terms of this Agreement, the

Executive will reimburse the Company for all portions of such payments which cause his total compensation to exceed the amounts otherwise payable to the Executive under the terms of this Agreement.

c. Medical. Medical insurance protection for the Executive and

his family at least as favorable to the Executive and his family as the protection and plan being made available to them on the date of this Agreement. In addition, if not covered by insurance, the Company shall provide the Executive with an annual health checkup.

d. Professional Services Allowance. The Company will pay up to

\$2,500 per year for Executive's tax planning and preparation and/or other financial planning services used by the Executive.

e. Other. Such other benefits, not duplicative of the

foregoing, which the Board of Directors may now or in the future make available to its senior Executives.

4. Support and Expenses. The Company shall provide the Executive with an

office, staff and other support appropriate for the Chief Executive Officer of an organization of the stature of the Company, and the Company shall pay or reimburse the Executive for all reasonable travel and other expenses incurred by him in connection with the performance of his services under this Agreement upon presentation of expense statements or vouchers and such other supporting information as the Company may from time to time reasonably request.

5. Termination by Company After May 30, 1999. If the Company shall

terminate the employment of Executive after May 30, 1999, for a reason other than "disability" or "cause," as defined in Section 7 hereof, the Company shall continue to pay the Executive all of his compensation set forth in Section 3 hereof through the effective date of termination. Thereafter the Company shall pay to the Executive any compensation and other benefits which were vested as of the effective date of termination but payable at a later date. In addition to all of the foregoing, the Company shall pay to the Executive on the first business day of the month following the effective date of termination severance pay (herein called "Severance Pay") in a lump sum equal to 1/12th of his then applicable annual Base Salary.

6. Termination by Company Prior to June 1, 1999. If the Company shall

terminate the employment of Executive prior to June 1, 1999, for a reason other than "disability" or "cause" as defined in Section 7 hereof, or if the Executive shall terminate his employment after the Company has committed a material breach of this Agreement, then the Company shall pay to the Executive as they become due, amounts otherwise payable to the Executive if he had remained in the employment of the Company until June 1, 1999. In addition, the Company shall (i) forthwith pay Severance Pay computed in accordance with Section 5 hereof, (ii) thereafter pay all amounts of compensation and benefits which were vested on the date of termination but not payable until a later date, including

amounts payable under Section 3B hereof, and (iii) comply with Section 9 hereof.

7. Termination for Disability of Cause. The Company may terminate the

Executive's employment due to "disability" if the Board of Directors shall determine in good faith, that, by reason of physical or mental illness or other condition continuing for more than one hundred and twenty (120) consecutive days or for shorter periods aggregating more than one hundred and twenty (120) days in any period of twelve (12) months (excluding in each case days on which on the Executive was on vacation), the Executive has been substantially unable to render services of the character contemplated by this Agreement. The Company may terminate the Executive's employment for "cause" if the Board of Directors shall determine in good faith that there shall have been a willful breach by the Executive in a material manner of his duty of loyalty to the Company. If the Company shall terminate the employment of Executive for disability or for cause at any time, the Company shall have no further obligation hereunder except for payment of Base Salary for services previously rendered, payment or provision of other compensation or benefits previously vested, and the duty set forth in Section 9 hereof.

8. Voluntary Termination. If prior to breach of this Agreement by the

Company, the Executive shall resign as an employee during the term of his employment, the Company shall

have no further obligation hereunder except for payment of Base Salary for services previously rendered, payment or provision of other compensation or benefits previously vested, and the duty set forth in Section 9 hereof.

9. Insurance after Termination. If the Company's group life, health and

disability insurance plans do not continue to protect the Executive after termination of employment, the Company will use its best efforts upon termination of the Executive's employment for any reason other than death to arrange for transfer from a Company plan to the Executive (to be carried thereafter at his own expense) any life, health and disability insurance protection which may be so transferred.

10. Loans. Executive has loaned the Company \$300,000 (Three-hundred

thousand dollars). It is agreed that the Company shall repay the loan, plus interest, out of operating revenues of the Company. Interest shall be calculated at the rate in effect from time to time designated by The Chase Manhattan Bank, N.A., as its prime rate.

11. Covenant Not to Compete. The Executive covenants and agrees that, from

the date hereof and until (i) six months following resignation by the Executive pursuant to Section 8 hereof, or (ii) in the case of any other termination of Executive's employment, six months following the date upon which the final payment of amounts payable to the Executive by the Company by reason of such termination becomes due, he shall not,

either directly or indirectly, (a) engage in or conduct any business competitive with the Company's business, whether individually or as an employee, agent, officer, director, owner, consultant or otherwise, without the prior written consent of the Board of Directors of the Company, or (b) induce or attempt to induce any existing or future employee or consultant of the Company or any of its Affiliates to leave such employment.

12. Litigation. If litigation shall be brought by either party to enforce

or interpret any provision contained herein and such party (the "prevailing party") shall prevail on any issue contested in such litigation either through settlement or judgment in favor of the prevailing party, the other party shall reimburse the prevailing party for reasonable attorneys' fees and disbursements incurred by the prevailing party in such litigation, and shall pay prejudgment interest on any money judgment obtained by the prevailing party calculated at the rate in effect from time to time designated by The Chase Manhattan Bank, N.A., as its prime rate from the date of the breach by such other party under this Agreement.

13. Entire Agreement; Amendments. This Agreement contains the entire

agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior discussions, agreements and understandings of every nature between them. This Agreement may not be changed or modified, except by an agreement in writing signed by all of the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day of year first above written.

K. Paul Singh

ATTEST:

GLOBAL TELECOMMUNICATIONS, INC.

Secretary

By: _____

GLOBAL TELECOMMUNICATIONS, INC.
STOCK OPTION PLAN

Section 1. Purposes.

The purposes of the Plan are (a) to recognize and compensate selected employees of the company and its Subsidiaries who contribute to the development and success of the Company and its Subsidiaries; (b) to maintain the competitive position of the Company and its Subsidiaries by attracting and retaining employees; and (c) to provide incentive compensation to such employees based upon the Company's performance as measured by the appreciation in Common Stock. The Options granted pursuant to the Plan are intended to constitute either incentive stock options within the meaning of Section 422 of the Code, or non-qualified stock options, as determined by the Board or the Committee at the time of grant. The type of options granted will be specified in the Option Agreement between the Company and the recipient of the Options. The terms of this Plan shall be incorporated in the Option Agreement to be executed by the Optionee.

Section 2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "Change of Control" shall mean the occurrence of any of the following events:

(i) the acquisition in one or more transactions by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of "Beneficial Ownership" (as the term beneficial ownership is used for purposes of Rule 13d-3 promulgated under the 1934 Act) of fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities"), provided that for purposes of this Section 2(b)(i), the Voting Securities acquired directly from the Company by any Person shall be excluded from the determination of such Person's Beneficial Ownership of Voting Securities (but such Voting Securities shall be included in the calculation of the total number of Voting Securities then outstanding); or

(ii) Approval by shareholders of the Company of (A) a merger, reorganization or consolidation involving the Company if the shareholders of the company immediately before such merger, reorganization or consolidation do not or will not own directly or indirectly immediately following such merger, reorganization or consolidation, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such merger, reorganization or consolidation in substantially the same

proportion as their ownership of the Voting Securities immediately before such merger, reorganization or consolidation, or (B) (1) a complete liquidation or dissolution of the Company or (2) an agreement for the sale or other disposition of all or substantially all of the assets of the Company; or

(iii) Acceptance by shareholders of the Company of shares in a share exchange if the shareholders of the Company immediately before such share exchange do not or will not own directly or indirectly immediately following such share exchange more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such share exchange in substantially the same proportion as the ownership of the voting Securities outstanding immediately before such share exchange.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Committee" shall mean the Committee appointed by the Board in accordance with Section 4(a) of the Plan, if one is appointed, in which event, in connection with this Plan, the Committee shall possess all of the power and authority of, and shall be authorized to take any and all actions required to be taken hereunder by, and make any and all determinations required to be made hereunder by, the Board.

(e) "Company" shall mean Global Telecommunications, Inc. a Delaware corporation.

(f) "Common Stock" shall mean common stock of the Company, \$.01 par value per share.

(g) "Disability" or "Disabled" shall mean the inability of a Participant or Optionee, as the case may be, to perform his or her normal employment duties for the Company resulting from a mental or physical illness, impairment or any other similar occurrence which can be expected to result in death or which has lasted or can be expected to last for a period of twelve (12) consecutive months, as determined by the Board of Directors.

(h) "Employee" shall mean any person (including officers) employed by the Company or any Subsidiary. A director of the Company or any Subsidiary shall not be considered to be employed by the Company or any Subsidiary for purposes of this Plan solely by reason of serving as such director or receiving compensation from the Company or any Subsidiary for serving as such director.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as in effect from time to time.

(j) "Fair Market Value,, shall mean the fair market value of a share of Common Stock, as determined pursuant to Section 7 hereof.

(k) "Option" shall mean an incentive stock option or non-qualified stock option to purchase common Stock that is granted pursuant to the Plan.

(l) "Option Agreement" shall mean a written agreement in such form or forms as the Board (subject to the terms and conditions of this Plan) may from time to time approve evidencing and reflecting the terms of an Option.

(m) "Optionee" shall mean a Participant to whom an option is granted.

(n) "Participant" shall mean each Employee.

(o) "Plan" shall mean this Stock Option Plan, as amended from time to time.

(p) "Proprietary Information" shall mean any and all confidential, proprietary, business and technical information or trade secrets of the company or of any Subsidiary or affiliate of the Company revealed, obtained or developed in the course of Optionee's employment with the Company or in the course of optionee's performance of services for the Company in any other capacity. Such Proprietary Information shall include but shall not be limited to, methods of production and manufacture, research, marketing and development plans and efforts, cost information, pricing information, marketing methods and plans, identities of customers and suppliers, the Company's relationship with actual or potential customers and the needs and requirements of any such actual or potential customers, and any other confidential information relating to the business of the Company. Proprietary Information shall not include (i) such information as may be necessary or appropriate for an Optionee to disclose in the course of his employment for the effective and efficient discharge of his duties as an employee of the Company or as may be required by law to be disclosed; and (ii) such information as is readily available to the general public so long as such information did not become available to the general public as a direct or indirect result of optionee's breach of his obligation to maintain confidentiality.

(q) "Securities Act" shall mean the Securities Act of 1933, as in effect from time to time.

(r) "Shares" shall mean shares of Common Stock.

(s) "Stock Purchase Agreement" shall mean an agreement in such form as the Board may from time to time approve, which an

Optionee may be required to execute as a condition of purchasing Shares upon exercise of an option.

(t) "Subsidiary" shall mean a subsidiary corporation of the Company, whether now or hereafter existing, as defined in Sections 424(f) and (g) of the Code.

Section 3. Participation.

The Board may grant options at any time and from time to time to Participants who shall be selected by the Board. Options may be granted only to Participants. Any grant of Options may include or exclude any Participant, as the Board shall determine in its sole discretion. A Participant who has been granted an option, if he or she is otherwise eligible, may be granted additional Options.

Section 4. Administration.

(a) Procedure. The Plan shall be administered by the Board or a

Committee consisting of not less than two persons appointed by the Board. Members of the Board or the committee who are eligible for options or have been granted Options, may vote on any matters affecting the administration of the Plan or the grant of any Options pursuant to the Plan, except that no such member shall act upon the granting of an option to himself or herself, but any such member may be counted in determining the existence of a quorum at any meeting of the Board or Committee during which action is taken with respect to the granting of Options to himself or herself.

If a Committee is appointed by the Board, the Committee shall have the power to administer the Plan on behalf of the Board, subject to such terms and conditions as the Board may prescribe. Members of the Committee shall serve for such period of time as the Board may determine. From time to time the Board may increase the size of the Committee and appoint additional members thereto, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

(b) Powers of the Board and the Committee. Subject to the provisions

of the Plan, the Board or its Committee shall have the authority, in its discretion: (i) to grant Options; (ii) to determine the Fair Market Value per Share in accordance with Section 7 of the Plan; (iii) to determine the exercise price of the Options to be granted in accordance with Sections 6 and 7 of the Plan; (iv) to determine the Participants to whom, and the time or times at which, Options shall be granted, and the number of Shares to be subject to each option, (v) to prescribe, amend and rescind rules and regulations relating to the Plan; (vi) to

determine the terms and provisions of each Option granted under the Plan, each Option Agreement and each Stock Purchase Agreement (which need not be identical with the terms of other Options, Option Agreements and Stock Purchase Agreements), (vii) to modify or amend any Option, Option Agreement or Stock Purchase Agreement, including, without limitation, to accelerate the exercise date of any option or to change the termination date of any option, (viii) to determine whether any Participant will be required to execute a Stock Purchase Agreement or other agreement as a condition to the exercise of an Option, and to determine the terms and provisions of any such agreement (which need not be identical with the terms of any other such agreement) and, with the consent of the Optionee, to amend any such agreement,, (ix) to interpret the Plan or any agreement entered into with respect to the grant or exercise of Options; (x) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an option previously granted by the Board or to take such other actions as may be necessary or appropriate with respect to the Company's rights pursuant to Options or agreements relating to the grant or exercise thereof; and (xii) to make such other determinations and establish such other procedures as it deems necessary or advisable for the administration of the Plan.

(c) Effect of the Board's or Committee's Decision. All decisions,

determinations and interpretations of the Board or the Committee shall be final and binding on all Optionee's and any other holders of any Options granted under the Plan.

(d) Limitation of Liability. Notwithstanding anything herein to the

contrary, no member of the Board or of the Committee shall be liable for any good faith determination, act or failure to act in connection with the Plan or any Option granted hereunder.

Section 5. Stock Subject to the Plan.

Subject to this Section 5 and to the provisions of Section 8 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is two-hundred and fifty thousand (250,000). Options may be either incentive stock options or non-qualified stock options, as determined by the Board. If an option expires or becomes unexercisable for any reason without having been exercised in full, the Shares subject to such option shall, unless the Plan shall have been terminated, return to the Plan and become available for future grant under the Plan.

Section 6. Terms and Conditions of Options.

Each Option granted pursuant to the Plan shall be authorized by the Board and shall be evidenced by an option

Agreement. Each Option Agreement shall incorporate by reference all other terms and conditions of the Plan, and shall contain the following terms and conditions:

(a) Number of Shares. The number of shares

subject to the option.

(b) Option Price. The price per share payable on the exercise of any

Option shall be stated in the option Agreement and shall be no less than the Fair Market Value per share of the Common Stock on the date such option is granted, without regard to any restriction other than a restriction which will never lapse. Notwithstanding the foregoing, if an option which is an incentive stock option shall be granted under this Plan to any person who, at the time of the grant of such option, owns capital stock possessing more than 10% of the total combined voting power of all classes of the Company's capital stock, the price per share payable upon exercise of such incentive stock Option shall be no less than 110 percent (110%) of the Fair Market Value per share of the Common Stock on the date such option is granted.

