As filed with the Securities and Exchange Commission on November 2, 1999

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

Primus Telecommunications Group, Incorporated

(Exact name of registrant as specified in its charter)

Delaware	4813	54-1708481
(State or Incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. EmployerIdentification Number)

1700 Old Meadow Road, Suite 300
McLean, Virginia 22102
(703) 902-2800
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

K. Paul Singh
Chairman, President and Chief Executive Officer
1700 Old Meadow Road, Suite 300
McLean, Virginia 22102
(703) 902-2800
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a Copy to:
James D. Epstein, Esquire
Pepper Hamilton LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, Pennsylvania 19103
(215) 981-4000

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this Registration Statement becomes effective.

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

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

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

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
12 3/4% Senior Notes due 2009..................	$250,000,000	100.00%(1)	$250,000,000(1)	$69,500

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

++
+The information in this preliminary prospectus is not complete and may be +
+changed. This preliminary prospectus is not an offer to sell these securities +
+and is not soliciting an offer to buy these securities in any state where the +
+offer or sale is not permitted. +
++

The information in this preliminary prospectus will be amended or completed, dated November 2, 1999

PROSPECTUS

- --

Offer to exchange all outstanding

12 3/4% Senior Notes due 2009 for

12 3/4% Senior Notes due 2009

which have been registered under

the Securities Act of 1933

Primus Telecommunications Group, Incorporated

- --

Primus Telecommunications Group, Incorporated offers to exchange all of its outstanding 12 3/4% Senior Notes due 2009 for 12 3/4% Senior Notes due 2009 which are registered under the Securities Act. The terms of the new notes are substantially identical to the existing notes, except that the new notes will be freely tradeable.

Investing in the new notes involves risks. "Risk Factors" begin on page 11.

The Exchange Offer expires at 5:00 p.m., New York City time, on December , 1999, unless extended. All unregistered notes that are validly tendered and not withdrawn will be exchanged. Tenders of unregistered notes may be withdrawn at any time prior to the expiration of the Exchange Offer.

We will not receive any proceeds from the Exchange Offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the new notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is November , 1999.

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In this prospectus, unless otherwise specified or the context otherwise requires, references to "dollars," "$" and "US $" are to United States dollars, references to "DM" are to German marks and references to "C$" are to Canadian dollars.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

We have included in this prospectus "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These statements are statements other than historical information or statements of current condition, relate to future events, such as the development of our iPRIMUS.com business, and can be identified by the use of forward-looking terminology such as "believes," "estimates," "expects," "intends," "may," "will," "should," or "anticipates," or by the discussion of strategy. In addition, from time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Forward-looking statements also may be included in, but are not limited to, various filings that we have made with the Securities and Exchange Commission, in press releases or in oral statements made by or with the approval of one of our authorized executive officers. Forward looking statements include, without limitation, statements regarding future margin performance, customer retention capabilities, future revenues, strategy, pricing of services and rates of "on-net" traffic. We wish to caution the reader that the forward-looking statements referred to above involve predictions. We cannot give you any assurance that the future results will be achieved or that, if achieved, such results will be indicative of the results in subsequent periods. The inclusion of forward-looking statements in this prospectus should not be regarded as a representation by us or any other person that our objectives or plans will be achieved or that our operating expectations will be realized. Actual events or results may differ materially as a result of risks facing us as more fully described in the "Risk Factors" section of this prospectus. Such risks include those associated with:

- changes in the telecommunications or Internet industry and the general economy;
- the competition we face;
- changes in service offerings;
- our limited operating history, particularly our limited experience providing Internet and data services;
- our entry into developing markets;
- our ability to manage rapid growth, including successfully integrating our recently acquired businesses;
- our ability to make acquisitions and strategic investments;
- international operations;
- our dependence on effective information and billing systems;
- our ability to develop and manage our communications network; and
- regulatory developments

We undertake no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this prospectus.

SUMMARY

This summary highlights some of the information in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. To understand this prospectus, the notes and our business, you should read the entire prospectus, especially "Risk Factors" and the Consolidated Financial Statements and related notes.

Primus

We are a full-service, facilities-based global communications company. We offer a portfolio of bundled international and domestic voice, data and Internet services to business and residential retail customers and other carriers located in the United States, Canada, the United Kingdom, continental Europe, Australia and Japan. We seek to capitalize on the increasing demand for high-quality international communications services which is being driven by the globalization of the world's economies, the worldwide trend toward telecommunications deregulation and the growth of global data and Internet traffic. Through our recently formed subsidiary, iPRIMUS.com, we target the market opportunity created by the Internet's rapid growth by providing network-based Internet and data communications services.

We have experienced significant growth and margin improvement from our initial public offering in the fourth quarter of 1996 through the second quarter of 1999, with our net revenues increasing at a compounded quarterly growth rate of 12.8% and our gross margin as a percentage of net revenue (after bad debt expense) improving from 7.7% to 23.0%. Our net revenue for the year ended December 31, 1998 was $421.6 million and we had net revenue of $316.9 million for the six months ended June 30, 1999. After giving effect to our June 1999 acquisition of the global retail telecommunications business of Telegroup, Inc. and our June 1998 acquisition of TresCom International, Inc., we would have had pro forma net revenue of $704.3 million for the year ended December 31, 1998. After giving effect to the Telegroup acquisition, we would have had pro forma net revenue of $409.8 million for the six months ended June 30, 1999.

We primarily target customers with significant international communications needs, including small- and medium-sized businesses, multinational corporations, ethnic residential customers and other carriers and resellers. We provide our approximately 1.7 million customers with a portfolio of competitively priced services, including:

- International and domestic long distance services and private networks;
- Prepaid and calling cards, toll-free services and reorigination services;
- Local services in Australia, Canada, Puerto Rico and the United States Virgin Islands;
- Dial-up, dedicated and high-speed Internet access;
- Virtual private network services; and
- Web hosting, data center co-location, and e-commerce services in some of our principal service regions.

Competitive Strengths

Established Global Network

Our worldwide network includes:

- 19 carrier-grade switches, consisting of 15 international gateway switches (nine in North America, four in Europe and two in the Asia-Pacific region) and four domestic switches in Australia;
- More than 100 points of presence (POPs) and Internet access nodes in additional markets within our principal service regions worldwide;

- Ownership interests in 23 operational undersea fiber optic cable systems connecting 29 countries, as well as interests in eight additional undersea fiber optic cable systems currently under construction; and

- A satellite earth station in London to carry Internet and data traffic to and from the Indian Ocean/Southeast Asia region.

Opportunistic Entry in International Markets

We are building our global communications business by entering selected deregulating markets that we believe present immediate market opportunities. For example, we expect our recent Telegroup acquisition and our recent acquisitions in Canada to enable us to capitalize on the growth and profit potential that we anticipate in Europe and Canada due to recent deregulation in those regions.

Strong Base of Retail Customers

Through a program of internal growth and acquisitions, we have increased our customer base to approximately 1.7 million business and residential customers. This compares with 175,000 customers as of December 31, 1997 and 447,000 customers as of December 31, 1998. We expect this increase in retail customers to continue as we expand our ability to offer our customers voice, data and Internet services on a bundled basis. We believe that our ability to increase our retail customers has been and will continue to be important because we generally realize a higher gross margin as a percentage of net revenue from these customers compared to carrier customers.

Well-Positioned for Aggressive Expansion of Internet and Data Business

We believe that our existing marketing channels and global network infrastructure position us to grow our Internet and data business. We now provide Internet access and data services to business and residential customers in Australia, Canada and Germany. We recently acquired a number of Internet service providers (ISPs) worldwide, including GlobalServe Communications, Ltd., a leading ISP in Canada, the remaining interest in HotKey Internet Services Pty. Ltd., an Australian ISP, that we did not previously own, and two German ISPs, TCP/IP GmbH, which operates an Internet backbone in Germany with over 20 POPs nationwide, and TouchNet GmbH. With our satellite earth station in London, we also offer Internet transmission services to and from the Indian Ocean/Southeast Asia region. We intend to deploy additional satellite earth stations to serve Latin America and the Pacific Rim.

We intend to invest in a U.S. Internet backbone network and an overlay to our existing network architecture. This will enable us to carry Internet and data traffic for our business, residential, carrier and ISP customers. This network overlay will use packet switched technology, which includes Internet protocol and asynchronous transfer mode (ATM), in addition to traditional circuit switched voice traffic. Packet switched technology will enable us to transport voice and data traffic compressed as "packets" over circuits shared simultaneously by several users. This network investment will allow us to use our existing network infrastructure to offer to existing and new customers a full range of data and voice communications services, including, in selected geographic areas, dial-up and dedicated Internet access, Web hosting, managed virtual private network services, and ATM and frame relay data services. Our commitment and ability to provide reliable, carrier-grade voice, data and Internet communications over our global network on a standard platform recently enabled us to qualify as a Cisco powered network.

Experienced Management Team

Our management team is composed of a strong base of professionals with extensive expertise in the communications industry. We deploy our managers to key geographic regions in an effort to help ensure that our network expansion is implemented efficiently and our acquisitions are integrated successfully.

Our Strategy

Our objective is to become a leading global provider of international and domestic voice, data and Internet services. Key elements of our strategy to achieve this objective include:

- Provide one-stop shopping for voice, data and Internet services;
- Expand the reach and data capabilities of our global network;
- Build base of retail customers with significant international communications usage;
- Pursue early entry into selected deregulating markets; and
- Grow through selected acquisitions, joint ventures and strategic investments.

Recent Developments

Recent Securities Offerings

In October 1999, we sold 8.0 million shares of our common stock at a price of $22.50 per share and issued $250 million in aggregate principal amount of the unregistered initial notes. The net proceeds from these sales were approximately $411.7 million.

Acquisitions of German ISPs

In September 1999, we acquired TouchNet, a German ISP with a POP in Munich, Germany. Through this transaction, we acquired approximately 3,000 business customers in Germany. In May 1999, we acquired TCP/IP, which operates an Internet backbone in Germany with over 20 POPs nationwide.

Digital Subscriber Line Agreement with Covad Communications

On August 5, 1999, we entered into an agreement with Covad Communications, a leading broadband access provider, to offer digital subscriber line (DSL) services in the United States. The agreement will enable us to deliver high-speed Internet access and other integrated communications services using Covad's DSL technology to business and residential customers in major U.S. metropolitan markets. Under this agreement, we will also participate in joint marketing and advertising activities with Covad.

Acquisition of Telegroup Retail Assets

Effective June 1, 1999, we acquired the global retail business of Telegroup, including the acquisition of selected Telegroup foreign subsidiaries, which includes:

- Approximately 372,000 retail customers located primarily in the United States, Europe and Australia;
- Two carrier-grade switches, one located in the New York City area and one located in London; and approximately 20 programmable switching platforms and POPs located in the United States, Europe and Japan;
- Telegroup's global network of sales agents and Web-based order-entry and provisioning system for agents; and
- A global network operations center and call center.

We expect that this acquisition initially will result in approximately $150 million of sustainable retail revenues annually, after taking into account attrition in Telegroup's customer and agent base which began to occur prior to our acquisition of Telegroup and which we expect to continue in the near future.

Acquisition of AT&T Canada Consumer Business

On May 31, 1999, we purchased the residential long distance customer base of AT&T Canada and ACC Telenterprises. This acquisition included approximately 428,000 retail voice customers, including 28,000 residential Internet customers, customer support assets, and related POPs. As part of the acquisition, we entered into a strategic alliance with AT&T Canada whereby AT&T Canada agreed to provide us with, among other things, network services in Canada for up to five years as well as customer support services for 12 months.

Global Crossing Capacity Purchase Agreements

On May 24, 1999, we entered into capacity purchase agreements with Global Crossing Holdings Ltd. We agreed to purchase up to $50 million of fiber capacity from Global Crossing, and Global Crossing agreed to purchase up to $25 million of services on our global satellite network.

Acquisition of London Telecom

On March 31, 1999, we acquired London Telecom and the assets of certain related companies, which collectively provide domestic and international long distance services to approximately 162,000 residential and business customers in Canada.

Based upon a closing price of $22.125 per share on October 29, 1999 and approximately 36,772,293 shares of our common stock outstanding as of October 29, 1999, our equity market capitalization is approximately $813.6 million.

Our executive offices are located at 1700 Old Meadow Road, McLean, Virginia 22102, and our telephone number is (703) 902-2800.

For a discussion of certain risks that should be considered in connection with an investment in the notes, see "Risk Factors" beginning on page 11.