(c) Consideration. The consideration to be paid for the Shares to be

issued upon exercise of an option, including the method of payment, shall be determined by the Board and may consist entirely of cash, check, promissory notes or Shares having a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said option shall be exercised, or any combination of such methods of payment, or such other consideration and method of payment permitted under any laws to which the Company is subject which is approved by the Board. In making its determination as to the type of consideration to accept, the Board shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(i) If the consideration for the exercise of an option is a promissory note, it may, in the discretion of the Board, be either full recourse or nonrecourse and shall bear interest at a per annum rate which is not less than the applicable federal rate determined in accordance with Section 1274(d) of the Code as of the date of exercise. In such an instance, the Company may, in its sole discretion, retain the Shares purchased upon exercise of the option in escrow as security for payment of the promissory note.

(ii) If the consideration for the exercise of an Option is the surrender of previously acquired and owned Shares, the Optionee will be required to make representations and warranties satisfactory to the Company regarding his title to the shares used to affect the purchase (the "Payment Shares"), including without limitation, representations and warranties that the Optionee has good and marketable title to such Payment Shares

free and clear of any and all liens, encumbrances, charges, equities, claims, security interests, options or restrictions, and has full power to deliver such Payment Shares without obtaining the consent or approval of any person or governmental authority other than those which have already given consent or approval in a manner satisfactory to the Company. The value of the Payment Shares shall be the Fair Market Value of such Payment Shares on the date of exercise as determined by the Board in its sole discretion, exercised in good faith. If such Payment Shares were acquired upon previous exercise of incentive stock options granted within two years prior to the exercise of the Option or acquired by the Optionee within one year prior to the exercise of the option, such Optionee shall be required, as a condition to using the Payment shares in payment of the exercise price of the Option, to acknowledge the tax consequences of doing so, in that such previously exercised incentive stock options may have, by such action, lost their status as incentive stock options, and the Optionee may have to recognize ordinary income for tax purposes as a result.

(d) Form of Option. The Option Agreement will state whether the

Option granted is an incentive stock option or a non-qualified stock option, and will constitute a binding determination as to the form of option granted.

(e) Exercise of Options. Any option granted hereunder shall be

exercisable at such times and under such conditions as shall be set forth in the Option Agreement (as may be determined by the Board and as shall be permissible under the terms of the Plan), which may include performance criteria with respect to the company and/or the Options, and as shall be permissible under the terms of the Plan.

An Option may be exercised in accordance with the provisions of this Plan as to all or any portion of the Shares then exercisable under an Option from time to time during the term of the Option. An Option may not be exercised for a fraction of a share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company at its principal executive office in accordance with the terms of the Option Agreement by the person entitled to exercise the option and full payment for the shares with respect to which the option is exercised has been received by the Company, accompanied by any agreements required by the terms of the Plan and/or option Agreement, including an executed Stock Purchase Agreement. Full payment may consist of such consideration and method of payment allowable under Section 6 of the Plan. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Option is exercised, except as provided in section a of the Plan.

As soon as practicable after any proper exercise of an Option in accordance with the provisions of the Plan, the Company shall, without transfer or issue tax to the Optionee, deliver to the Optionee at the principal executive office of the Company or such other place as shall be mutually agreed upon between the Company and the optionee, a certificate or certificates representing the Shares for which the Option shall have been exercised. The time of issuance and delivery of the certificates representing the Shares for which the option shall have been exercised may be postponed by the Company for such period as may be required by the Company, with reasonable diligence, to comply with any applicable listing requirements of any national or regional securities exchange or any law or regulation applicable to the issuance or delivery of such shares.

Exercise of an option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(f) Terms and Vesting of Options.

(i) Notwithstanding any other provision of this Plan, no Option shall be (A) granted under this Plan after ten (10) years from the date on which this Plan is adopted by the Board, or (B) exercisable more than ten (10) years from the date of grant.

(ii) No Option granted to any Options shall be treated as an incentive stock option, to the extent such option would cause the aggregate Fair Market Value (determined as of the date of grant of each such option) of the Shares with respect to which incentive stock options are exercisable by such optionee for the first time during any calendar year to exceed \$100,000. For purposes of determining whether an incentive stock Option would cause the aggregate Fair Market Value of the stock to exceed the \$100,000 limitation, such incentive stock options shall be taken into account in the order granted. For purposes of this subsection, incentive stock Options include all incentive stock options under all plans of the Company that are incentive stock option plans within the meaning of Section 422 of the Code.

Except as provided in Section 6(g)(iv), options granted hereunder shall mature and become exercisable in whole or in part, in accordance with such vesting schedule as the Board shall determine, which schedule shall be stated in the option Agreement. Options may be exercised in any order elected by the optionee whether or not the optionee holds any unexercised Options under this Plan or any other plan of the Company.

(g) Termination of Options.

(i) Unless sooner terminated as provided in this Plan, each Option shall be exercisable for the period of time as shall be determined by the Board and set forth in the Option Agreement, and shall be void and unexercisable thereafter.

(ii) Except as otherwise provided herein or in the Option Agreement, upon the termination of the Optionee's employment with the Company for any reason, Options exercisable on the date of termination of employment shall be exercisable by the optionee (or in the case of the Optionee's death subsequent to termination of employment, by the Optionee's executors or administrators) for a period of three (3) months from the date of the Optionee's termination of employment.

(iii) Except as otherwise provided herein or in the Option Agreement, upon the Disability or death of an Optionee while in the employ of the Company, Options held by such Optionees which are exercisable on the date of Disability or death shall be exercisable for a period of twelve (12) months commencing on the date of the optionee's Disability or death, by the optionee or his legal guardian or, in the case of death, by his executors) or administrators); provided, however, that if such disabled Optionee shall commence any employment during such one (1) year period with a competitor of the Company (including, but not limited to, full or part-time employment or independent consulting work), as determined solely in the judgment of the Board, all options held by such optionee which have not yet been exercised shall terminate immediately upon the commencement thereof.

(iv) options may be terminated at any time by agreement between the Company and the optionee.

(h) Forfeiture. Notwithstanding any other provision of this Plan, if

the Optionee's employment is terminated by the Company and the Board makes a determination that the Optionee (i) has engaged in any type of disloyalty to the Company, including without limitation, fraud, embezzlement, theft, or dishonesty in the course of his employment, or (ii) has been convicted of a felony or (iii) has disclosed any Proprietary Information without the consent of the Company or (iv) has breached the terms of any written confidentiality agreement or any non-competition agreement with the Company in any material respect, all unexercised options held by such Optionee shall terminate upon the earlier of the date of termination of employment for "cause" or the date of such a finding.

Section 7. Determination of Fair Market Value of Common Stock.

(a) Except to the extent otherwise provided in this Section 7, the Fair Market Value of a share of Common Stock shall be determined by the Board in its sole discretion.

(b) In the event that Shares are traded in the over-the-counter market, the Fair Market Value of a share of Common Stock shall be the mean of the bid and asked prices for a share of Common Stock on the relevant valuation date as reported in The Wall Street Journal (or, if not so reported, as otherwise reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ")), as applicable or, if there is no trading on such date, on the next preceding trading date. In the event Shares are listed on a national or regional securities exchange or traded in the NASDAQ National market System, the Fair Market Value of a share of Common Stock shall be the closing price of a share of Common Stock on the exchange or on NASDAQ/NMS, as reported in The Wall Street Journal on the relevant valuation date, or if there is no trading on that date, on the next preceding trading date.

(c) "Adjusted Fair Market Value" shall mean in the event of a Change of Control, the greater of (A) the highest price per share of Common Stock paid or payable to holders of the Common stock in any transaction (or series of transactions) constituting or resulting (or as to which approval by shareholders of the company constitute or results) in the Change of Control or (B) the highest Fair market Value of a share of Common Stock on any business day during the ninety (90) day period ending on the date of the Change of Control.

Section 8. Adjustments.

(a) Subject to required action by the shareholders, if any, the number of shares of Common Stock as to which Options may be granted under this Plan and the number of shares subject to outstanding Options and the option prices thereof shall be adjusted proportionately for any increase or decrease in the number of outstanding shares of Common Stock of the Company resulting from stock splits, reverse stock splits, stock dividends, reclassifications and recapitalizations.

(b) No fractional shares of Common Stock shall be issuable on account of any action mentioned in paragraph 8(a) above, and the aggregate number of shares into which Shares then covered by the Option, when changed as the result of such action, shall be reduced to the number of whole shares resulting from such action, unless the Board, in its sole discretion, shall determine to issue scrip certificates with respect to any fractional shares which scrip certificates, in such event, shall

be in a form and have such terms and conditions as the Board in its discretion shall prescribe.

Section 9. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder of the Company and shall have neither the right to vote nor receive dividends with respect to any Shares subject to an Option until such Option has been exercised.

Section 10. Time of Granting Options.

The date of grant of an Option shall, for all purposes, be the date on which the Board authorizes the granting of such Option. Notice of the grant shall be given to each Participant to whom an option is so granted within a reasonable time after the date of such grant.

Section 11. Modification, Extension and Renewal of Option.

Subject to the terms and conditions of the Plan, the Board may modify, extend or renew an option, or accept the surrender of an option (to the extent not theretofore exercised). Notwithstanding the foregoing, (a) no modification of an Option which adversely affects an Optionee shall be made without the consent of such Optionee, and (b) no incentive stock Option may be modified, extended or renewed if such action would cause it to cease to be an "incentive stock option" under the Code, unless the optionee specifically acknowledges and consents to the tax consequences of such action.

Section 12. Conditions to Issuance of Shares Upon Exercise.

(a) The obligation of the Company to issue and sell Shares to an Optionee upon the exercise of an Option granted under the Plan is conditioned upon (i) the company obtaining any required permit or order from appropriate governmental agencies, authorizing the company to issue and sell such Shares, and (ii) such issuance and sale complying with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed.

(b) At the option of the Board, the obligation of the Company to issue and sell Shares to an optionee upon the exercise of an Option granted under the Plan may be conditioned upon obtaining appropriate representations, warranties and agreements of the Optionee set forth in the Stock Purchase Agreement. Among other representations, warranties, restrictions and agreements,

the Optionee may be required to represent and agree that the purchase of Shares of Common Stock under the Option Agreement shall be for investment, and not with a view to the public resale or distribution thereof, unless the Shares subject to the Option are registered under the Securities Act and the issuance and sale of the Shares complies with all other laws, rules and regulations applicable thereto. Unless the issuance of such Shares is registered under the Securities Act, the Optionee shall acknowledge that the Shares purchased on exercise of the Option are not registered under the Securities Act and may not be sold or otherwise transferred unless such shares have been registered under the Securities Act in connection with the sale or other transfer, or counsel satisfactory to the Company has issued an opinion satisfactory to the Company that the sale or other transfer is exempt from registration under the Securities Act, and unless said sale or other transfer is in compliance with any other applicable laws, rules and regulations including all applicable federal and state securities laws, rules and regulations. Unless the shares subject to an Option are registered under the securities Act, the certificates representing all Shares issued upon exercise of such Option shall contain the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY APPLICABLE STATE SECURITIES LAWS. THESE SHARES HAVE NOT BEEN ACQUIRED WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, ASSIGNED, EXCHANGED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR DISPOSED OF, BY GIFT OR OTHERWISE, OR IN ANY WAY ENCUMBERED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH S S UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS, OR A SATISFACTORY OPINION OF COUNSEL SATISFACTORY TO GLOBAL TELECOMMUNICATIONS, INC. THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND UNDER APPLICABLE STATE SECURITIES LAWS.

Section 13. Transferability.

No Option shall be assignable or transferable otherwise than by will or by the laws of descent and distribution. During the lifetime of the optionee, the optionee's options shall be exercisable only by such Optionee, or in the event of his or her legal incapacity, then-by the Optionees's legal representative.

Section 14. Other Provisions.

The Option Agreement and Stock Purchase Agreement may contain such other provisions as the Board of Directors in its discretion deems advisable and which are not inconsistent with the provisions of this Plan.

Section 15. Change of Control.

(a) For purposes of the Plan, "Option cancellation Date" shall mean, as to each Option, the later of: (i) the first business day after the expiration of a period of six (6) months from the date of grant of the option, - (ii) in the event of a Change of Control as defined in Section 2(b)(ii)(A) or 2(b)(ii)(B)(2) , the date on which the transaction approved by shareholders of the Company (as provided in Section 2(b)(ii)) is consummated; and (iii) in the event of a Change of Control as defined in Section 2(b)(i) or 2(b)(iii) , the first business day after the expiration of a period of sixty (60) days after the occurrence of such event.

(b) upon a Change of Control, all options (whenever granted) outstanding on the date of such Change of control shall be or become immediately and fully exercisable.

(c) In the event of a Change of Control as defined in Section 2(b)(i), 2(b)(ii)(A), 2(b)(ii)(B)(2) or 2(b)(iii), all Options (whenever granted) outstanding on the option Cancellation Date which are not exercised on or before the option Cancellation Date shall be canceled on such date by the company, and the Company shall on such date pay to each holder of each such canceled Option a cash amount equal to the excess, if any, in respect of each Option canceled, of (i) the greater of (A) the Fair Market Value of the shares of Common Stock subject to the Option on the business day immediately preceding the option Cancellation Date or (B) the Adjusted Fair Market Value of the Common Stock subject to the option over (ii) the aggregate purchase price which would have been payable for such shares of Common Stock pursuant to the option had the option not been canceled.

Section 16. Amendment of the Plan.

Insofar as permitted by law and the Plan, the Board may from time to time suspend, terminate or discontinue the Plan or revise or amend it in any respect whatsoever with respect to any Shares at the time not subject to an option; provided, however, that without approval of the shareholders, no such revision or amendment may change the aggregate number of Shares for which Options may be granted hereunder, change the designation of the class of persons eligible to receive Options or decrease the price at which options may be granted.

Any other provision of this Section 16 notwithstanding, the Board specifically is authorized to adopt any amendment to this Plan deemed by the Board to be necessary or advisable to assure that the incentive stock Options or the non-qualified stock options available under the Plan continue to be treated as such, respectively, under the law.

Section 17. Application of Funds.

The proceeds received by the company from the sale of shares pursuant to the exercise of Options shall be used for general corporate purposes or such other purpose as may be determined by the Company.

Section 18. No Obligation to Exercise Option.

The granting of an option shall impose no obligation upon the Optionee to exercise such option.

Section 19. Reservation of Shares.

The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

The Company, during the term of this Plan, shall use its best efforts to seek to obtain from appropriate regulatory agencies any requisite authorization in order to issue and sell such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the company to obtain from any such regulatory agency having jurisdiction the requisite authorizations deemed by the company's counsel to be necessary for the lawful issuance and sale of any shares hereunder, or the inability of the Company to confirm to its satisfaction that any issuance and sale of any Shares hereunder will meet applicable legal requirements, shall relieve the Company of any liability in respect to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

Section 20. Taxes, Fees, Expenses and Withholding of Taxes.

(a) The Company shall pay all original issue and transfer taxes (but not income taxes, if any) with respect to the grant of Options and/or the issue and transfer of shares pursuant to the exercise thereof, and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the company, shall be applicable thereto.

(b) The grant of options hereunder and the issuance of Shares pursuant to the exercise thereof is conditioned upon the Company's reservation of the right to withhold in accordance with any applicable law, from any compensation or other amounts payable to the optionee, any taxes required to be withheld under federal, state or local law as a result of the grant or exercise of such Option or the sale of the Shares issued upon exercise thereof. To the extent that compensation or other amounts, if any, payable to the optionee is insufficient to pay any taxes required to be so withheld, the Company may, in its sole discretion, require the Optionee, as a condition of the exercise of an Option, to pay in cash to the Company an amount sufficient to cover such tax liability or otherwise to make adequate provision for the Company's satisfaction of its withholding obligations under federal, state and local law.

Section 21. Notices.

Any notice to be given to the Company pursuant to the provisions of this Plan shall be addressed to the Company in care of its Secretary (or such other person as the Company may designate from time to time) at its principal executive office, and any notice to be given to an optionee shall be delivered personally or addressed to him or her at the address given beneath his or her signature on his or her option Agreement, or at such other address as such Participant or his or her transferee (upon the transfer of the Shares purchased upon exercise) may hereafter designate in writing to the Company. Any such notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified, and deposited, postage and registry or certification fee prepaid, in a post office or branch post office regularly maintained by the United States Postal service. It shall be the obligation of each Optionee and each transferee holding Shares purchased upon exercise of an Option to provide the Secretary of the Company, by letter mailed as provided herein, with written notice of his or her direct mailing address.

Section 22. No Enlargement of Optionee Rights.

This Plan is purely voluntary on the part of the Company, and the continuance of the Plan shall not be deemed to constitute a contract between the company and any optionee, or to be consideration for or a condition of the employment or service of any Optionee. Nothing contained in this Plan shall be deemed to give any Optionee the right to be retained in the employ or service of the Company or any Subsidiary, or to interfere with the right of the Company or any such corporation to discharge or retire any Optionee thereof at any time, subject to applicable law. No Optionee shall have any right to or interest in Options authorized hereunder prior to the grant thereof to such optionee, and upon such grant he shall have only such rights and interests

as are expressly provided herein, subject, however, to all applicable provisions of the Company's Certificate of Incorporation, as the same may be amended from time to time.

Section 23. Invalid Provisions.

In the event that any provision of this Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability shall not be construed as rendering any other provisions contained herein as invalid or unenforceable, and all such other provisions shall be given full force and effect to the same extent as though the invalid or unenforceable provision was not contained herein.

Section 24. Applicable Law.

This Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

DIRECTOR STOCK OPTION PLAN

1. PURPOSE

The purpose of this Director Stock Option Plan (the "Plan") of Global Telecommunications, Inc. (the "Company"), is to encourage ownership in the Company by outside directors of the Company whose services are considered essential to the Company's continued progress and thus to provide them with a further incentive to continue to serve as directors of the Company. The Plan is also intended to assist the Company through utilization of the incentives provided by the Plan to attract and retain experienced and qualified candidates to fill vacancies in the Board which might occur in the future.

2. ADMINISTRATION

The Plan will be administered by a committee of the Board of Directors consisting of those Directors who are not Eligible Directors as defined below (the "Committee"). Subject to the express provisions of the Plan, the Committee will have complete authority to interpret the Plan; to prescribe, amend, and rescind rules and regulations relating to it; to determine the terms and provisions of the respective option agreements (which need not be identical); and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determination on the matters referred to in this Section 2 will be conclusive.

3. PARTICIPATION IN THE PLAN

Persons who are now or shall become incumbent directors of the Company who are not at the time employees of the Company or any subsidiary of the Company (Eligible Directors") shall be eligible to participate in the Plan. A director of the Company shall not be deemed to be an employee of the Company solely by reason of the existence of a consulting contract between such director and the Company or any subsidiary thereof pursuant to, which the director agrees to provide consulting services as an independent consultant to the Company or its subsidiaries on a regular or occasional basis for a stated consideration.

4. STOCK SUBJECT TO THE PLAN

The stock subject to the Plan shall consist of 100,000 shares of Company's Common Stock, \$.01 par value ("Common Stock"). Such shares may, as the Committee shall from time to time determine, be either authorized and unissued shares of Common Stock or issued shares of Common Stock which have been reacquired by the Company. If an option shall expire or terminate for any reason without having been exercised in full, the shares represented by the portion thereof not so exercised shall (unless the Plan shall have been terminated) become available for other Options to be granted under the Plan.

5. STOCK OPTIONS

(a) Option Agreements. Each option granted under this Plan shall be evidenced by a written agreement in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the terms and conditions set forth in the Plan.

(b) Issuance of Options. On the effective date of the Plan, each director who is on that date an Eligible Director and thereafter any director who becomes an Eligible Director, either upon initial election as a director or upon a change in status from an employee of the Company to a nonemployee, shall automatically be granted under the Plan an option to purchase 15,000 shares of Common Stock. Subject to the provisions set forth elsewhere in the Plan, options granted to any Eligible Director shall become exercisable, to the extent of one third of the number of shares granted thereby (5,000 shares), on the date of grant, and cumulatively to the extent of any additional one-third, on each of the next two succeeding anniversaries, so that on the second anniversary of the date of grant, the options granted to any Eligible Director shall be fully exercisable.

(c) Option Price per Share. All options granted hereunder shall be exercisable at a price per share equal to the fair market value (as hereafter defined) of a share of Common Stock on the date of the grant. For purposes of the Plan, the term "fair market value" of a share of Common Stock shall mean, as of the date on which such fair market value is to be determined, the fair market value as determined by the Committee in such manner as it, in good faith, may deem appropriate. If the Common Stock is at the time of reference publicly traded, the fair market value shall be the closing price of a share of Common Stock as reported in the Wall Street Journal (or a publication or reporting service deemed equivalent to the Wall Street Journal for such purpose by the Committee) for the over-the-counter market or any national securities exchange and other securities market which at the time are included in the stock price quotations of such publication. If no such sale is so reported for such date, fair market value shall mean the average of the latest bid and asked prices so reported for such date. In the event that the Committee shall determine such stock price quotation is not representative of fair market value, the Committee may determine fair market value in such a manner as it shall deem appropriate under the circumstances. In no event shall the fair market value of any share of Common Stock be less than its par value.

(d) Options Nontransferable. Each option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will, or by the laws of descent and

distribution, or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act, or the rules thereunder, and shall be exercisable during the lifetime of the optionee only by him. No option or interest therein may be transferred, assigned, pledged, or hypothecated by the optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment, or similar process.

(e) Accelerated Vesting. Notwithstanding the provisions hereof specifying the installments in which options shall be exercisable, options shall become exercisable in full (i) upon the retirement of the director in accordance with any mandatory retirement policy for members of the Board, which policy may be established by the Board, (ii) upon the total and permanent disability or death of the director, or (iii) if any of the following events shall occur: (a) the Company shall execute a definitive agreement to merge or consolidate with or into another corporation and the Company shall not be the surviving corporation in the merger (or shall become a subsidiary of any other corporation party to such merger agreement, unless such transaction shall involve no significant change in beneficial ownership of the Company) and the stockholders of the Company shall have approved the terms of such agreement; (b) the Company shall enter into a definitive agreement to sell or otherwise dispose of all or substantially all of its assets and the stockholders of the Company shall have approved the terms of such agreement; or (c) any person or group shall acquire, or increase its ownership to, more than 20% of the Company's then outstanding voting stock.

(f) Expiration of Options. No option shall be exercisable after the expiration of the earlier of (i) five years from the date when such option was granted or (ii) three years following (x) the retirement or resignation of the optionee as a director of the Company, or (y) the failure of the optionee to be reelected a director of the Company, or (z) the total and permanent disability or death of the optionee.

(g) Exercise of Options. Options may be exercised only by notice to the Company, accompanied by payment of the full purchase price for the shares as to which they are exercised, as well as any federal, state, and/or local income tax withholding required in connection with the exercise. Such purchase price, together with any income tax withholding amount required, shall be paid in full upon any exercise of an option (i) by cash including a personal check payable to the order of the Company or (ii) by delivering at fair market value, valued as of the date of delivery, Common Stock already owned by the optionee, or (iii) by any combination of (i) and (ii). Shares which otherwise would be delivered to the holder of an option exercise may, at the election of the holder, be retained by the Company in payment of

any federal, state, and/or local income tax withholding due in connection with an exercise, and shall be valued at fair market value as of the date of exercise; provided, however, that the, payment of any amount of withholding tax by an optionee with shares of Common Stock (whether already owned by the optionee or retained by the Company from the number of shares otherwise deliverable to the optionee upon exercise) shall be subject to any restrictions set forth in the related option agreement.

(h) Nonstatutory Options. No option granted under the Plan shall constitute an "incentive stock option" as that term is defined in the Internal Revenue Code of 1986.

6. MODIFICATION, EXTENSION, AND RENEWAL OF OPTIONS

The Committee shall have the power to modify, extend or renew outstanding options and authorize the grant of new options in substitution therefor, provided that such power may not be exercised in a manner which would (i) alter or impair any rights or obligations under any option previously granted without the written consent of the optionee or (ii) adversely affect the qualification of the Plan or any other stock-related plan of the Company under Rule 16b-3 under the Securities Exchange Act of 1934 or any successor provision.

7. ASSIGNMENT

The rights and benefits under this Plan may not be assigned and any attempted assignment of such rights and benefits shall be null and void.

8. LIMITATION OF RIGHTS

(a) No Right to Continue as a Director. Neither the Plan, nor the granting of an option nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain a director for any period of time, or at any particular rate of compensation.

(b) No Stockholder's Rights for Optionees. An optionee or his representative shall have no rights as a stockholder with respect to the shares covered by his option until the date of the issuance to him or his representative of a stock certificate therefor, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

9. CHANGES IN PRESENT STOCK

In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split or

other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Committee in the number and kind of shares which are or may become subject to options granted or to be granted hereunder and the per share option price to be paid therefor.

10. EFFECTIVE DATE AND DURATION OF THE PLAN

Options shall be granted under the Plan, subject to its authorization and adoption by the Stockholders of the Company, at any time or from time to time after its adoption by the Board of Directors, but no option shall be exercisable under the Plan until the Plan shall have been adopted and approved at the annual meeting of stockholders of the Company next following adoption of the Plan by the Board. In the event the Plan is not so adopted by stockholders, all options which may have been granted shall be null and void. The Plan shall terminate on December 31, 2005 (unless earlier discontinued by the Board) but such termination shall not affect the rights of the holder of any option outstanding on such date of termination.

11. AMENDMENT OF THE PLAN

The Board may suspend or discontinue the Plan or revise or amend it in any respect whatever; provided, however, that without approval of the Stockholders no revision or amendment shall change the number of shares subject to the Plan (except as provided in Section 9), change the definition of the class of directors eligible to receive options, or materially increase the benefits accruing to participants under the Plan.

12. COMPLIANCE WITH LAW, ETC.

Notwithstanding any other provision of this Plan or agreements made pursuant hereto, the Company shall not be required to issue or deliver any certificate or certificates for shares of Common Stock under this Plan prior to fulfillment of all of the following conditions:

(a) Effectiveness of any registration or other qualification of such shares or the Company under any state or federal law or regulation which the Board shall, in its absolute discretion or upon the advice of counsel, deem necessary or advisable; and

(b) Grant of any other consent, approval or permit from any state or federal governmental agency or securities exchange which the Board shall, in its absolute discretion or upon the advice of counsel, deem necessary or advisable.

13. NOTICE

Any notice to the Company required by this Plan shall be in writing addressed to the Secretary of the Company at its principal office, and shall be deemed delivered only when it is received by the Secretary.

14. GOVERNING LAW

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the law of the State of Delaware, and construed accordingly.

INTERNATIONAL OPERATING AGREEMENT

This agreement concluded the 30th day of November 1995, by and between The Hondurena Telecommunications Company (hereinafter called HONDUTEL, which shall include its successors or permitted assigns) having its principal office at the Telecommunications Building, Colon Avenue, Tegucigalpa Honduras and PRIMUS TELECOMUNICACIONES, INC. (hereinafter called PRIMUS, which shall include its successors or permitted assigns) a corporation organized and existing under the laws of the State of Virginia and having its offices at 8180 Greensboro Drive 11th Floor, McLean, Virginia 22102.

PURPOSE:

Whereas, PRIMUS operates its facilities across the United States, its territories to include the territories of Puerto Rico, Virgin Islands and Guam which constitute a telecommunications system within the United States of America. Honduras operates telecommunications facilities in Honduras to provide international service within Honduras and whereas HONDUTEL and PRIMUS desire to jointly provide international telecommunications service between Honduras and the United States and points beyond; now therefore the named parties in consideration of the mutual agreement hereby agree to as follows:

1. ESTABLISHMENT OF SERVICE:

The interested parties agree to establish and continue telecommunications services between Honduras and the United

States in accordance with the following terms and conditions stated on this agreement.

2. SERVICES PROVIDED:

The long distance international telecommunications services provided are those reflected in Annex A (Services) which comprise an integral part of this agreement without prejudice for the other services which can be provided at a later date in accordance with this agreement. Each party agrees to provide the equipment and means necessary to provide in a continuous fashion the levels and quality of service universally accepted in each country. International phone service provided between HONDUTEL and PRIMUS shall be automatic and semi-automatic, the latter to include person to person, station to station, reverse charges and direct dial. Callback service between Honduras and the United States or third countries shall not be offered nor provided to its customers in the United States or Honduras. The services, subject of this agreement may be modified or broadened upon concurrence of both parties and it changes incorporated into this agreement herein.

3. NATIONAL TARIFFS

The charges that result to the customers for services are hereafter referred to as "National Tariffs" and may be stated in foreign currency, allowing each party to liberally determine

National Tariffs to be applied to each of the services detailed in Annex A (Services) of this agreement.

4. DIVISION OF REVENUE:

The division of revenue and proportional division of revenues for telephone services between Honduras and the United States will be in accordance with those described in Annex B.

5. PREPARATION AND ESTABLISHMENT OF BILLINGS:

A. MONTHLY STATEMENTS:

1. Each party shall prepare a monthly billing including, but not limited to, the number of calls by class of service, the number of minutes and the share of accounting rate credited to the other. Each party shall forward such monthly billing as soon as practicable after the calendar month to which the billing relates, but in no event later than the end of the second calendar month following the month to which the billing relates. In case of delay the parties shall notify one another. (see Annex C)

2. No credit allowance shall be made in the monthly notice for uncollectible amounts. Each party shall be responsible for its own uncollectibles. However customer credits resulting from defective service from the monthly notices submitted to the other party may be deducted, provided such deduction is made before the monthly notice involved is forwarded to the other party.

B. PAYMENTS OF STATEMENTS DUE:

1. The amount due each month as covered by monthly billing, shall be reduced to a net balance due each party, Net balances due one party to the other shall be paid by the owing party as soon as possible, but in no event later than six weeks after the monthly billing. A balance owed should not be delayed pending an adjustments to a billings.

2. Payments made to billings presented under this agreement shall be made by the parties in US dollars.

6. DELAYED PAYMENTS:

Notwithstanding the stipulations of this agreement, if there is a delay on the part of the parties of the net balance due, in accordance with paragraph 5.b., the party owed may notify the owing party in writing, ninety (90) days after the payment due date of the restriction or suspension of services stipulated in this agreement. The party being owed may terminate his obligation stated in the agreement until the balance due is paid.

7. ROUTES AND SERVICING OF FACILITIES:

a. The telecommunications services cover this agreement shall be served by;

(1) Dedicated circuits between Honduras and the United States.

(2) Circuits transiting other countries.