THE EXCHANGE OFFER

The Exchange Offer..........	We are offering to exchange $1,000 in principal amount of our 12 3/4 Senior Notes due 2009 registered under the Securities Act for each $1,000 in principal amount of the outstanding unregistered 12 3/4% Senior Notes due 2009. As of the date of this prospectus, $250.0 million in aggregate principal amount of the unregistered notes is outstanding.
Expiration Date............	5:00 p.m., New York City time, on December , 1999, unless we extend the Exchange Offer.
Conditions of the Exchange Offer......................	The exchange offer is not conditioned upon any minimum principal amount of unregistered notes being tendered for exchange. The exchange offer is subject to the condition that it does not violate any applicable law or interpretation of the staff of the SEC. In addition, as a condition to its participation in the Exchange Offer, each holder of unregistered notes will be required to furnish certain written representations to us.
Accrued Interest on the Unregistered Notes.........	The new notes will bear interest at a rate equal to 12 3/4% per annum. We will pay to those holders whose unregistered notes are accepted for exchange the accrued interest on the unregistered notes from the date of original issuance or the last interest payment date, to, but excluding, the date of issuance of the new notes. Such interest is payable with the first interest payment on the new notes. Interest on the unregistered notes accepted for exchange, which accrues at the rate of 12 3/4% per annum, will cease to accrue on the day prior to the issuance of the new notes.
Procedures for Tendering Initial Notes.............	Unless a tender of unregistered notes is effected pursuant to the procedures for book-entry transfer, to accept the exchange offer you must complete and sign the letter of transmittal, have your signature guaranteed if required by the letter of transmittal, and mail or deliver the letter of transmittal, together with the unregistered notes and any other required documents, to the exchange agent at the address set forth on the back cover page of this prospectus prior to 5:00 p.m., New York City time, on the expiration date. If you are the beneficial owner of unregistered notes which are registered in the name of a nominee, such as a broker, dealer, commercial bank or trust company, and you wish to tender unregistered notes in the exchange offer, you should instruct such entity or person to promptly tender on your behalf. If you tender unregistered notes for exchange, you must represent to us that, among other things, (i) neither you nor any beneficial owner is our affiliate within Rule 405 under the Securities Act,

(ii) any new notes to be received by you or any beneficial owner are being acquired in the ordinary course of business, and

(iii) neither you nor any beneficial owner has an arrangement or understanding with any person to participate in the distribution of the new notes.

Guaranteed Delivery Procedures.................	If you wish to tender your unregistered notes and (i) your unregistered notes are not immediately available or (ii) you cannot deliver your unregistered notes or any other documents required by the letter of transmittal to the exchange agent prior to the expiration date or you cannot complete the procedure for book-entry transfer on a timely basis, you may tender your unregistered notes according to the guaranteed delivery procedures set forth in the letter of transmittal.
Acceptance of Unregistered Notes and Delivery of New Notes......................	We will accept for exchange any and all unregistered notes that are properly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The new notes will be delivered as soon as practicable after the expiration date.
Withdrawal Rights...........	Tenders of unregistered notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.
Federal Income Tax Considerations.............	The exchange pursuant to the exchange offer will not be a taxable event for federal income tax purposes.
The Exchange Agent..........	First Union National Bank is the exchange agent for the exchange offer. The address and telephone number of the Exchange Agent are set forth in "The Exchange Offer--The Exchange Agent; Assistance."
Resales of the Exchange Notes......................	Based on interpretations by the staff of the SEC in no-action letters issued to third parties, we believe that new notes issued pursuant to the exchange offer to you in exchange for the unregistered notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you are acquiring the new notes in the ordinary course of business and are not participating, and have no arrangement or understanding with any person to participate, in a distribution of the new notes. However, the foregoing is not applicable to you if you are (i) a broker-dealer who purchased the unregistered notes directly from us for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or

(ii) our affiliate within Rule 405 under the Securities Act.

Each broker-dealer that receives new notes for its own account in exchange for unregistered notes, where such unregistered notes were acquired by such broker as a result of market making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes.

The New Notes

Issuer......................	Primus Telecommunications Group, Incorporated.
Notes Offered...............	$250 million in aggregate principal amount of 12 3/4 Senior Notes due 2009.
Maturity....................	October 15, 2009.
Interest Payment Dates......	April 15 and October 15; the first interest payment date for the new notes is April 15, 2000. To date, no interest has been paid on these unregistered notes.
Ranking.....................	The new notes will rank senior in right of payment to all of our existing and future obligations that are expressly subordinated in right of payment to the new notes and will rank pari passu in right of payment with all of our other existing and future senior unsecured obligations, including our trade payables. As of June 30, 1999, after giving pro forma effect to the offering of the new notes, we would have had outstanding approximately $915.0 million of indebtedness on a consolidated basis. Because we are a holding company that conducts our business through our subsidiaries, all existing and future indebtedness and other liabilities and commitments of any of our subsidiaries, including trade payables, will be structurally senior to the new notes. As of June 30, 1999, our consolidated subsidiaries had outstanding aggregate liabilities of approximately $336.3 million, which included $46.3 million of indebtedness.
Optional Redemption.........	We may redeem some or all of the new notes at the redemption prices listed in "Description of Exchange Notes--Optional Redemption" at any time on or after October 15, 2004. Before October 15, 2002, we may redeem up to 35% of the original principal amount of new notes at the redemption price listed in "Description of Exchange Notes--Optional Redemption" with the net cash proceeds of one or more public equity offerings, provided that at least 65% of the originally issued aggregate principal amount of the new notes remain outstanding after such redemption.
Change of Control...........	If we experience a change of control, each holder of new notes may require us to purchase all or any part of such holder's new

notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.

Covenants..................	The indenture governing the new notes limits our ability and that of our restricted subsidiaries to: .incur additional indebtedness; .issue preferred stock; .pay dividends or make other distributions; .repurchase capital stock or subordinated indebtedness; .make certain other restricted payments; .create certain liens; .enter into certain transactions with affiliates; .sell assets; .issue or sell capital stock of our restricted subsidiaries; or .enter into certain mergers and consolidations.
Registration Rights........	If, .applicable law or SEC policy does not permit us to effect the Exchange Offer, .the Exchange Offer is not consummated within the prescribed periods, or .certain holders of the unregistered notes notify us they are not permitted to participate in, or would not receive freely tradable notes pursuant to, the Exchange Offer, we will use our reasonable best efforts to cause the SEC to declare effective a shelf registration statement with respect to resale of the unregistered notes and to keep the shelf registration statement continuously effective until up to two years after the date on which the unregistered notes were sold. If we fail to satisfy these registration obligations, we will be required to pay liquidated damages to the holders of the unregistered notes under certain circumstances.
Use of Proceeds............	We will not receive any proceeds from the exchange offer.

Risk Factors

Investing in the new notes involves risks. "Risk Factors" begin on page 11.

Summary Historical and Pro Forma Data

The summary financial data presented below should be read in conjunction with our consolidated financial statements, and the notes thereto, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this prospectus. The summary historical statement of operations data for the years ended December 31, 1996, 1997 and 1998 have been derived from our audited financial statements, and the summary unaudited financial data for the six months ended June 30, 1998 and 1999 have been derived from our unaudited consolidated financial statements which, in management's opinion, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth in this prospectus. The summary unaudited pro forma financial data have been derived from our audited financial statements for the year ended December 31, 1998, our unaudited financial data for six months ended June 30, 1999, the audited combined financial statements of Telegroup and certain subsidiaries for the year ended December 31, 1998, the unaudited combined financial statements of Telegroup and certain subsidiaries for the five months ended May 31, 1999, and the unaudited financial statements of TresCom International, Inc. for the period from January 1, 1998 through June 9, 1998, and should be read in conjunction with the unaudited pro forma financial data included elsewhere herein.