(3) Combination of dedicated and transiting circuits agreed upon by both parties.

b. Each party shall provide, at its own expense the telecommunication facilities located within its area of operation necessary to provide service between Honduras and the United States.

c. Each party shall provide, at its own expense, half of the international telecommunications facilities necessary to provide services between Honduras and The United States.

d. Each party shall maintain interconnectivity of international circuits within the national network within its country or territories.

e. Each party shall notify the other as soon as practicable of any failure in its facility in its area of operations that will result in an extended interruption of service between Honduras and the United States.

8. TECHNICAL AND OPERATIONAL MATTERS

Unless agreed upon by both parties, the technical and operational methods of operations applied by the parties will be in accordance with the recommendations of the International of the Telecommunications Union (ITU) and any future revision of the same.

9. RESPONSIBILITIES:

Neither party shall be liable to the other for any loss or damage sustained by any failure, breakdown of the communications facilities or any interruption of service set forth on this agreement.

10. PROPRIETARY INFORMATION:

Any and all information produced as a result of this agreement and considered private by either party shall be maintained in strict confidence by the party that receives it, and can only be revealed to a third party upon prior approval of the corresponding party. If the information is prepared in writing, it should clearly be stated by the preparing party that the information is proprietary; if related orally, the party should state he is sharing proprietary information, at the time of the discussion, following up same in writing.

11. GOVERNMENTAL APPROVALS:

The parties agree with regard to all commitments and obligations to which they subject themselves under this agreement to lend themselves a full cooperation in obtaining and continuance of all necessary governmental licenses, consents, permit, authorizations and approvals required by the laws of each country.

12. ADDRESSES:

For purposes of this agreement, it is agreed the following will be the addresses for the parties involved:

PRIMUS TELECOMMUNICATIONS, INC.
8180 GREENSBORO DRIVE 11TH FLOOR,
MCLEAN, VIRGINIA 22102, U.S.A.
ATTN: MR. JOHN MELICK III
VICE PRESIDENT

EMPRESA HONDURERA DE TELECOMUNICACIONES (HONDUTEL)
PALACIO DE TELECOMUNICACIONES, AVE. COLON
APARTADO POSTAL No. 1794
TEGUCIGALPA, M.D.C. HONDURAS, C.A.
ATTN: ABOGADO JOSE MARIO MALDONADO
GERENTE GENERAL

13. EFFECTIVE DATE AND DURATION

This agreement shall be in effect on the 30th day of November 1995 and shall be in effect until one of the parties communicates to the other in writing to terminate this agreement giving not less than one (1) year notice. Any correspondence regarding the termination of this agreement will be considered a valid document, thirty (30) days from the date the letter is sent to the address indicated in paragraph 12. Any monies due to either party, pursuant to paragraphs 5 and 6, to this agreement shall not be affected by any such termination.

14. MODIFICATION AND ADDITIONS:

This agreement and any addition or annex it contains can be modified or expanded in writing only and signed only by authorized personnel representing each of the parties.

15. RELATIONSHIP OF THE PARTIES:

The relationship between HONDUTEL and PRIMUS with regard to this agreement shall be as coequals in jointly providing telecommunications services and in no case should it be construed as an association between the parties as such each will limit his obligation to those stated in this agreement.

16. ASSIGNMENT:

This agreement shall not be transferred or assigned by PRIMUS without the written consent of HONDUTEL, and similarly it shall not be transferred or assigned by HONDUTEL, without the written consent of PRIMUS. Notwithstanding the foregoing, either party may, without the other's consent, make an assignment to a successor, affiliate, subsidiary or to any entity under the same control of such party. In the event of any such assignment, the successor shall undertake, in writing to the other party, the performance and liability for these obligations, duties and interests which are a part of this agreement and the predecessor shall be relieved of such obligations, duties, and interests, except for matters arising out of events occurring prior to the date of such undertaking.

17. MISCELLANEOUS PROVISIONS:

Nothing on this agreement shall restrict or prejudice the rights of one or the other parties for reaching similar service agreement with other parties.

The headings for each of the paragraphs in this agreement serve only as points of reference and under no circumstances shall they define, modify or restrict the significance or interpretation of the terms or conditions herein . No agreement or decision of one or the other parties may impose any provision of same or interpret same to violate the provisions of this agreement.

This agreements should be written in English and Spanish in two copies; each shall be considered an original with identical legal effect. This agreement will be executed by the authorized parties mentioned herein.

EMPRESA HONDURENA DE TELECOMUNICACIONES
ABOGADO JOSE MARIO MALDONADO
GERENTE GENERAL

DATE

PRIMUS TELECOMUNICATIONS, INC.
MR. JOHN MELICK III
VICE PRESIDENT

DATE

ANEXO A

SERVICES

SERVICES

The following are services available to the customers On each country;

Telephone Service:

International automatic direct dial
Semiautomatic Person to Person
Semiautomatic Station to Station
Reversed Charge calls
Direct Dial

Circuits leased to third parties:

Television Service:

Radio Transmissions:

These services will be provided by and under contracts or other legal methods established for such services.

Other Services:

Other services will be agreed upon mutually, such as data transmission, video conferencing, prepaid or debit card, etc. in accordance with the availability of the parties.

Special Service:

When a telecommunications company requires the services of the other in the others country, (Presidential visits, etc) the party whose country is being visited, shall be responsible for coordinating the required services.

Callback Services:

Callback services between Honduras and the United States and to third countries should not be offered to customers in the United States in the United States nor Honduras.

ANEXO B

DISTRIBUTION OF TARIFS AND SHARED TARIF DISTRIBUTION

Rate of Billing US \$ 1.50/Minute

SHARED TARIFS OF BILLING RATE FOR TRAFFIC TERMINATING IN THE UNITED STATES.

TO HONDUTEL PER MINUTE -----	TO PRIMUS PER MINUTE -----
US\$ 0.75	US\$ 0.75

SHARED TARIFS OF BILLING RATE FOR TRAFFIC TERMINATING IN HONDURAS.

TO HONDUTEL PER MINUTE -----	TO PRIMUS PER MINUTE -----
US\$ 0.75	US\$ 0.75

This rate is applicable to all categories of traffic covered by this agreement and is expressed in US dollars.

ANEXO C

PAYMENT PROCEDURES

- a. For payments HONDUTEL reports to PRIMUS outgoing traffic from Honduras to PRIMUS.
 - 1. Automatic traffic
 - 2. Semi-automatic traffic (Operator assisted, station to station and person to person)
 - 3. Incoming reverse charges (collect calls to Honduras)

- b. For payment PRIMUS reports to HONDUTEL:
 - 1. Automatic traffic
 - 2. Outgoing Service Automatic traffic.
 - 3. Incoming reverse Charges (collect calls to the United State).

SHAREHOLDERS AGREEMENT

Dated as of February 22, 1996

Among

TELEGLOBE USA INC.,

K. PAUL SINGH

and

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

TABLE OF CONTENTS*

	Page

ARTICLE I DEFINITIONS	
SECTION 1.1. Definitions.....	1
ARTICLE II GOVERNANCE OF PRIMUS	
SECTION 2.1. Board of Directors.....	3
2.2. Additional Rights.....	3
ARTICLE III COVENANTS	
SECTION 3.1. Information.....	4
3.2. Preemptive Rights.....	5
3.3. Registration Rights.....	5
ARTICLE IV TRANSFER RESTRICTIONS AND OFFER PROCEDURES	
SECTION 4.1. Transfer Restrictions.....	6
4.2. Legends.....	7
4.3. Right to Compel Sale.....	7
4.4. Tag Along Rights.....	8
ARTICLE V REPRESENTATIONS AND WARRANTIES	
SECTION 5.1. Representations and Warranties of Singh.....	9
5.2. Representations and Warranties of Teleglobe.....	9
5.3. Representations and Warranties of Primus.....	10
ARTICLE VI MISCELLANEOUS	
SECTION 6.1. Termination.....	11
6.2. Successors and Assigns; Assignment.....	11
6.3. Specific Performance.....	11

*The Table of Contents is not a part of this Agreement.

6.4.	Notices.....	12
6.5.	Expenses.....	13
6.6.	Amendments and Waivers.....	13
6.7.	Governing Law.....	13
6.8.	Counterparts; Effectiveness.....	13
6.9.	Headings.....	13
6.10.	Entire Agreement.....	13
6.11.	Separability.....	13

AGREEMENT dated as of February 22, 1996 among Teleglobe USA Inc., a Delaware corporation ("Teleglobe"), K. Paul Singh, a resident of Virginia, and Primus Telecommunications Group, Incorporated, a Delaware corporation ("Primus").

W I T N E S S E T H :

- - - - -

WHEREAS, concurrently with the execution of this Agreement, Teleglobe is purchasing from Primus 121,505 shares of common stock, par value \$.01 per share, of Primus ("Common Stock"), at a price of \$12.00 per share, or \$1,456,060 in the aggregate, pursuant to the Securities Purchase and Option Agreement dated as of January 12, 1996 (the "Securities Purchase and Option Agreement") among Teleglobe, Primus, Primus Holding Corporation ("PHC") and GTI Network Inc. ("GNI"); and

WHEREAS, in connection with such transactions the parties hereto wish to enter into certain arrangements concerning the operation and governance of Primus and other related matters;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1. Definitions. (a) The following terms, as used herein, have the following meanings:

"Board" means the board of directors of Primus.

"Capital Stock" means, at any time, the Common Stock and any other shares of authorized capital stock of Primus.

"Change of Control" means any transaction or series of transactions in which any Person or group (within the meaning of Rule 13d-5 under the Exchange Act and Sections 13(d) and 14(d) of the Exchange Act) other than Singh (but including any Person or group that becomes an Affiliate of Singh as a result of, or in contemplation of, any such transaction or series of transactions) becomes the direct or indirect "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), by way of merger, consolidation, other business combination or otherwise, of greater than 30% of the total voting power (on a fully diluted basis as if all convertible securities had been converted and all warrants and options had been exercised) entitled to vote in the election of directors of Primus or the surviving Person of any such merger, consolidation or other business combination (if other than Primus).

"Common Carrier" means any company that either directly or through any other entity that it Controls, is Controlled by,

or is under common Control with, operates as a common carrier, providing international telecommunications services for hire to the public in the United States pursuant to relevant regulatory authority in the United States.

"Compelled Sale" means a sale by Teleglobe of shares of Capital Stock pursuant to Section 4.3.

"Competitor" of either Primus or Teleglobe, as the case may be, means any company that either directly or through any other entity that it controls, is controlled by, or is under common control with, competes to a material extent with Primus or Teleglobe, as the case may be, in the provision of international telecommunications services in the United States.

"Control" (including, with correlative meanings, the terms "controlling", "control", "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 that Person, whether through the ownership of voting securities, by contract or otherwise.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Material Adverse Effect" means, with respect to any Person, a material adverse effect on the financial condition, business, assets or results of operations of such Person and its Subsidiaries, taken as a whole.

"Ownership Percentage" means, at any time with respect to any Person, the ratio of (i) the aggregate number of shares of Capital Stock owned by such Person at such time to (ii) the aggregate number of shares of Capital Stock outstanding at such time.

"Primus Closing Date" means the date of this Agreement.

"Public Offering" means an underwritten public offering of Capital Stock pursuant to an effective registration statement under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Singh" means K. Paul Singh, a resident of Virginia, or in the event he is not then alive or legally competent, his executor, the administrator of his estate or his legal

representative (including, without limitation, his guardian, conservator or other similar fiduciary).

"Teleglobe's Ownership Percentage" means, at any time, the Ownership Percentage of Teleglobe at such time.

"Third Party Purchaser" means any Person that is not an Affiliate of Primus or Teleglobe that purchases or offers or agrees to purchase shares of Capital Stock in connection with a Compelled Sale or a Tag Along Sale.

"Transfer" means, with respect to any securities, any direct or indirect sale, assignment, transfer, grant of a participation in, pledge, gift or other disposition thereof, without regard to whether such disposition is for consideration.

(b) Each of the following terms has the meaning set forth in the Securities Purchase and Option Agreement:

- (i) Affiliate;
- (ii) Business Day;
- (iii) Governmental Authority;
- (iv) Lien;
- (v) Person;
- (vi) Secured Note; and
- (vii) Subsidiary.

(c) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
----	-----
Closing Period	4.1
Compelled Sale Notice	4.3
Eligible Assignee	6.2
New Securities	3.2
Offer Notice	4.1
Offered Shares	4.1
Primus Tag Along Sale	4.4
Purchase Notice	4.1
Sale Notice	4.4
Singh Tag Along Sale	4.4
Tag Along Sale	4.4
Teleglobe Nominee	2.1

ARTICLE II

GOVERNANCE OF PRIMUS

2.1. Board of Directors. The parties hereto agree that Teleglobe will

be entitled, but not required, to designate one

member of the Board (a "Teleglobe Nominee,") for as long as Primus or PHC Controls GNI; provided that the director nominee of Teleglobe must be

independent of Teleglobe (i.e., such Person may not be an employee, officer or director of Teleglobe or any of its Affiliates). Singh agrees that he will vote all shares of Capital Stock owned or controlled by him to elect, and will otherwise support the election of, the Teleglobe Nominee as a director of Primus. In the event that any Teleglobe Nominee vacates his seat on the Board, whether by resignation, death, removal or otherwise, the parties hereto agree to fill any such vacancy with a person designated by Teleglobe.

2.2. Additional Rights. Primus will grant to Teleglobe any consent

rights granted by Primus to any Person that has an Ownership Percentage equal to or less than Teleglobe's Ownership Percentage at such time.

ARTICLE III

COVENANTS

3.1. Information. (a) Primus will, at Teleglobe's expense, permit

Teleglobe's auditors to visit and inspect any of the properties of Primus and any of its Subsidiaries, including the books of account and other records of such company (and make copies thereof and take extracts therefrom), and to discuss its affairs, finances and accounts with the relevant officers and, after notice to Primus, its independent public accountants and counsel, all at such reasonable times and as often as Teleglobe may reasonably request. In connection with the provision of information by Primus to Teleglobe pursuant to this Section 3.1, Teleglobe agrees that such information will be deemed to be "Confidential Information" as defined in Section 4.7 of the Securities Purchase and Option Agreement and that it will be bound by the restrictions of such Section 4.7.

(b) As soon as available and in any event within 30 days after the close of each quarterly accounting period ending after the date hereof, Primus will deliver to Teleglobe the consolidated balance sheet of Primus as of the end of such quarterly period, and the related consolidated statements of income, shareholders, equity and cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by an authorized officer of Primus to have been prepared in accordance with generally accepted accounting principles (subject to normal year-end audit adjustments in the case of statements for any quarterly accounting period).

(c) As soon as available and in any event within 90 days after the close of each fiscal year of Primus, Primus will deliver to Teleglobe the consolidated balance sheet of Primus as of the end of such fiscal year and the related consolidated statements of income, shareholders, equity and cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year and certified by independent certified public accountants of recognized national standing to have been prepared in accordance with generally accepted accounting principles in the United States.

(d) Primus will provide Teleglobe with such assistance as Teleglobe reasonably requests from officers, employees and auditors of Primus to enable Teleglobe to account for its investment in Primus in its financial statements.

(e) Primus will furnish to Teleglobe copies of all reports, notices or other written communications (other than routine correspondence and responses to routine inquiries) sent to holders of equity or debt securities of, or lenders to Primus or any of its Subsidiaries, promptly after any such communications are sent.