	Year Ended December 31,			Pro Forma As Adjusted Year Ended December 31,	Six Months Ended June 30,		Pro Forma As Adjusted Six Months Ended June 30,
	1996	1997	1998	1998(1)	1998	1999	1999(2)
	(Dollars in thousands)						
Statement of Operations Data:							
Net revenue(3)	$172,972	$280,197	$421,628	$ 704,260	$ 179,526	$316,854	$409,755
Cost of revenue	158,845	252,731	353,016	582,158	152,848	247,456	309,619
Gross margin	14,127	27,466	68,612	122,102	26,678	69,398	100,136
Operating expenses:							
Selling, general and administrative	20,114	50,622	79,532	182,547	34,367	70,849	102,516
Depreciation and amortization	2,164	6,733	24,185	45,048	7,911	21,490	28,233
Total operating expenses	22,278	57,355	103,717	227,595	42,278	92,339	130,749
Loss from operations	(8,151)	(29,889)	(35,105)	(105,493)	(15,600)	(22,941)	(30,613)
Interest expense(4)	(857)	(12,914)	(40,047)	(107,612)	(16,780)	(34,293)	(54,506)
Interest income	785	6,238	11,504	13,910	5,270	6,011	6,232
Other income (expense)	(345)	407	--	(260)	--	--	(32)
Loss before income taxes	(8,568)	(36,158)	(63,648)	(199,455)	(27,110)	(51,223)	(78,919)
Income taxes	(196)	(81)	--	(30)	--	--	(225)
Net loss	$ (8,764)	$(36,239)	$(63,648)	$(199,485)	$(27,110)	$(51,223)	$(79,144)
Geographic Data:							
Net revenue:							
North America(5)	$ 16,573	$ 74,359	$188,008		$ 68,092	$152,882	
Asia-Pacific(6)	151,253	183,126	172,757		88,446	100,494	
Europe(7)	5,146	22,712	60,863		22,988	63,478	
Total	$172,972	$280,197	$421,628		$ 179,526	$316,854	
Other Data:							
Gross margin as a percentage of net revenue	8.2%	9.8%	16.3%	17.3%	14.9%	21.9%	24.4%
EBITDA(8)	$ (5,987)	$(23,156)	$(10,920)	$ (60,445)	$(7,689)	$(1,451)	$ (2,380)
Capital expenditures(9)	$ 12,745	$ 39,465	$ 75,983		$36,029	$45,395	
Number of switches	1	11	16		15	19	

	As of June 30, 1999		
	Actual	As Adjusted(10)	As Further Adjusted(11)
	(Dollars in thousands)		
Balance Sheet Data:			
Cash and cash equivalents(12)	$ 168,679	$ 411,054	$ 580,364
Restricted investments (including current and long-term)	38,561	38,561	38,561
Working capital(13)	83,180	325,555	494,865
Total assets	1,028,444	1,278,444	1,447,754
Long-term obligations (including current portion)	664,964	914,964	914,964
Stockholders' equity	73,562	73,562	242,872

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(1) Gives pro forma effect to: (a) (i) our merger with TresCom in June 1998 and (ii) the Telegroup acquisition, (b) (i) the sale of $150 million of senior notes in May 1998, (ii) the sale of $200 million of senior notes in January 1999 and (iii) the sale of $250 million of initial unregistered notes in October 1999, in each case less discounts, commissions and estimated expenses of such offerings paid by us, and (c) the issuance of $45.5 million of senior notes in June 1999 in connection with the Telegroup acquisition, all as if they had occurred on January 1, 1998.

(2) Gives pro forma effect to: (a) the Telegroup acquisition, (b) (i) the sale of $200 million of senior notes in January 1999 and (ii) the sale of $250 million of initial unregistered notes in October 1999, in each case less discounts, commissions and estimated expenses of such offerings paid by us, and (c) the issuance of $45.5 million of senior notes in June 1999 in connection with the Telegroup acquisition, all as if they had occurred on January 1, 1999.

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

(4) Pro forma interest expense for the six months ended June 30, 1999 includes interest expense on the January 1999 senior notes, the $45.5 million senior notes issued in June 1999 in connection with the Telegroup acquisition and the initial unregistered notes sold in October 1999 and amortization of deferred financing costs where applicable. Pro forma interest expense for the year ended December 31, 1998 gives effect to the foregoing and interest expense on the 1998 senior notes.

(5) Consists primarily of net revenue from operations in the United States for all periods prior to 1997. Net revenue for the periods subsequent to December 31, 1996 reflects our commencement of operations in Canada in April 1997.

(6) Consists solely of net revenue from operations in Australia for the year ended December 31, 1996. Net revenue for the periods subsequent to December 31, 1996 reflects our commencement of operations in Japan in October 1997.

(7) Consists solely of net revenue from operations in the United Kingdom for all periods prior to 1998. Net revenue for the periods subsequent to December 31, 1997 reflects our commencement of operations in Germany in August 1998.

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

(9) Capital expenditures exclude assets acquired in business combinations and under terms of capital leases.

(10) Gives effect to the sale of the initial unregistered notes in October 1999, less discounts, commissions and estimated expenses paid by us, as if it had occurred on June 30, 1999.

(11) Gives effect to the sale of the initial unregistered notes in October 1999, and the October 1999 sale of 8,000,000 shares of our common stock at $22.50, in each case less discounts, commissions and estimated expenses paid by us, as if they had occurred on June 30, 1999.

(12) Includes $40.3 million of cash (net of cash acquired) which was paid in July 1999 for the Telegroup acquisition.

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

RISK FACTORS

You should consider carefully the following risks, in addition to the other information contained elsewhere in this offering memorandum, in evaluating whether to purchase these notes.

Our high level of debt may adversely affect our financial and operating flexibility.

We have substantial indebtedness. As of June 30, 1999, after giving effect to the sale of the initial unregistered notes in October 1999, our total indebtedness would have been approximately $915.0 million. For the six months ended June 30, 1999, after giving pro forma effect to:

- the sale of $200 million of senior notes in January 1999, less discounts, commissions and expenses of the offering paid by us;
- the Telegroup acquisition and the related issuance of $45.5 million of senior notes in June 1999; and
- the sale of the initial unregistered notes in October 1999, less discounts, commissions and estimated expenses of the offering paid by us;

all as if they had occurred on January 1, 1999, our consolidated EBITDA would have been approximately negative $2.4 million and our earnings would have been insufficient to cover our fixed charges by approximately $78.9 million.