3.2. Preemptive Rights. (a) Primus agrees that it will grant to

Teleglobe the preemptive right to purchase its respective Ownership Percentage of any shares of Capital Stock (and securities of any type whatsoever that are, or may become, exercisable to purchase, or convertible or exchangeable into, shares of Capital Stock) which Primus may propose to sell or otherwise issue from time to time for cash after the date hereof ("New Securities") but only if and to the extent that (and on the same terms and conditions as) Primus grants such a preemptive right to any Person that has an Ownership Percentage equal to or less than Teleglobe's Ownership Percentage at such time. Such ownership Percentage will be calculated immediately preceding any such sale or issuance.

(b) Any shares of Capital Stock purchased by Teleglobe pursuant to this Section 3.2 or otherwise will be Permanently Unrestricted Share Certificates (as defined in the by-laws of Primus, as amended in accordance with Section 4.11 of the Securities Purchase and Option Agreement).

3.3. Registration Rights. Primus will grant to Teleglobe the same

registration rights granted by Primus to any Person that has an ownership Percentage equal to or less than Teleglobe's Ownership Percentage at the time such registration rights are granted to such Person. Primus agrees that it will pay Teleglobe's expenses relating to any registration of Teleglobe's shares of Capital Stock pursuant to this Section 3.3 in connection with a Public Offering of Capital Stock.

ARTICLE IV

TRANSFER RESTRICTIONS AND OFFER PROCEDURES

4.1. Transfer Restrictions. (a) Teleglobe may transfer its shares of

Capital Stock to any third party; provided that if Teleglobe wishes to sell its shares of Capital Stock to a Competitor of Primus, it must comply with the procedures set forth in Section 4.1(b).

(b) If, at any time, Teleglobe wishes to sell any of its shares of Capital Stock to a Competitor of Primus, such sale shall be made pursuant to the following procedures:

(i) Teleglobe shall deliver to Primus a written notice of its intention (an "Offer Notice"), describing the material terms and conditions of the proposed sale, including the number of shares of Capital Stock offered for sale (the "Offered Shares") and the proposed price. Primus shall have 180 calendar days from the date of receipt of the Offer Notice to give Teleglobe written notice that it intends to purchase (or to have another buyer purchase) the Offered Shares on the same terms and conditions set forth in the Offer Notice (a "Purchase Notice"). If Primus delivers to Teleglobe a Purchase Notice within such time period, the closing for the purchase and sale of the Offered Shares to be purchased by Primus (or its designee) must take place within 10 Business Days from the date of such Purchase Notice (the "Closing Period"). In the event Primus fails to deliver to Teleglobe a Purchase Notice within 180 calendar days from the date of its receipt of the Offer Notice, delivers a notice indicating that it does not intend to purchase the Offered Shares or fails to close the purchase and sale of the Offered Shares prior to the expiration of the Closing Period, Teleglobe will have the right, for a period of 180 calendar days after the earlier of (i) the date Primus delivers a notice indicating that it does not intend to purchase the Offered Shares and (ii) the date that is 180 calendar days after the date of delivery of the Offer Notice to Primus (or the expiration of the Closing Period) to sell the Offered Shares to any Competitor of Primus, at a price per share not less than 95% of the price proposed in the Offer Notice.

(ii) The purchase price for any shares of Capital Stock purchased by Primus or its designee pursuant to this Section 4.1(b) will be paid in cash by wire transfer in immediately available funds to a bank account designated by Teleglobe not less than three Business Days prior to closing.

(iii) At any closing under this Article IV, Teleglobe will deliver to the relevant purchaser good and valid title to the shares of Capital Stock being sold by Teleglobe, free and clear of any Lien.

4.2 Legends. Each certificate evidencing outstanding shares of

Capital Stock held by Teleglobe shall bear a legend in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD OR OFFERED FOR SALE UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT IN EFFECT UNDER SAID ACT, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN THE SHAREHOLDERS AGREEMENT DATED AS OF FEBRUARY 22, 1996, COPIES OF WHICH WILL BE FURNISHED BY PRIMUS TELECOMMUNICATION GROUP, INCORPORATED AND ANY SUCCESSOR THERETO UPON REQUEST AND WITHOUT CHARGE.

4.3. Right to Compel Sale. (a) If at any time a Third Party Purchaser

offers to buy 100% of the outstanding shares of Capital Stock and Singh and a majority of the other stockholders of Primus (other than Teleglobe) agree to sell their shares of Capital Stock to such Third Party Purchaser, Primus shall have the right to compel Teleglobe to sell its shares of Capital Stock to such Third Party Purchaser so long as the terms and conditions for the purchase of the shares owned by Teleglobe (including the price) are identical to those relating to the purchase of all other outstanding shares of Capital Stock; provided that Teleglobe shall not be required to sell any shares of Capital

Stock to any such Third Party Purchaser if such sale is reasonably likely to constitute a violation of applicable law or regulation.

(b) If a Third Party Purchaser offers to buy 51% or more of the outstanding shares of Capital Stock but less than 100% of such shares, Primus shall have the right to compel Teleglobe to sell a portion of its shares of Capital Stock equal to a fraction, the numerator of which is the total number of shares of Capital Stock to be purchased by the Third Party Purchaser, and the denominator of which is the total number of outstanding shares of Capital Stock (after giving effect to the proposed transaction), to such Third Party Purchaser if the following conditions are met: (i) the Third Party Purchaser is a Common Carrier or a Competitor of Teleglobe, (ii) the consideration to be received by Teleglobe and every other seller of shares of Capital Stock to such Third Party Purchaser shall be

cash or liquid securities, (iii) Teleglobe shall receive the same per share consideration as every other seller of shares of Capital Stock in such sale and (iv) the consideration to be received by Teleglobe pursuant to such sale shall, if such sale is to be made prior to the second anniversary of the Primus Closing Date, equal or exceed \$12.00 per share of Common Stock held by Teleglobe, as such price shall be adjusted from time to time to reflect stock splits, stock dividends and other similar events.

(c) In the event Primus elects to exercise its right to cause a Compelled Sale, it will deliver written notice (a "Compelled Sale Notice") to Teleglobe, setting forth the consideration and describing the other material terms and conditions of the Compelled Sale, including the proposed closing date, which shall be not less than 15 Business Days from the date the Compelled Sale Notice is delivered. At the closing for the Compelled Sale, against payment of the purchase price for the shares of Capital Stock to be sold by Teleglobe, Teleglobe will deliver to the Third Party Purchaser the certificate or certificates representing the number of shares of Capital Stock held by Teleglobe, duly endorsed, together with all other documents which are necessary in order to effect such Compelled Sale.

4.4. Tag Along Rights. (a) If Singh proposes to sell, in one

transaction or in a series of related transactions (a "Singh Tag Along Sale") any equity securities of Primus to any Third Party Purchaser, or if Primus proposes to issue, in one transaction or in a series of related transactions (a "Primus Tag Along Sale") any equity securities to any Third Party Purchaser that would result in a Change of Control of Primus (each of a Singh Tag Along Sale and a Primus Tag Along Sale constituting a "Tag Along Sale"), Teleglobe shall have the right to participate in such Tag Along Sale on the following terms:

(i) Singh or Primus, as the case may be, shall give Teleglobe not less than 20 Business Days' written notice (a "Sale Notice") of its intention, describing the price offered, all other material terms and conditions of the Tag Along Sale and, if the consideration payable pursuant to the Tag Along Sale consists in whole or in part of consideration other than cash, such information relating to such other consideration as Teleglobe may reasonably request and which is available to Singh or Primus, as the case may be.

(ii) In connection with any Tag Along Sale, Teleglobe shall have the right, in its sole discretion, to sell, for the same price per share being paid to, and otherwise on the same terms and conditions, as Singh or Primus, as the case may be, all or any portion of the shares of Capital Stock then held by it.

(iii) Teleglobe must exercise its tag along right by giving written notice to Singh or Primus, as the case may be, within 15 Business Days of the delivery of a Sale Notice, specifying the number of shares of Capital Stock that Teleglobe desires to include in the Tag Along Sale. At the closing for the Tag Along Sale, against payment of purchase price for the shares of Capital Stock to be sold by Teleglobe, Teleglobe will deliver to the Third Party Purchaser the certificate or certificates representing such number of shares of Capital Stock, duly endorsed, together with all other documents which are necessary in order to effect such Tag Along Sale.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

5.1. Representations and Warranties of Singh. Singh represents and

warrants to Teleglobe and Primus that as of the date hereof:

(a) The execution, delivery and performance of this Agreement by Singh is within his legal capacity. This Agreement constitutes a valid and binding agreement of Singh.

(b) The execution, delivery and performance by Singh of this Agreement require no action by or in respect of, or filing by Singh with, any Governmental Authority.

(c) The execution, delivery and performance by Singh of this Agreement do not and will not: (i) violate any applicable law, rule, regulation, judgment, injunction, order or decree binding on Singh or (ii) require any consent or other action by any Person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Singh or to loss of benefit to which Singh is entitled under, any agreement or other instrument binding upon Singh or any license, permit or other similar authorization held by Singh, except to the extent that any such violation, failure to obtain any such consent or other action, default, right or loss would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Singh.

5.2. Representations and Warranties of Teleglobe.

Teleglobe represents and warrants to each of Singh and Primus that as of the date hereof:

(a) The execution, delivery and performance of this Agreement by Teleglobe are within Teleglobe's corporate powers and have been duly authorized by all necessary corporate action

on the part of Teleglobe. This Agreement constitutes a valid and binding agreement of Teleglobe.

(b) The execution, delivery and performance by Teleglobe of this Agreement require no action by Teleglobe in respect of, or filing by Teleglobe with, any Governmental Authority.

(c) The execution, delivery and performance by Teleglobe of this Agreement do not and will not: (i) violate the certificate of incorporation or by-laws of Teleglobe or (ii) violate any applicable material law, rule, regulation, judgment, injunction, order or decree binding on Teleglobe, except, in the case of clause (ii), to the extent that any such violation, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Teleglobe.

5.3. Representations and Warranties of Primus. Primus represents and

warrants to Teleglobe and Singh that as of the date hereof:

(a) The execution, delivery and performance of this Agreement by Primus are within Primus's corporate powers and have been duly authorized by all necessary corporate action on the part of Primus. This Agreement constitutes a valid and binding agreement of Primus.

(b) The execution, delivery and performance by Primus of this Agreement require no action by Primus in respect of, or filing by Primus with, any Governmental Authority.

(c) The execution, delivery and performance by Primus of this Agreement do not and will not: (i) violate the certificate of incorporation or by-laws of Primus or any Subsidiary of Primus, (ii) violate any applicable law, rule, regulation, judgment, injunction, order or decree binding on Primus, (iii) require any consent or other action by any Person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Primus or of any Subsidiary of Primus or to a loss of any benefit to which Primus or any Subsidiary of Primus is entitled under, any agreement or other instrument binding upon Primus or any Subsidiary of Primus or any license, franchise, permit or other similar authorization held by Primus or any Subsidiary of Primus or (iv) result in the creation or imposition of any Lien on any material asset of Primus or any Subsidiary of Primus, except in the case of clauses (ii), (iii) and (iv), to the extent that any such violation, failure to obtain any such consent or other action, default, right, loss or Lien would not, reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Primus and its Subsidiaries, taken as a whole.

ARTICLE VI

MISCELLANEOUS

6.1. Termination. The provisions of this Agreement will terminate,

and be of no further force or effect on the fifth anniversary of the date hereof; Provided that the provisions of this Agreement will not terminate so long as Teleglobe is a shareholder of Primus and any portion of the Secured Note (or any amounts due thereunder) remain unpaid; and Provided further that the provisions of Sections 3.3 and 6.S shall survive any such termination.

6.2. Successors and Assigns; Assignment. (a) The provisions of this

Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and to the extent applicable heirs, executors, administrators and legal representatives; provided that the rights and obligations of Teleglobe in its capacity as a shareholder of Primus as provided in this Agreement are specific to Teleglobe and will not apply to any Person to whom Teleglobe transfers Capital Stock (except any Eligible Assignee).

(b) Except as otherwise provided herein, neither Primus, Singh nor Teleglobe may assign, delegate or otherwise Transfer any of its rights or obligations under this Agreement without the prior written consent of all of the other parties hereto; Provided that Teleglobe may assign its rights and obligations to any Eligible Assignee at any time after such purchaser has delivered to Primus and Singh an executed counterpart of this Agreement and agreed to be bound by the terms of this Agreement as if such Person was Teleglobe.

(c) For purposes of this Agreement, "Eligible Assignee" means any entity which at the time of such assignment is, and thereafter during the term of this Agreement remains Controlled, directly or indirectly, by Teleglobe.

6.3. Specific Performance. Each party hereto agrees that a party

hereto could be irreparably damaged if any party failed to perform any obligation under this Agreement, and that such party would not have an adequate remedy at law for money damages in such event. Accordingly, each party hereto shall be entitled to specific performance and injunctive and other equitable relief to enforce the performance of this Agreement. This provision is without prejudice to any other rights that such party may have against any party for any failure by such party to perform its obligations under this Agreement.

6.4. Notices. All notices, requests and other communications

hereunder shall be in writing (including facsimile transmission) and shall be given,

if to Primus:

Primus Telecommunications Group, Incorporated
8180 Greensboro Drive
McLean, Virginia 22102
Fax: 703-848-4641
Attention: K. Paul Singh

with a copy to:

Pepper, Hamilton & Scheetz
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, Pennsylvania 19103-2799
Fax: 215-981-4750
Attention: Julia D. Corelli

if to Singh:

K. Paul Singh
9888 Windy Hollow Road
Great Falls, Virginia 22066
Fax: 703-757-9378

with a copy to:

Pepper, Hamilton & Scheetz
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, Pennsylvania 19103-2799
Fax: 215-981-4750
Attention: Julia D. Corelli

if to Teleglobe:

Teleglobe USA Inc.
1751 Pinnacle Drive
McLean, Virginia 22102
Fax: 703-714-6652
Attention: Philip M. Walker

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Fax: 212-450-4800
Attention: John W. Buttrick

All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a Business Day. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day.

6.5. Expenses. All costs and expenses incurred in connection with

this Agreement shall be paid by the party incurring such cost or expense.

6.6. Amendments and Waivers. (a) Any provision of this Agreement

may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

6.7. Governing Law. This Agreement shall be construed in accordance

with and governed by the law of the State of Delaware, without regard to the conflicts of law rules of such state.

6.8. Counterparts; Effectiveness. This Agreement may be signed in any

number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

6.9. Headings. The headings contained in this Agreement are for

reference purposes only and shall not in any way affect the meaning of interpretation of this Agreement.

6.10. Entire Agreement. This Agreement constitutes the entire

agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

6.11. Separability. In case any provision of this Agreement 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.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

/s/ K. Paul Singh

K. PAUL SINGH, individually

TELEGLOBE USA INC.

/s/ Paolo Guidi

By _____
Name: Paolo Guidi
Title: President and Chief
Executive Officer

PRIMUS TELECOMMUNICATIONS
GROUP, INCORPORATED

/s/ K. Paul Singh

By _____
Name: K. Paul Singh
Title: Chief Executive Officer
and President

SECURITYHOLDERS' AGREEMENT

THIS SECURITYHOLDERS' AGREEMENT (the "Agreement"), entered into this 31st day of July, 1996 is made by and among Primus Telecommunications Group, Incorporated, a Delaware corporation (the "Company"), K. Paul Singh, a resident of Virginia, Quantum Industrial Partners LDC, a Cayman Islands limited duration company ("QIP"), S-C Phoenix Holdings, L.L.C., a Delaware limited liability company ("S-C"), Winston Partners II LDC, a Cayman Islands limited duration company ("WP LDC") and Winston Partners II LLC, a Delaware limited liability company ("WP LLC"). QIP, S-C, NW LDC and WP LLC and their registered assigns are collectively referred to as the "Investors".