The indenture governing the notes limits, but does not prohibit, our incurrence of additional indebtedness and does not limit the amount of indebtedness that can be incurred to finance the cost of telecommunications equipment. We have recently incurred additional indebtedness, including in connection with our Telegroup acquisition. We expect that we will incur additional indebtedness in the future and our level of indebtedness could have important consequences to you, including the following:

- any additional indebtedness could make it more difficult for us to make payments of interest on our outstanding debt, including the notes;
- we may limit our ability to obtain any necessary financing in the future for working capital, capital expenditures or other purposes;
- we must dedicate a substantial portion of our cash flow from operations, if any, to the payment of principal and interest on our indebtedness and this cash flow will not be available for our use elsewhere in our business;
- our flexibility in planning for, or reacting to, changes in our business could be limited;
- we may be at a competitive disadvantage because we are more highly leveraged than some of our competitors; and
- we may be more vulnerable in the event of a downturn in our business if we have a high level of indebtedness.

We must increase substantially our net cash flow in order to meet our debt service obligations and cannot assure you that we will be able to meet our debt service obligations, including our obligations under the new notes. The holders of such indebtedness can accelerate the maturity of such indebtedness if there is a default and that could cause defaults under our other indebtedness. Such defaults could result in a default on the new notes and could delay or preclude payments of interest or principal thereon.

We experienced historical, and will experience future, operating losses, negative cash flow from operations and net losses.

As of June 30, 1999, we had an accumulated deficit of $162.9 million. We incurred net losses of $2.4 million in 1995, $8.8 million in 1996, $36.2 million in 1997, $63.6 million in 1998, and $51.2 million for the six months ended June 30, 1999. On a pro forma basis, after giving effect to:

- the sale of $150 million of senior notes in May 1998, less discounts, commissions and expenses paid by us;

- our merger with TresCom in June 1998;

- the sale of $200 million of senior notes in January 1999, less discounts, commissions and expenses paid by us;

- the Telegroup acquisition and the related issuance of $45.5 million of senior notes in June 1999; and

- the sale of the initial unregistered notes in October 1999, less discounts, commissions and estimated expenses of the offering paid by us;

all as if they had occurred on January 1, 1998, we would have had a net loss for the year ended December 31, 1998 of $199.5 million. Our net revenue growth in each of the last 17 quarters should not be considered to be indicative of future net revenue growth, if any. We expect to continue to incur operating losses and negative cash flow from operations as we expand our operations and build-out and upgrade our telecommunications network. We cannot assure you that our net revenue will grow or be sustained in future periods or that we will be able to achieve or sustain profitability or generate positive cash flow from operations in any future period. If we cannot achieve and sustain operating profitability or positive cash flow from operations, we may not be able to meet our debt service or working capital requirements, including our obligations with respect to the new notes.

If we are unable to obtain additional financing, we may have to reduce the size of our expansion.

We continually evaluate the expansion of our service offerings and plan to make further investments in and enhancements to our telecommunications network and in distribution channels. To fund these additional cash requirements, we anticipate that we will have to raise additional financing from public or private equity or debt sources. Additionally, we may be required to seek additional capital sooner than expected if:

- our plans or assumptions change or are inaccurate, including with respect to the development of our telecommunications network, the expansion of our service offerings, the scope of our operations and our operating cash flow;

- we consummate additional investments or acquisitions;

- we experience unexpected costs or competitive pressures; or

- our existing cash and any other borrowings prove to be insufficient.

We have agreed in the indenture and certain other agreements governing our indebtedness to restrictive covenants that will affect, and in many respects will limit or prohibit significantly, our ability to incur additional indebtedness and to create liens. If we do raise additional funds through the incurrence of debt, we would likely become subject to additional restrictive financial covenants. If we are unable to obtain additional capital at all or on acceptable terms, we may be required to reduce the scope of our expansion, including the expansion of iPRIMUS.com, which could adversely affect our business prospects and our ability to compete. We cannot assure you that we will be able to raise equity capital, obtain capital lease or bank financing or incur other borrowings on commercially reasonable terms, if at all, to fund any such expansion or otherwise.

We may not be able to pay interest and principal on the new notes if we do not receive distributions from our subsidiaries.

We are a holding company and our principal assets are the stock of our operating subsidiaries. Dividends, intercompany loans and other permitted payments from our direct and indirect subsidiaries, and our own credit arrangements, are our sources of funds to meet our cash needs, including the payment of expenses and principal and interest on the new notes. Our subsidiaries are legally distinct from us and have no obligation to pay amounts due with respect to the notes or to make funds available to us. Our subsidiaries will not guarantee the new notes.

Many of our subsidiaries are organized in jurisdictions outside the United States. Their ability to pay dividends, repay intercompany loans or make other distributions may be restricted by, among other things, the availability of funds, the terms of various credit arrangements entered into by them, as well as statutory and other legal restrictions. Additionally, payments from our subsidiaries may result in adverse tax consequences. If we do not receive dividends, distributions and other payments from our subsidiaries, we would be restricted in our ability to pay interest and principal on the new notes and on our ability to utilize cash flow from one subsidiary to cover shortfalls in working capital at another subsidiary.

Our holding company structure may limit your recourse to our assets.

Creditors of the holding company, including the holders of the new notes, and the holding company itself generally will have subordinate claims against the assets of a particular subsidiary as compared to the creditors of such subsidiary. Accordingly, the new notes will be subordinated structurally to all existing and future indebtedness and other liabilities and commitments of our subsidiaries, including trade payables. As of June 30, 1999, our subsidiaries had outstanding aggregate liabilities of approximately $336.3 million. Our right to receive assets of any subsidiary upon the liquidation or reorganization of such subsidiary (and the consequent rights of the holders of the notes to participate in those assets) will be subordinated structurally to the claims of such subsidiary's creditors. However, if the holding company itself is recognized as a creditor, its claims would be subordinate to any secured indebtedness of such subsidiary and any indebtedness of such subsidiary that is senior to the holding company's claims. In addition, holders of our secured indebtedness have a claim on the assets securing such indebtedness that is prior to the claim of the holders of the new notes and would have a claim that is pari passu with the claim of the holders of the new notes to the extent such security did not satisfy such indebtedness. We have no significant assets other than the stock of our subsidiaries. If we were to enter into a bank credit facility or similar arrangement, we expect that the stock of the subsidiaries would be pledged to secure any such credit facility or arrangement.

We may enter new markets or businesses where we have limited or no operating experience.

We have limited experience in operating our business. Our company was founded in February 1994 and began generating operating revenues in March 1995. We intend to enter additional markets or businesses, including offering Internet services, where we have limited or no operating experience. Accordingly, we cannot assure you that our future operations will generate operating or net income, and you must consider our prospects in light of the risks, expenses, problems and delays inherent in establishing a new business in a rapidly changing industry.

We cannot assure you that our Internet and data business will be successful.