WHEREAS, pursuant to a Securities Purchase Agreement, dated as of July 31, 1996 (the "Purchase Agreement"), among the Company and the Investors, the Company shall issue on the date hereof to the Investors (i) 285,714 shares (the "Purchased Shares") of the Company's common stock, par value \$.01 per share (the "Common Stock") and (ii) warrants (the "Purchase Warrants") exercisable for that number of shares of Common Stock specified therein and has agreed to issue additional Common Stock (the "Additional Purchase Agreement Shares") to the Investors upon the occurrence of certain conditions specified in the Purchase Agreement. In addition, the Company has issued to the Investors warrants (the "Contingent Warrants") providing for the issuance of shares of Common Stock upon the occurrence of certain conditions specified therein; and

WHEREAS, the parties desire to set forth more fully their agreements regarding the investment of the Investors in the Company:

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are acknowledged, the parties hereto, each intending to be legally bound hereby, agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Definitions.

As used herein, the following terms shall have the respective meanings set forth below:

"Affiliate" of any Person means any Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the

direction of the management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise). With respect to the Investors, the term "Affiliate" shall include one or more of Chatterjee Management Company, Purnendu Chatterjee, George Soros or Soros Fund Management or affiliates thereof, and any Person or entity for which any such Person or entity acts as investment advisor or investment manager.

"Board of Directors" means the Board of Directors of the Company, as constituted from time to time in accordance with this Agreement and the Company's by-laws.

"Business Day" means any day other than a Saturday, Sunday or other day on which banking institutions are authorized or required by law or executive order to close in New York, New York.

"Capital Stock" means any class of capital stock of the Company.

"Change of Control" means any transaction or series of transactions in which any person or group (within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Sections 13(d) and 14(d) of the Exchange Act) other than Singh (but including any person or group that becomes an Affiliate of Singh as a result of, or in contemplation of, any such transaction or series of transactions) becomes the direct or indirect "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), by way of merger, consolidation, other business combination or otherwise, of greater than 30% of the total voting power (on a fully diluted basis as if all convertible securities had been converted and all warrants and options had been exercised) entitled to vote in the election of Directors of the Company or the surviving Person of any such merger, consolidation or other business combination (if other than the Company).

"Compelled Sale" means the sale by the Investors of Investor Shares pursuant to Section 3.4.

"Director" means a member of the Board of Directors.

"Family Group" means a Person's parents, spouse, descendants (whether or not adopted) and stepchildren and any trust solely for the benefit of such Person and/or the Person's parents, spouse, stepchildren and/or descendants.

"First Year Compelled Sale Price" is that Compelled Sale Price required to be received by an Investor on the date of the Compelled Sale so that such Compelled Sale Price when added to all cash flows to each Investor from its investments in the

Company (including, without limitation, dividends and sales of stock, etc., during the period from the date hereof to the date of the Compelled Sale) provides a rate of return of at least 35% on all cash flows from such Investor in connection with its investments in the Company (including, without limitation, the initial purchase, the exercise price with respect to any exercise of warrants or options, other than the Warrant B Alternative Exercise Price (as defined in the Purchase Warrants) etc., during the period from the date hereof to the date of the Compelled Sale). For purposes of this definition, the 35% rate of return referred to above is the rate required as of the date of the Compelled Sale and is not to be annualized. By way of example only, on the date of the Compelled Sale, the aggregate of the Compelled Sale Price and all other cash flows to such Investor from its investment in the Company must be \$1.35 for every \$1.00 of cash flow from such Investor in connection with its investment in the Company.

"Investor Shares" means (i) the Purchased Shares issued to the Investors pursuant to the Purchase Agreement; (ii) the Purchase Warrants issued to the Investors pursuant to the Purchase Agreement; (iii) the Contingent Warrants issued to the Investors pursuant to the Purchase Agreement; (iv) any shares of Common Stock issued or issuable upon exercise of the Purchase Warrants referred to in clause (ii); (v) any shares of Common Stock issued or issuable upon exercise of the Contingent Warrants referred to in clause (iii); (vi) the Additional Purchase Agreement Shares; and (vii) any shares of Common Stock issued or issuable directly or indirectly with respect to the securities referred to in clauses (i) through (vi) by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular shares constituting Investor Shares, such shares will cease to be Investor Shares when they have been (x) effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them, or (y) sold to the public through a broker, dealer or market maker pursuant to Rule 144 (or by similar provision then in force) under the Securities Act.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

"Priority Return" is the cash amount that the Company would have to transfer to each Investor on the date of the Compelled Sale so that the internal rate of return on (i) all the cash flows both to and from each Investor from its investments in the Company (including, without limitation, the initial purchase, the exercise price with respect to any exercise of warrants or options, dividends, sale of stock (including the amount received pursuant to the Compelled Sale, but excluding the Warrant B

Alternative Exercise Price as defined in the Purchase Warrants) etc., during the period from the date hereof to and including the date of the Compelled Sale) and (ii) the cash amount referred to above, would be 35%.

"Public Offering" means an underwritten public offering of shares of Common Stock pursuant to an effective Registration Statement under the Securities Act of 1933, as then in effect or any comparable statement under any similar federal statute then in force or effect.

"Qualified Public Offering" means a Public Offering of at least 1,000,000 shares of Common Stock at a price per share of at least \$35 (before underwriting commissions).

"Singh" means K. Paul Singh, a resident of Virginia, or in the event he is not then alive or legally competent, his executor, the administrator of his estate or his legal representative (including, without limitation, his guardian, conservator or other similar fiduciary).

"Third Party" means any Person that is not an Affiliate or a member of the Family Group, as appropriate, of the Company, Singh or the Investors.

"Underlying Shares" means (i) the Purchased Shares issued to the Investors pursuant to the Purchase Agreement; (ii) any shares of Common Stock issued or issuable upon exercise of the Purchase Warrants issued to the Investors pursuant to the Purchase Agreement; (iii) any shares of Common Stock issued or issuable upon exercise of the Contingent Warrants issued to the Investors pursuant to the Purchase Agreement, (iv) the Additional Purchase Agreement Shares, (v) any shares of Common Stock issued or issuable directly or indirectly with respect to the securities referred to in clauses (i) through (iv) by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization and (v) any other shares of Capital Stock held by the Investors; provided that Underlying Shares will cease to be Underlying Shares when they cease to be Investor Shares.

ARTICLE II
CORPORATE GOVERNANCE; VOTING AGREEMENTS

SECTION 2.1. Board of Directors.

(a) The parties hereto agree that the Investors shall collectively be entitled to designate one (1) member of the Board of Directors (the "Investors' Nominee") to be appointed immediately after the closing of the issuance of the Purchased Shares and the Purchase Warrant.

(b) Singh agrees that he will vote all shares of Capital Stock owned by him, controlled by him, or over which he has voting power to elect, and will otherwise support the election of, the Investors' Nominee as a Director. No transfer of shares of Capital Stock by Singh shall be permitted unless such transferee agrees to be bound by the provisions of this Section 2.

(c) The Company agrees that it will take all actions necessary to insure that the Investors' Nominee is nominated as a member of the Board of Directors.

(d) In the event that any Investors Nominee vacates his seat on the Board of Directors, whether by resignation, death, removal or otherwise, the parties hereto agree to fill any such vacancy with a person designated by the Investors.

SECTION 2.2. Approved Offerings. Each Investor hereby agrees to vote

its shares of Capital Stock and take all other necessary actions within its control to approve a debt and/or equity offering (if such an offering is deemed to be desirable by the Company) on substantially the same terms as have been proposed as of the date hereof by Lehman Brothers, financial advisor to the Company (a draft, dated July 26, 1996, of the registration statement of which has been delivered to the Investors); provided that the price per security offered in such a debt and/or equity offering is at least \$35. Each Investor hereby agrees to waive its right to include any of its Underlying Shares in such offering.

SECTION 2.3. Further Assurances. Each holder of Capital Stock

hereto, and the Company, as applicable, hereby consents and agrees to vote its shares of Capital Stock and take all actions required under the Company's certificate of incorporation and by-laws and otherwise use its best efforts to cause the transactions contemplated by this Agreement and the provisions hereof to be effectuated.

SECTION 2.4. Termination of Obligations. The obligations set forth

in Section 2.1 shall terminate upon the consummation of a Qualified Public Offering.

ARTICLE III
PREEMPTIVE RIGHTS; TRANSFER RESTRICTIONS
AND OFFER PROCEDURES

SECTION 3.1. Preemptive Rights.

(a) Except for the issuance of the Company's Capital Stock or securities (i) pertaining to options or rights

to acquire shares of Capital Stock existing on the date hereof, (ii) pursuant to a Public Offering if the managing underwriter of such Public Offering advises the Company in writing that in its opinion it is necessary for the Investors to waive their preemptive rights granted hereunder in order for the Public Offering to achieve its maximum benefit, (iii) pursuant to the exercise of the Purchase Warrants and/or the Contingent Warrants, (iv) as the Additional Purchase Agreement Shares, or (v) additional stock or option issuances to directors or employees of the Company pursuant to stock option plans existing on the date hereof including the number of shares issuable thereunder as of the date hereof (or amendments to such plans or new plans if agreed to by the Investors), if the Company at any time after the date hereof authorizes the issuance or sale of any Capital Stock or any securities containing options or rights to acquire any shares of Capital Stock (other than as a dividend on the outstanding Capital Stock), the Company shall first offer to sell to each Investor a portion of such Capital Stock or other securities equal to the percentage of Underlying Shares held by such Investor at the time of such issuance; provided that for purposes of this Section 3.1, Underlying Shares shall not include (x) the Contingent Warrants if the proposed issuance of Capital Stock or other securities by the Company takes place prior to the time the Contingent Warrants are by their terms exercisable or have by their terms become null and void or (y) the Additional Purchase Agreement Shares if the right to receive them has not occurred.

(b) In order to exercise its purchase rights hereunder, each Investor must within 20 days after receipt of written notice from the Company describing in reasonable detail the Capital Stock or securities being offered, the purchase price thereof, the payment terms and such Investor's pro rata percentage allotment, deliver a written notice to the Company describing its election hereunder. Any Capital Stock not elected to be purchased by the end of such 20-day period shall be reoffered for an additional 10-day period by the Company on a pro rata basis to the Investors who elected to purchase all shares of such Capital Stock originally offered to such Investors.

(c) Upon the expiration of the offering periods described above, the Company shall be entitled to sell such Capital Stock or securities which the Investors have not elected to purchase during the 120 days following such expiration on terms and conditions no more favorable to the purchasers thereof than those offered to the Investors. Any Capital Stock or securities offered or sold by the Company to any Person after such 120-day period must be reoffered to the Investors pursuant to the terms of this Section 3.1.

SECTION 3.2. Transfer Restrictions.

(a) No Investor shall transfer any interest in any Investor Shares except pursuant to and in accordance with the provisions of this Section 3.2.

(b) If, at any time, an Investor wishes to sell any of its Investor Shares to a Third Party, such sale shall be made pursuant to the following procedures:

(i) Each Investor shall deliver to the Company a written notice of its intention (an "Offer Notice"), describing the material terms and conditions of the proposed sale, including the number of Investor Shares offered for sale (the "Offered Shares") and the proposed price. The Company shall have 30 calendar days from the date of receipt of the Offer Notice to give each such Investor written notice that it intends to purchase (or to have its designee purchase) the Offered Shares on the same terms and conditions set forth in the Offer Notice (a "Purchase Notice"). If the Company delivers to any such Investor a Purchase Notice within such time period, the closing for the purchase and sale of the Offered Shares to be purchased by the Company (or its designee) must take place within 60 calendar days from the date of such Purchase Notice (the "Closing Period"). In the event the Company fails to deliver to any such Investor a Purchase Notice within 30 calendar days from the date of its receipt of the Offer Notice, delivers a notice indicating that it does not intend to purchase the Offered Shares or fails to close the purchase and sale of the Offered Shares prior to the expiration of the Closing Period, any such Investor will have the right, for a period of 120 calendar days after the earlier of (i) the date the Company delivers a notice indicating that it does not intend to purchase the Offered Shares; (ii) the date that is 30 calendar days after the date of delivery of the Offer Notice to the Company or (iii) the expiration of the Closing Period to sell the Offered Shares to any Third Party, at a price per share not less than 95 % of the price proposed in the Offer Notice.

(ii) The purchase price for any Investor Shares purchased by the Company (or its designee) pursuant to this Section 3.2(b) will be paid in cash by wire transfer in immediately available funds to a bank account designated by each Investor not less than three Business Days prior to closing.

(iii) At any closing under this Section 3.2(b), each Investor will deliver to the relevant purchaser good and valid title to the Investor Shares being sold by each such Investor, free and clear of any taxes, liens or charges.

(c) Permitted Transferees. The restrictions set forth in Section 3.2(b) shall not apply to (i) any transfer of Investor Shares by any Investor among its Affiliates or (ii) a

transfer of Investor Shares by any Investor pursuant to the laws of descent and distribution or among such Investor's Family Group; provided that the provisions of this Agreement will continue to be applicable to the Investor Shares after any transfer pursuant to clauses (i) and (ii) above and the transferees of such Investor Shares shall agree in writing to be bound by the provisions of this Agreement.

(d) Transfers to Competitors. Notwithstanding paragraph (c) above, without the prior written consent of the Company, no Investor shall transfer any Investor Shares to any company that either directly or through an Affiliate competes to a material extent with the Company or any of its subsidiaries in the provision of international telecommunications services in the United States, Australia, the United Kingdom, France, Germany, Mexico, Hong Kong, Italy and Canada. Each Investor agrees to notify the Company if, to its knowledge, it is transferring any Investor Shares to any company that either directly or through an Affiliate competes to a material extent with the Company or any of its Subsidiaries in the provision of international telecommunications.

(e) Transfers to One Hundred Persons. Notwithstanding paragraph (c) above, without the prior written consent of the Company, the Investors will not transfer their Investor Shares to more than 100 transferees in the aggregate.

(f) Termination of Restrictions. The restrictions set forth in Section 3.2(b) shall terminate upon the consummation of a Qualified Public Offering. The restrictions set forth in Section 3.2(d) shall terminate upon the earlier of (i) the consummation of a Qualified Public Offering or (ii) three years from the date hereof. The restrictions in Section 3.2(e) shall terminate upon the consummation of a Public Offering.

SECTION 3.3. Legends. Each certificate evidencing outstanding

Investor Shares held by Investors shall bear a legend in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD OR OFFERED FOR SALE UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT IN EFFECT UNDER THE SAID ACT, OR UNLESS AN EXCEPTION FROM REGISTRATION IS AVAILABLE.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN THE SECURITYHOLDERS' AGREEMENT DATED AS OF JULY 31, 1996, COPIES OF WHICH WILL BE FURNISHED BY PRIMUS TELECOMMUNICATION

GROUP, INCORPORATED AND ANY SUCCESSOR THERETO UPON REQUEST AND WITHOUT CHARGE.

SECTION 3.4. Right to Compel Sale.

(a) If at any time a Third Party offers to buy 80% or more of the outstanding shares of Capital Stock and holders of a majority of the Capital Stock, including Singh, (other than the Investor Shares held by the Investors) agree to sell their shares of Capital Stock to such Third Party, Singh or the Company shall have the right (but not the obligation) to compel Investors to sell their Investor Shares to such Third Party if the following conditions are met: (i) the terms and conditions for the purchase of the Investor Shares (including the price (the "Compelled Sale Price") are identical to those relating to the purchase of all other outstanding shares of Capital Stock, (ii) the Third Party Investor must purchase all of the Investor Shares owned by Investors, (iii) the consideration to be received by each Investor and every other seller of shares of Capital Stock to such Third Party shall be cash or liquid securities, (iv) during the period commencing on the date hereof and ending on the first anniversary (the "First Anniversary") of the date hereof, each Investor receives the First Year Compelled Sale Price and (v) following the First Anniversary, the Compelled Sale Price must be an amount such that the Priority Return shall be equal to or less than zero.

(b) In the event the Company or Singh elects to exercise its right to cause a Compelled Sale, it will deliver written notice (a "Compelled Sale Notice") to Investors, setting forth the consideration and describing the other material terms and conditions of the Compelled Sale, including the proposed closing date, which shall be not less than 15 Business Days from the date the Compelled Sale Notice is delivered. At the closing for the Compelled Sale, against payment of the purchase price for the Investor Shares to be sold by Investors, Investors will deliver to the Third Party the certificate or certificates representing the number of Investor Shares held by Investors, duly endorsed, together with all other documents which are necessary in order to effect such Compelled Sale.

(c) The rights and obligations set forth in this Section 3.4 shall terminate upon the consummation of a Qualified Public Offering.

SECTION 3.5. Tag Along.

(a) If Singh proposes to sell, in one transaction or in a series of related transactions (a "Tag Along Sale") any shares of Common Stock of the Company to any Third Party, Investors shall have the right to participate in such Tag Along Sale on the following terms:

(i) Singh shall give Investors not less than 20 Business Days' written notice (a "Sale Notice") of its intention, describing the price offered, all other material terms and conditions of the Tag Along Sale and, if the consideration payable pursuant to the Tag Along Sale consists in whole or in part of consideration other than cash, such information relating to such other consideration as Investors may reasonably request and which is available to Singh.

(ii) In connection with any Tag Along Sale, Investors shall have the right, in their sole discretion, to sell, for the same price per share being paid to, and otherwise on the same terms and conditions, as Singh, Underlying Shares then held by it in such amount as determined pursuant to the next sentence. If an Investor has elected to participate in such sale, it shall be entitled to sell such amount of Underlying Shares equal to its pro rata ownership of shares in comparison to Singh.

For example, if the sale contemplated a sale of 100 shares by Singh and if Singh at such time owns 30% of all the shares of the corporation on a fully-diluted basis and if an Investor elects to participate and owns 20% of all shares of the corporation on a fully-diluted basis, Singh would be entitled to sell 60 shares and the Investor Holder would be entitled to sell 40 Underlying Shares.

An Investor may sell a Purchase Warrant or a Contingent Warrant (if such Contingent Warrant is then exercisable) in the proposed transfer rather than the Underlying Shares relating thereto. In such case, the price of such warrant shall be equal to the price at which the Common Stock is to be transferred times the number of shares of Common Stock into which such warrant would be exercisable at that time minus the exercise price of such warrant. With respect to a Purchase Warrant, any such Purchase Warrant will be treated as if it were exercisable on such date.

(iii) Investors must exercise their tag along right by giving written notice to Singh or the Company, as the case may be, within 15 Business Days of the delivery of a Sale Notice, specifying the number of Investor Shares that each Investor desires to include in the Tag Along Sale. At the closing for the Tag Along Sale, against payment of purchase price for the Investor Shares to be sold by Investors, Investors will deliver to the Third Party the certificate or certificates representing such number of Investor Shares, duly endorsed, together with all other documents which are necessary in order to effect such Tag Along Sale.

(b) The provisions of this Section 3.5 shall not apply to any sale or sales of up to 2.5% (in the aggregate) of the amount of Common Stock owned by Singh on the date hereof.

(c) The rights and obligations set forth in this Section 3.5 shall terminate upon the consummation of a Qualified Public Offering.

ARTICLE IV
MISCELLANEOUS

SECTION 4.1. Share Certificates. Any shares of Capital Stock issued

to an Investor pursuant to the Purchase Agreement, Purchase Warrant, Contingent Warrant, or pursuant to preemptive rights exercised hereunder will be Permanently Unrestricted Share Certificates (as defined in the by-laws of the Company). The Company shall not amend its by-laws with respect to Article IX thereof or in any other way that adversely affects an Investor or the transferability of shares owned by such Investor, without such Investor's prior written consent.

SECTION 4.2. Transfers in Violation of Agreement. Any transfer or

attempted transfer of any Investor Shares in violation of any provision of this Agreement shall be void, and the Company shall not record such transfer on its books or treat any purported transferee of such Investor Shares as the owner of such shares for any purpose.

SECTION 4.3. Amendment and Waiver. Except as otherwise provided

herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against any party hereto unless such modification, amendment or waiver is approved in writing by such party.

SECTION 4.4. Severability. Whenever possible, each provision of this

Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

SECTION 4.5. Entire Agreement. Except as otherwise expressly set

forth herein, this document, the Purchase Agreement, the Registration Rights Agreement, the Purchase Warrant and the Contingent Warrant embody the complete agreement and understanding among the parties hereto with respect to the

subject matter hereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

SECTION 4.6. Successors and Assigns. The provisions of this

Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and to the extent applicable heirs, executors, administrators and legal representatives and any subsequent holders of Investor Shares and the respective successors and assigns of each of them, so long as they hold Investor Shares.

SECTION 4.7. Counterparts. This Agreement may be executed in

separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

SECTION 4.8. Remedies. The parties hereto agree and acknowledge that

money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that the parties hereto shall have the right to injunctive relief, in addition to all of its rights and remedies at law or in equity, to enforce the provisions of this Agreement. Nothing contained in this Agreement shall be construed to confer upon any Person who is not a signatory hereto any rights or benefits, as a third party beneficiary or otherwise.

SECTION 4.9. Notices. All notices, demands or other communications

to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when personally delivered or received by certified mail, return receipt requested, confirmed telecopy or sent by guaranteed overnight courier service. Such notices, demands and other communications will be sent to the parties as indicated in the Purchase Agreement, and to Singh as indicated below, or to any party (including any new party) at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

K. Paul Singh
9888 Windy Hollow Road
Great Falls, Virginia 22066
Fax: 703-757-9378

with a copy to:

Pepper, Hamilton & Scheetz
3000 Two Logan Square
Eighteenth and Arch Street
Philadelphia, Pennsylvania 19103-2799
Attention: Julia D. Corelli

SECTION 4.10. Governing Law. The corporate law of Delaware will

govern all issues concerning the relative rights of the Company and its stockholders. All other issues concerning this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of New York.

SECTION 4.11. Descriptive Headings. The descriptive headings of this

Agreement are inserted for convenience only and do not constitute a part of this Agreement.

IN WITNESS WHEREOF, the parties, by their respective officers duly authorized, have caused this Agreement to be duly executed and delivered as of the date hereof.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED

By: _____
K. Paul Singh
President, Chief Executive Officer

K. PAUL SINGH

QUANTUM INDUSTRIAL PARTNERS LDC

By: _____
Name:
Title:

S-C PHOENIX HOLDINGS, L.L.C.

By: _____
Name:
Title:

[EXECUTIONS CONTINUED]

WINSTON PARTNERS II LLC

By: Chatterjee Advisors L.L.C., its manager

By: _____
Name:
Title:

WINSTON PARTNERS II LDC

By: _____
Name:
Title:

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made as of July 31, 1996 by and among Primus Telecommunications Group, Incorporated, a Delaware corporation (the "Company"), Quantum Industrial Partners LDC, a Cayman Islands limited duration company, S-C Phoenix Holdings, L.L.C., a Delaware limited liability company, Winston Partners II LDC, a Cayman Islands limited duration company and Winston Partners 11 LLC, a Delaware limited liability company (each, an "Investor" and collectively, the "Investors"). Certain capitalized terms used herein are defined in Section 9.

WHEREAS, pursuant to a Securities Purchase Agreement, dated as of July 31, 1996 (the "Purchase Agreement"), among the Company and the Investors, the Company shall issue on the date hereof to the Investors (i) 285,714 shares (the "Purchased Shares") of the Company's common stock, par value \$.01 per share (the "Common Stock") and (ii) warrants (the "Purchase Warrants") exercisable for that number of shares of Common Stock as specified therein and the Company has agreed to issue additional Common Stock to the Purchasers upon the occurrence of certain conditions specified therein (the "Additional Purchase Agreement Shares"). In addition, the Company has issued to the Investors warrants (the "Contingent Warrants") providing for the issuance of shares of Common Stock upon the occurrence of certain conditions specified therein;

WHEREAS, in order to induce the Investors to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing (as such term is defined in the Purchase Agreement) under the Purchase Agreement;

NOW, THEREFORE, the parties to this Agreement hereby agree as follows:

1. Demand Registrations.

(a) Requests for Registration. The Majority Investor Holders may request at any time after the second anniversary of the Closing (as such term is defined in the Purchase Agreement), registration under the Securities Act of all or part of their Registrable Securities on Form S-1, Form S-2 or S-3 or any similar form of registration. Each request for a Demand Registration (as defined below) shall specify the number of Registrable Securities requested to be registered, the anticipated per share price range for such offering and the proposed underwriter; provided, that the aggregate number of Registrable Securities requested to be registered in any one

Demand Registration must equal at least 50% of all shares of Common Stock owned by the Investors in registered form at the time of such request. Within ten days after receipt of any such request, the Company will give written notice of such requested registration to all other holders (if any) of Registrable Securities and, subject to paragraph 1(d) below, will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice. All registrations requested pursuant to this paragraph 1(a) are referred to herein as "Demand Registrations."

(b) Number of Demand Registrations. The Majority Investor Holders will be entitled to request two (2) Demand Registrations in which the Company will pay all Registration Expenses. A registration will not count as one of such two (2) Demand Registrations until it has become effective or the Investors withdraw their request (unless such withdrawal is pursuant to the provisions of Section 1(d) hereunder or due to a material adverse change in the business, operations, prospects or condition (financial or otherwise) of the Company since the date of such Demand). The Company will pay all Registration Expenses in connection with any initiated registration whether or not it has become effective unless the Investors withdraw their request (unless such withdrawal is pursuant to the provisions of Section 1(d) hereunder or due to a material adverse change in the business, operations, prospects or condition (financial or otherwise) of the Company since the date of such Demand). If the Demand Registration is the last Demand Registration permitted under this Section 1(b), then such registration shall not count as the last Demand Registration (and the Majority Investor Holders will be entitled to one, and only one, additional request for a Demand Registration) unless the Investors requesting such registration are able (and so request) to include in such registration that amount of Registrable Securities which will result in at least 80% of all Registrable Securities (excluding shares issuable under the Contingent Warrants to the extent that such Contingent Warrants are not then capable of being exercised or have by their terms become null and void) having been registered pursuant to the Demand Registrations and Piggyback Registrations available pursuant to this Agreement.

(c) Priority on Demand Registrations. The Company will not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the holders of a majority of the Registrable Securities included in such registration, provided that up to 5% of the securities to be included in such registration may be nonRegistrable Securities without consent of such holders if the managing underwriters advise the Company and the holders of Registrable Securities being included that the inclusion of such nonRegistrable Securities would not have a material impact on the

price or marketability of the offering. Notwithstanding the proviso contained in the previous sentence, if the Demand Registration is requested for less than 5% of the Registrable Securities owned by all of the Investors on the date hereof, than any other non-Registrable Securities may be included in such registration without the consent of such holders if the managing underwriters advise the Company and the holders of Registrable Securities being included that the inclusion of such non-Registrable Securities would not have a material impact on the price or marketability of the offering. If a Demand Registration is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering exceeds the number of Registrable Securities and other securities, if any, which can be sold therein without adversely affecting the marketability of the offering (the "Offering Quantity"), the Company will include in such registration securities in the following priority:

(i) first, before including any securities which are not Registrable Securities, the Company will include all of the Registrable Securities requested to be included by holders thereof, and if the number of Registrable Securities requested to be included exceeds the Offering Quantity, then the Company shall include only each such requesting holder's pro rata share of the Offering Quantity, based on the amount of Registrable Securities held by such holder; and

(ii) second, to the extent (and only to the extent) that the Offering Quantity exceeds the aggregate amount of Registrable Securities which are requested to be included in such registration, the Company shall include in such registration any other securities requested to be included in the offering.

Any Persons other than holders of Registrable Securities who participate in Demand Registrations which are not at the Company's expense must pay their share of the Registration Expenses as provided in Section 5 hereof.

(d) Restrictions on Demand Registrations. The Company will not be obligated to effect any Demand Registration within 180 days after the effective date of a previous Demand Registration. The Company may postpone upon one occasion in any 365 day period for up to 120 days the filing or the effectiveness of a registration statement for a Demand Registration if (i) the Company's board of directors determines that such Demand Registration would reasonably be expected to have a material adverse effect on any proposal or plan by the Company or any of its subsidiaries to engage in any acquisition of assets or shares of unrelated companies (other than in the ordinary course of business) or any merger, consolidation, tender offer or similar

transaction, (ii) if the effective date of the registration statement would otherwise be 45 calendar days or more after, but prior to 90 calendar days after, the end of the Company's fiscal year, and the Securities Act requires the Company to include audited financial statements (as of the end of such fiscal year) and (iii) the Company is preparing, or within 30 days begins to prepare, a registration statement which becomes effective within 90 days of the request (an "Intervening Statement"), provided, however, that in the case of any event described in clause (ii), such period ends as soon as possible and the Company takes all commercially reasonable actions to have such audited financial statements prepared as soon as possible, and provided, further, however, that in the case of an event described in clause (iii), the holders of the Registrable Securities requesting the Demand Registration will have a priority over all other holders (except the Company) in such Intervening Statement with respect to the inclusion of Registrable Securities. In the case of any event described above in clause (i), (ii) or (iii), the holders of a majority of Registrable Securities requesting such Demand Registration will be entitled to withdraw such request and, if such request is withdrawn, such Demand Registration will not count as one of the permitted Demand Registrations hereunder and the Company will pay all Registration Expenses in connection with such registration.

(e) Selection of Underwriters. The holders of a majority of the Registrable Securities initiating any Demand Registration will have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the Company's approval which will not be unreasonably withheld.

(f) Other Registration Rights. Except as provided in this Agreement, the Company will not grant to any Persons the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, without the prior written consent of the Majority Investor Holders.

2. Piggyback Registrations.

(a) Right to Piggyback. Whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration or a registration on Form S-4 or S-8 or any successor or similar forms) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), whether or not for sale for its own account, the Company will give prompt written notice to all holders of Registrable Securities of its intention to effect such a registration and will include in such registration all Registrable Securities with respect to which the Company has

received written requests for inclusion therein within 30 days after the receipt of the Company's notice.