We have recently begun targeting businesses and residential customers for Internet and data services through our newly formed subsidiary, iPRIMUS.com, and other recently acquired ISPs. We intend to expand our offering of data and Internet services worldwide and we anticipate offering a full-range of Internet protocol-based data and voice communications over our existing global network infrastructure. We have limited experience in the Internet business and cannot assure you that we will successfully establish or expand the business. Currently, we only provide Internet services to business and residential customers in Australia, Canada and Germany, and offer Internet transmission services in the Indian Ocean/Southeast Asia regions through our satellite earth station in London.

The market for Internet connectivity and related services is extremely competitive. Our primary competitors include other ISPs that have a significant national or international presence. Many of these carriers have substantially greater resources, capital and operational experience than we do. We also expect we will experience increased competition from traditional telecommunications carriers that expand into the market for Internet services. In addition, we will require substantial additional capital to make investments in our Internet operations and we may not be able to obtain that capital on favorable terms or at all.

Further, even if we are able to establish and expand our Internet business, we will face numerous risks that may adversely affect the operations of our Internet business. These risks include:

- competition in the market for Internet services;
- our limited operating history as an ISP;
- our ability to adapt and react to rapid changes in technology related to our Internet business;
- uncertainty relating to the continuation of the adoption of the Internet as a medium of commerce and communications;
- vulnerability to unauthorized access, computer viruses and other disruptive problems due to the accidental or intentional actions of others;
- adverse regulatory developments;
- the potential liability for information disseminated over our network; and
- our need to manage the growth of our Internet business, including the need to enter into agreements with other providers of infrastructure capacity and equipment and to acquire other ISPs and Internet-related businesses on acceptable terms.

We must complete our network, operate it efficiently and generate additional traffic.

Our long-term success is dependent upon our ability to design, implement, operate, manage and maintain our communications network, and our ability to generate and move traffic onto the network. We have incurred additional fixed operating costs due to our acquisition of telecommunications equipment and other assets of TresCom, London Telecom, AT&T Canada and ACC Telenterprises and Telegroup. We will incur additional fixed operating costs as we further expand our network. These costs typically are in excess of the revenue attributable to the transmission capacity funded by such costs until we generate additional traffic volume for such capacity. We cannot guarantee that we will generate sufficient traffic to utilize economically our capacity or that we can complete our network in a timely manner or operate it efficiently. We also intend to expand our network as more countries deregulate their telecommunications industries. We cannot guarantee that we will be able to obtain the required licenses or purchase the necessary equipment on favorable terms or, if we do, that we will be able to develop successfully our network in those countries.

We must manage our development and rapid growth effectively.

Our continued growth and expansion places a significant strain on our management, operational and financial resources, and increases demands on our systems and controls. We continue to add switches and fiber optic cable and to expand our operations. We have expanded our retail operations through our recent acquisitions of TresCom, London Telecom, the consumer business of AT&T Canada, the residential long distance business of ACC Telenterprises and the retail business of Telegroup. We have also recently acquired several ISPs and created iPRIMUS.com, our subsidiary through which we intend to operate our Internet and data businesses. To manage our growth effectively, we must continue to implement and improve our operational and financial systems and controls, purchase and utilize other transmission facilities, and expand, train and manage our employee base. If we inaccurately forecast the movement of traffic onto our network, we could have insufficient or excessive transmission facilities and disproportionate fixed expenses. We cannot guarantee that we will be able to develop further our facilities-based network or expand at the rate presently planned, or that the existing regulatory barriers to such expansion will be reduced or eliminated. As we proceed with our development, we will place additional demands on our customer support, billing and management information systems, on our support, sales and marketing and administrative resources and on our network infrastructure. We cannot guarantee that our operating and financial control systems and infrastructure will be adequate to maintain and manage effectively our future growth.

We may not successfully integrate our recent acquisitions and we may not successfully complete or integrate future acquisitions.

A key element of our business strategy is to acquire or make strategic investments in complementary assets and businesses, and a major portion of our growth in recent years is as a result of such acquisitions.

Acquisitions, including our recent TresCom, London Telecom, AT&T Canada, ACC Telenterprises, Telegroup, GlobalServe and TCP/IP acquisitions, and strategic investments involve financial and operational risks. We may incur indebtedness in order to effect an acquisition and will need to service that indebtedness. An acquisition may not provide the benefits originally anticipated while we continue to incur operating expenses. There may be difficulty in integrating the service offerings, distribution channels and networks gained through acquisitions and strategic investments with our own. In a strategic investment where we acquire a minority interest in a company, we may lack control over the operations and strategy of the business, and we cannot guarantee that such lack of control will not interfere with the integration of services and distribution channels of the business with our own. Although we attempt to minimize the risk of unexpected liabilities and contingencies associated with acquired businesses through planning, investigation and negotiation, such unexpected liabilities nevertheless may accompany such strategic investments and acquisitions. We cannot guarantee that we successfully will:

- identify attractive acquisition and strategic investment candidates;

- complete and finance additional acquisitions on favorable terms; or

- integrate the acquired businesses or assets into our own.

We cannot guarantee that the integration of our business with any acquired company's business, including the businesses of TresCom, London Telecom, AT&T Canada and ACC Telenterprises, Telegroup, GlobalServe and TCP/IP, will be accomplished smoothly or successfully, if at all. If we encounter significant difficulties in the integration of the existing services or technologies or the development of new technologies, resources could be diverted from new service development, and delays in new service introductions could occur. We cannot guarantee that we will be able to take full advantage of the combined sales forces' efforts. Successful integration of operations and technologies requires the dedication of management and other personnel which may distract their attention from our day-to-day business, the development or acquisition of new technologies, and the pursuit of other business acquisition opportunities.

We experience 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. The industry has relatively limited barriers to entry in the more deregulated countries with numerous entities competing for the same customers. Customers frequently change long distance providers in response to the offering of lower rates or promotional incentives by competitors. Generally, customers can switch carriers at any time. We believe that competition in all of our 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 the non-United States markets continue to experience deregulatory influences. Further deregulation in other countries such as Canada, the United Kingdom, Germany and Japan, could result in greater competition in telecommunications services offered in these countries. This increase in competition could adversely affect net revenue per minute and gross margin as a percentage of net revenue. We compete primarily on the basis of price, particularly with respect to our sales to other carriers, and also on the basis of customer service and our ability to provide a variety of telecommunications products and services. Prices for long distance calls in several of the markets in which we compete have declined in recent years and are likely to continue to decrease. We cannot guarantee that we will be able to compete successfully in the future.

Many of our competitors are significantly larger than we, and many of our competitors have:

- substantially greater financial, technical and marketing resources;

- larger networks;

- a broader portfolio of services;

- controlled transmission lines;

- stronger name recognition and customer loyalty; and

- long-standing relationships with our target customers.

In addition, many of our competitors enjoy economies of scale that can result in a lower cost structure for transmission and related costs, which could cause significant pricing pressures within the industry. Several long distance carriers in the United States, including most recently, AT&T, MCI/WorldCom and Sprint, have introduced pricing strategies that provide for fixed, low rates for calls within the United States. If this strategy is adopted widely, it could have an adverse effect on our results of operations and financial condition if increases in telecommunications usage do not result or are insufficient to offset the effects of such price decreases. Our competitors include, among others: AT&T Corp., MCI/WorldCom, Sprint Corp., Frontier Communications Services, Inc., Pacific Gateway Exchange, Inc. and Qwest Communications International, Inc. in the United States; Telstra, Cable & Wireless Optus, AAPT, WorldxChange and GlobalOne in Australia; British Telecommunications plc., Cable and Wireless Communications, AT&T, MCI/WorldCom, GlobalOne, ACC Corporation, Colt Telecom, Energis, GTS/Esprit Telecom Group, and RSL Communications in the United Kingdom; Deutsche Telekom, O.tel.o Communications, Mannesmann ARCOR, Colt, MCI/WorldCom, and RSL Communications in Germany; Bell Canada, BCT.TELUS, AT&T Canada and Sprint Canada in Canada; Telmex, the other PTTs in Latin America, AT&T, MCI/WorldCom and Sprint in Latin America; Kokusai Denshin Denwa Co., Ltd. (KDD), Nippon Telegraph and Telephone Corporation, Japan Telecom, IDC and a number of second tier carriers such as Cable & Wireless, MCI/WorldCom and ATNet in Japan.

Recent and pending deregulation in various countries may encourage new entrants to compete, including Internet service providers, cable television companies and utilities. For example, the United States and 68 other countries have committed to open their telecommunications markets to competition pursuant to an agreement under the World Trade Organization which began on January 1, 1998. Further, in the United States once certain conditions are met under the United States Telecommunications Act of 1996, the regional bell operating companies will be allowed to enter the domestic long distance market, AT&T, MCI/WorldCom 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. In addition, we could experience additional competition in the Australian market from newly licensed telecommunications carriers with the ongoing deregulation of the Australian telecommunications market and the granting of additional carrier licenses.

A deterioration in our relationships with facilities-based carriers could have a material adverse effect on us.

We primarily connect our customers' telephone calls through transmission lines that we lease under a variety of arrangements with other facilities-based long distance carriers. Many of these carriers are, or may become, our competitors. Our ability to maintain and expand our business is dependent upon whether we continue to maintain favorable relationships with the facilities-based carriers from which we lease transmission lines. If our relationship with one or more of these carriers were to deteriorate or terminate, it could have a material adverse effect upon our cost structure, service quality, network diversity, results of operations and financial condition. Moreover, we lease transmission lines from some vendors that currently are subject to tariff controls and other price constraints which in the future may be changed.

Uncertainties and risks associated with international markets could adversely impact our international operations.

A key element of our business strategy is to expand in international markets. In many international markets, the existing incumbent carrier has certain advantages, including:

- controlling access to the local networks;

- enjoying better brand recognition and brand and customer loyalty; and

- having significant operational economies, including a larger backbone network and more foreign carrier agreements with other incumbent carriers and other service providers.

Moreover, the incumbent carrier may take many months to allow competitors to interconnect to its switches. To achieve our objective of pursuing growth opportunities in international markets, we may have to make significant investments for an extended period before returns, if any, on such investments are realized. In addition, we cannot guarantee that we will be able to obtain the permits and operating licenses required by us to:

- operate our own transmission facilities or switches;
- obtain access to local transmission facilities; or
- market, sell and deliver competitive services in these markets.

In addition, such permits and operating licenses, if we obtain them, may not be obtained in the time frame that we currently contemplate.

There are additional risks inherent in doing business on an international level which could materially and adversely impact our international operations. These risks include:

- unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers;
- difficulties in staffing and managing foreign operations;
- problems in collecting accounts receivable;
- political risks;
- fluctuations in currency exchange rates;
- foreign exchange controls which restrict or prohibit repatriation of funds;
- technology export and import restrictions or prohibitions;
- delays from customs brokers or government agencies;
- seasonal reductions in business activity during the summer months and holiday periods; and
- potentially adverse tax consequences resulting from operating in multiple jurisdictions with different tax laws.

A significant portion of our net revenue and expenses is denominated, and is expected to continue to be denominated, in currencies other than United States dollars. Changes in exchange rates may have a significant effect on our results of operations. Historically, we have not engaged in hedging transactions, and currently do not contemplate engaging in hedging transactions to mitigate foreign exchange risk.

On January 1, 1999, 11 member countries of the European Union established fixed conversion rates between their national currencies and the "euro". At that time, the euro began trading on currency exchanges and became usable for non-cash transactions. However, traditional currencies will continue to be used until at least January 1, 2002. Given the extent of our current and expected services in continental Europe and the nature of those services, we currently do not expect euro conversion to have a material impact on operations or cash flows. However, uncertainties exist as to the effects of euro conversion on certain European customers and on the economies of the participating countries. Euro conversion also will cause a better ability to compare prices in different countries which may negatively impact pricing strategies in different participating countries. We plan to continue to evaluate the impact of euro conversion on our computer and financial systems, business processes, market risk and price competition.

Malfunctions in our existing information systems or delays in implementing new ones could adversely affect us.

To bill our customers, we must record and process massive amounts of data quickly and accurately. We believe that our management information system will have to grow as our business expands and it will have to

change as new technological developments occur. We believe that the successful implementation and integration of new information systems and backroom support will be important to our ability to:

- develop and grow our business;

- monitor and control costs;

- bill our customers accurately and in a timely fashion; and

- achieve operating efficiencies.

We cannot guarantee that we will avoid delays or cost-overruns, and we may suffer adverse consequences in implementing these systems. Any such delay or other malfunction of our management information systems could have a material adverse effect on our business, financial condition and results of operations.

We must modify our systems to be Year 2000 ready.

In 1998, we began a comprehensive inventory and Year 2000 assessment of our principal computer systems, network elements, software applications and other business systems throughout the world. The Year 2000 problem is the result of computer programs being written using two digits, rather than four digits, to define the applicable year. Any of our systems, elements or applications that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in improperly routed traffic, a major system failure or miscalculations in invoices. We have completed our inventory assessment and have begun repairing or replacing the most critical items that we have determined not to be Year 2000 ready. We expect to complete the repair, replacement, testing and certification of substantially all non-ready network elements by the middle of the fourth quarter 1999. We are using both internal and external resources to identify, correct or reprogram, and test our systems for Year 2000 readiness. In addition, we are contacting third party suppliers of major equipment, software, systems and services that we use to identify and, to the extent possible, to resolve issues involving Year 2000 readiness. However, we have limited or no control over the actions of these third party suppliers. Consequently, we cannot guarantee that these suppliers will resolve any or all Year 2000 issues before the occurrence of a material disruption to our business or any of our customers.