(b) Piggyback Expenses. The Registration Expenses of the holders of Registrable Securities will be paid by the Company in all Piggyback Registrations.

(c) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing (with a copy to each party hereto requesting registration of Registrable Securities) that in their opinion the number of securities requested to be included on a secondary basis in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability of such primary or secondary offering (the "Company Offering Quantity"), the Company will include in such registration securities in the following priority:

(i) first, the securities the Company proposes to sell; and

(ii) second, the Company will include all securities requested to be included by any holders thereof, and if the number of such holders' securities requested to be included exceeds the Company Offering Quantity, then the Company shall include only each such requesting holder's pro rata share of the Company Offering Quantity (remaining after sales by the Company), based on the amount of securities held by such holder.

(d) Other Registrations. If the Company has previously filed a registration statement with respect to Registrable Securities pursuant to paragraph 1 or pursuant to this paragraph 2, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-4 or S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least 90 days has elapsed from the effective date of such previous registration.

3. Holdback Agreements.

(a) To the extent not inconsistent with applicable law, each Investor agrees not to effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities, options or rights convertible into or exchangeable or exercisable for such securities that such Investor owns prior to the effective date of any underwritten registration, during the seven days prior to and

the 180-day period beginning on the effective date of any underwritten registration, unless the underwriters managing the registered public offering otherwise agree; provided that such restrictions shall not be more restrictive in duration or scope than restrictions imposed on (i) any Person which has been granted registration rights by the Company, (ii) any officer or director of the Company or (iii) any 5% holder of securities of the Company.

(b) The Company agrees (i) not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and during the 180-day period beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration (except as part of such underwritten registration or pursuant to registrations on Form S-4 or S-8 or any successor form), unless the underwriters managing the registered public offering otherwise agree, and (ii) to cause each holder of its Common Stock, or any securities convertible into or exchangeable or exercisable for Common Stock, purchased from the Company at any time after the date of this Agreement (other than in a registered public offering) to agree not to effect any public sale or distribution (including sales pursuant to Rule 144) of any such securities during such period (except as part of such underwritten registration, if otherwise permitted), unless the underwriters managing the registered public offering otherwise agree.

4. Registration Procedures. Whenever the Investors have requested

that any Registrable Securities be registered pursuant to this Agreement, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company will as expeditiously as possible:

(a) prepare and (within 60 days (or 45 days with respect to any Form S-2 or S-3 registration) after the end of the period within which requests for registration may be given to the Company with such 60 day period (or 45 day period with respect to any Form S-2 or S-3 registration) not being cumulative in addition to any postponement by the Company pursuant to paragraph 1(d)) file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and thereafter use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the counsel selected by the holders of a majority of the Registrable Securities initiating such registration statement copies of all

such documents proposed to be filed, which documents will be subject to review of such counsel);

(b) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of either (i) not less than 180 days (subject to extension pursuant to paragraph 7(b)) or, if such registration statement relates to an underwritten offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer or (ii) such shorter period as will terminate when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement (but in any event not before the expiration of any longer period required under the Securities Act), and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(d) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction);

(e) notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event (a "Changing Event") as a result of which, the prospectus included in such registration statement contains

an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of any such seller, the Company will as soon as possible prepare and furnish to such seller (a "Correction Event") a reasonable number of copies of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(f) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed on the NASD automated quotation system;

(g) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(h) enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split or a combination of shares);

(i) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(j) otherwise use its best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(k) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any securities included in such registration statement for sale in any jurisdiction, the Company will use its reasonable best efforts promptly to obtain the withdrawal of such order;

(l) use its best efforts to obtain one or more comfort letters, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), signed by the Company's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters as the holders of a majority of the Registrable Securities being sold reasonably request (provided that such Registrable Securities being sold constitute at least 10% of the securities covered by such registration statement); and

(m) use its best efforts to provide a legal opinion of the Company's outside counsel, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), with respect to the registration statement, each amendment and supplement thereto, the prospectus included therein (including the preliminary prospectus) and such other documents relating thereto in customary form and covering such matters of the type customarily covered by legal opinions of such nature.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing.

5. Registration Expenses.

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), will be borne as provided in this Agreement, and the Company will, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of

any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed or on the NASD automated quotation system.

(b) In connection with each Demand Registration and each Piggyback Registration, the Company will reimburse the Investors covered by such registration for the reasonable fees and disbursements (up to a maximum amount of \$25,000) of one counsel chosen by the holders of a majority of the Investor Registrable Securities initiating such registration.

(c) To the extent Registration Expenses are not required to be paid by the Company, each holder of securities included in any registration hereunder will pay those Registration Expenses allocable to the registration of such holder's securities so included, and any Registration Expenses not so allocable will be borne by all sellers of securities included in such registration in proportion to the aggregate selling price of the securities to be so registered (other than an opinion as to the authority of such holder to take any action in connection with such registration).

6. Indemnification.

(a) The Company agrees to indemnify and hold harmless, to the extent permitted by law, each Investor, its officers and directors and each Person who controls such Investor (within the meaning of the Securities Act) against any losses, claims, damages, liabilities, joint or several, to which such Investor or any such director or officer or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse such Investor and each such director, officer and controlling person for any legal or any other expenses incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission, made in such registration statement, any such prospectus or preliminary prospectus or any amendment or supplement thereto, or in any

application, in reliance upon, and in conformity with, written information prepared and furnished to the Company by such Investor expressly for use therein or by such Investor's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such Investor with a sufficient number of copies of the same. In connection with an underwritten offering, the Company will indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act to the same extent as provided above with respect to the indemnification of the Investors.

(b) In connection with any registration statement in which an Investor is participating, each such Investor will furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law each such Investor, severally, for itself only, will indemnify and hold harmless the Company, its directors and officers and each other Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities, joint or several, to which such Investor or any such director or officer or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) which arise out of or are based upon (i) the purchase or sale of Registrable Securities during any period beginning upon a Changing Event (as defined in Section 4(e)) and ending on a Correction Event (as defined in Section 4(e)), provided such Holder received proper written notice of such Changing Event pursuant to Section 4(e), (ii) any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or in any application, or (iii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but, with respect to clauses (ii) and (iii) above, only to the extent that such untrue statement or omission is made in such registration statement, any such prospectus or preliminary prospectus or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information prepared and furnished to the Company by such Investor expressly for use therein, and such Investor will reimburse the Company and each such director, officer and controlling Person for any legal or any other expenses incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, however, that the obligation to indemnify will be individual to each Investor and will be limited to the net amount of proceeds received by such Investor from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not materially prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. Such indemnifying party shall not, however, enter into any settlement with a party without obtaining an unconditional release of each indemnified party by such party with respect to any and all claims against each indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the transfer of securities. The Company also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event the Company's indemnification is unavailable for any reason.

7. Participation in Underwritten Registrations.

(a) No Person may participate in any registration hereunder which is underwritten unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements (including, without limitation, pursuant to the terms of any overallotment or "green shoe" option requested by the managing underwriter(s), provided that no Investor will be required to sell more than the number of Registrable Securities that such holder has requested the Company to include in any registration) and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

(b) Each Person that is participating in any registration hereunder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in paragraph 4(e) above, such Person will forthwith discontinue the disposition of its Registrable Securities pursuant to the registration statement until such Person's receipt of the copies of a supplemented or amended prospectus as contemplated by such paragraph 4(e). In the event the Company shall give any such notice, the applicable time period mentioned in paragraph 4(b) during which a Registration Statement is to remain effective shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to this paragraph to and including the date when each seller of a Registrable Security covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by paragraph 4(e).

8. Current Public Information. At all times after the Company has

filed a registration statement with the Securities and Exchange Commission pursuant to the requirements of either the Securities Act or the Securities Exchange Act, the Company will file all reports required to be filed by it under the Securities Act and the Securities Exchange Act and the rules and regulations adopted by the Securities and Exchange Commission thereunder, and will use commercially reasonable best efforts to take such further action as any Investor may reasonably request, all to the extent required to enable such Investors to sell Registrable Securities pursuant to Rule 144 adopted by the Securities and Exchange Commission under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the Securities and Exchange Commission.

9. Definitions.

"Majority Investor Holders" at any time means the holders of a majority of the Registrable Securities.

"Person" means an individual, a partnership, a joint venture, a corporation, a trust, a limited liability company, an unincorporated organization and a government or any department or agency thereof.

"Registrable Securities" means (i) the Purchased Shares issued to the Investors pursuant to the Purchase Agreement, (ii) any shares of Common Stock issued or issuable upon exercise of the Purchase Warrants issued to the Investors pursuant to the Purchase Agreement, (iii) any shares of Common Stock issued or issuable upon exercise of the Contingent Warrants, (iv) the Additional Purchase Agreement Shares if issued to Investors pursuant to the terms of the Purchase Agreement, (v) any shares

of Common Stock issued or issuable directly or indirectly with respect to the securities referred to in clauses (i) through (iv) by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization and (vi) any other shares of Common Stock held by the Investors.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal law then in force.

"Securities and Exchange Commission" means the Securities and Exchange Commission and includes any governmental body or agency succeeding to the functions thereof.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal law then in force.

Unless otherwise stated, each capitalized term contained herein which is defined in the Purchase Agreement has the meaning set forth in the Purchase Agreement.

10. Miscellaneous.

(a) No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the Investors in this Agreement.

(b) Adjustments Affecting Registrable Securities. Except as otherwise provided herein, the Company will not take any action, or permit any change to occur, with respect to its securities which would materially and adversely affect the ability of the Investors to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would adversely affect the marketability of such Registrable Securities in any such registration (including, without limitation, effecting a stock split or a combination of shares).

(c) Remedies. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party hereto shall have the right to injunctive relief, in addition to all of its other rights and remedies at law or in equity, to enforce the provisions of this Agreement.

(d) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and the Majority Investor Holders.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the Investors (or any portion thereof) as such shall be for the benefit of and enforceable by any subsequent holder of any Registrable Securities (or of such portion thereof).

(f) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(g) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement.

(h) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when personally delivered or received by certified mail, return receipt requested, confirmed telecopy or sent by guaranteed overnight courier service. Such notices, demands and other communications will be sent to Investors at the addresses indicated for such Persons in the Purchase Agreement, or to any party (including any new party) at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

(j) Governing Law. The corporate law of Delaware will govern all issues concerning the relative rights of the Company and its stockholders. All other issues concerning this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of New York.

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement on the day and year first above written.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: _____
Its: President,
Chief Executive Officer

QUANTUM INDUSTRIAL PARTNERS LDC

By: _____
Its:

S-C PHOENIX HOLDINGS, L.L.C.

By: _____
Its:

WINSTON PARTNERS II LDC

By: _____
Its:

WINSTON PARTNERS II LLC

By: Chatterjee Advisors L.L.C.,
its manager

By: _____
Its:

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

	Period from February 4, 1994 to December 31, 1994	Year Ended December 31, 1995	Six Months Ended June 30,	
			1995	1996
Net Loss	\$ (577,280)	\$ (2,425,238)	\$ (793,080)	\$ (3,232,426)
Weighted average number of common shares outstanding	-	-	-	-
Dilutive effect of preferred stock, stock options and warrants	-	-	-	-
Weighted average number of common and common share equivalents outstanding	-	-	-	-
Net Loss per common and common share equivalent	\$ -	\$ -	\$ -	\$ -

Subsidiaries of Registrant

Subsidiary -----	Jurisdiction of ----- Incorporation -----
Primus Telecommunications, Inc.	Delaware
Primus Telecommunications, Ltd.	United Kingdom
Primus Telecommunications Pty., Ltd.	Australia
Primus Telecommunications de Mexico S.A. de C.V.	Mexico
Primus Telecommunications International, Inc.	Delaware
Primus Holding Corporation	Delaware
GTI Network, Inc.	Delaware
Axicorp Pty., Ltd.	Australia

* All subsidiaries are wholly-owned by the Registrant except for Primus Telecommunications de Mexico S.A. de C.V., which is 50% owned by the Registrant and 50% owned by Primus Telecommunications, Inc., and GTI Network, Inc., which is wholly-owned by Primus Holding Corporation.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF PRIMMS TELECOMMUNICATIONS GROUP, INCORPORATED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR		
	DEC-31-1995	
	JAN-01-1995	
	DEC-31-1995	
		2,295,843
		0
		797,050
		(132,353)
		0
		3,348,803
		1,098,590
		(149,714)
		5,041,611
	2,053,893	0
	0	0
		0
		20,891
		2,540,961
5,041,611		0
		1,167,058
		1,383,763
		3,568,170
		0
		0
		(58,732)
		(2,425,238)
		0
	(2,425,238)	0
		0
		0
		(2,425,238)
		0
		0

INCLUDES PREPAID EXPENSES AND OTHER CURRENT ASSETS
 INCLUDES INTANGIBLES, DEFERRED INCOME TAXES AND OTHER ASSETS
 INCLUDES ADDITIONAL PAID-IN CAPITAL, ACCUMULATED DEFICIT AND CUMULATIVE
 TRANSLATION ADJUSTMENT
 INCLUDES LONG-TERM OBLIGATIONS
 INCLUDES COST OF GOODS SOLD AND TOTAL OPERATING EXPENSES
 INCLUDES INTEREST INCOME, OTHER INCOME (EXPENSES)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

	6-MOS	
	DEC-31-1996	
	JAN-01-1996	
	JUN-30-1996	
		4,397,604
		0
	26,454,266	
	(1,605,570)	
		0
	29,803,403	
		5,983,098
	(412,868)	
	62,296,810	
44,194,522		0
	0	
	4,550	
	28,170	
	11,767,416	
62,296,810		0
	65,414,924	
		60,162,429
	67,667,223	
	(268,120)	
		0
	(334,775)	
	(2,770,003)	
	(462,423)	
(3,232,426)		0
	0	
	0	
		0
	(3,232,426)	
	0	
	0	

INCLUDES PREPAID EXPENSES AND OTHER CURRENT ASSETS
 INCLUDES INTANGIBLES, DEFERRED INCOME TAXES AND OTHER ASSETS
 INCLUDES ADDITIONAL PAID-IN CAPITAL, ACCUMULATED DEFICIT AND CUMULATIVE
 TRANSLATION ADJUSTMENT
 INCLUDES LONG-TERM OBLIGATIONS
 INCLUDES COST OF GOODS SOLD AND TOTAL OPERATING EXPENSES
 INCLUDES INTEREST INCOME, OTHER INCOME (EXPENSES)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF AXICORP PTY., LTD. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0001006837

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

YEAR		
MAR-31-1996		
APR-01-1995		
MAR-31-1996		3,218,079
		0
	24,093,020	
	(377,699)	
		0
	27,234,328	
		1,141,400
	(297,063)	
	31,084,369	
30,040,175		0
	0	
		855
		427,514
		615,825
31,084,369		0
	144,344,939	
		131,712,076
	143,504,902	
	0	
	0	
	0	
	1,059,137	
	492,455	
566,682		0
	0	
		0
	566,682	
	0	
	0	

INCLUDES OTHER CURRENT ASSETS

INCLUDES DEFERRED TAX ASSETS AND OTHER NON-CURRENT ASSETS

INCLUDES RETAINED (LOSS) EARNINGS AND CUMULATIVE TRANSLATION ADJUSTMENT

INCLUDES COST OF REVENUE AND OPERATING EXPENSES

INCLUDES INTEREST INCOME