We expect to incur in the aggregate approximately $1 to $3 million in expenditures during 1999 to complete our Year 2000 readiness program. These estimates do not include the cost of systems, software and equipment that are being replaced or upgraded in the normal course of business. The costs of modifying our network elements, software and systems for Year 2000 readiness are being funded from existing cash resources. If we do not achieve readiness prior to December 31, 1999, or if we fail to identify and remedy all critical Year 2000 problems, our results of operations or financial condition could be materially and adversely affected. We have determined that non-ready network elements and systems may result in improperly routed traffic and that non-ready, non-network systems may result in errors in customer billing and accounting records. We may also be adversely affected by general economic disruptions caused by the Year 2000 issue even in circumstances where our systems and the systems of our customers are Year 2000 ready. We have begun to develop appropriate contingency plans to mitigate, to the extent possible, any significant Year 2000 non-readiness. If we are required to implement our contingency plans, the cost of Year 2000 readiness may be greater than the amount referenced above and cannot guarantee that these plans will be adequate.

Rapid changes in the telecommunications industry could adversely affect our competitiveness and our financial results.

The international telecommunications industry is changing rapidly due to:

- deregulation;

- privatization of incumbent carriers;

- technological improvements;

- expansion of telecommunications infrastructure; and

- the globalization of the world's economies.

In addition, deregulation in any particular market may cause such market to shift unpredictably. We cannot guarantee that we will be able to compete effectively or adjust our contemplated plan of development to meet changing market conditions.

The telecommunications industry generally is experiencing a rapid technological evolution. New products and service offerings are being introduced. Satellite and undersea cable transmission capacity is increasingly available for services similar to those we provide. Potential developments that could affect us adversely if we do not anticipate them or appropriately respond to them include:

- improvements in transmission equipment;

- development of switching technology allowing voice/data/video multimedia transmission simultaneously; and

- commercial availability of competitively-priced Internet-based domestic and international switched voice/data/video services.

Our profitability will depend on our ability to anticipate, assess and adapt to rapid technological changes and our ability to offer, on a timely and cost-effective basis, services that meet evolving industry standards. We cannot guarantee that we will be able to assess or adapt to such technological changes at a competitive price, maintain competitive services or obtain new technologies on a timely basis or on satisfactory terms.

Natural disasters could adversely affect our business.

Many of the geographic areas where we conduct our business may be affected by natural disasters, including hurricanes and tropical storms. Hurricanes, tropical storms and other natural disasters could have a material adverse effect on our business by damaging our network facilities or curtailing telephone traffic as a result of the effects of such events, such as destruction of homes and businesses.

The loss of our key personnel could significantly impact us.

We depend upon the efforts of our management team and our key technical, marketing and sales personnel, particularly those of K. Paul Singh, our Chairman and Chief Executive Officer. If we lose the services of one or more of these key individuals, particularly Mr. Singh, our business and its future prospects could be materially and adversely affected. We have entered into an employment agreement with Mr. Singh, which continues until May 30, 2000, and from year to year thereafter unless terminated. We do not maintain any key person life insurance on the lives of any officer, director or key employee. Our future success will also depend on our ability to attract and retain additional key management and technical and sales personnel required in connection with the growth and development of our business. The competition to hire qualified employees and personnel in the telecommunications and Internet industries is intense, particularly in non-U.S. markets, and there are a limited number of persons with knowledge of and experience in particular sectors of the telecommunications industry. We cannot guarantee that we will be successful in attracting and retaining such executives and personnel.

We are subject to potential adverse effects of regulation.

Regulation of the telecommunications industry is changing rapidly, both domestically and internationally. Although we believe that deregulation efforts will create opportunities for us, they also present risks, which could have a material adverse effect on our business.

As a multinational telecommunications company, we are subject to varying degrees of regulation in each of the jurisdictions in which we provide our services. Local laws and regulations, and the interpretation of such

laws and regulations, differ significantly among the jurisdictions in which we operate. Future regulatory, judicial, legislative and government policy changes may have a material adverse effect on us and domestic or international regulators or third parties may raise material issues with regard to our compliance or noncompliance with applicable regulations, and therefore may have a material adverse impact on our competitive position, growth and financial performance.

In the United States, regulatory considerations that affect or limit our business include the following:

- The recent trend in the United States toward reduced regulation has 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 us;

- Any failure to maintain proper federal and state tariffs or certification, or any finding by the federal or state agencies that we are not operating under permissible terms and conditions, may result in an enforcement action or investigation;

- Under new FCC rules, local exchange carriers will be permitted to allow certain volume discounts in the pricing of access charges, which may place many long distance carriers, including us, at a significant cost disadvantage to larger competitors. The FCC may amend its rules to require us to contribute to universal service funds based on foreign revenues as well as domestic revenues; currently, the FCC only requires such contribution based on domestic revenues; and

- To the extent that the FCC finds that the International Settlements Policy still applies to us, the FCC could find that, absent a waiver, certain terms of our foreign carrier agreements do not meet the requirements of the International Settlements Policy. The FCC could, among other things, issue a cease and desist order or impose fines if it finds that these agreements conflict with the International Settlements Policy.

In Canada, regulatory considerations that affect or limit our business include the following:

- The Canadian Radio-television and Telecommunications Commission is currently conducting an examination of its international services contribution regime in light of its recent decision to move from a per circuit to a per minute contribution charge arrangement. We cannot assure you that the new regulatory framework, once implemented in Canada, will allow us to compete effectively in offering telecommunications services.

In Australia, regulatory considerations that affect or limit our business include the following:

- Carriers must meet the universal service obligation to assist in providing all Australians, particularly those living in remote areas, with reasonable access to standard telephone services. The Australian Communications Authority could make an assessment of a universal service levy that would be material or the Australian government could legislate universal service obligations that would be material.

In Europe, regulatory considerations that affect or limit our business include the following:

- A change in regulatory policy in Germany has taken place which requires us to invest in additional points of presence and transmission lines in order to continue to receive the lowest available interconnection rates. Growth of operations also requires adding additional interconnection lines. However, the cumulative demand for additional points of interconnection and interconnection lines by all alternative carriers has created a severe order backlog with Deutsche Telekom. The regulatory authority has generally declined to force Deutsche Telekom

to supply our orders of points of interconnection and interconnection lines within a certain supply period. Deutsche Telekom has not yet supplied our orders and has delayed supply of some orders contrary to its contractual obligations. Our capacity will be severely restricted until these orders are fulfilled. RegTP has so far denied action on the late or even delayed supply of interconnection points and lines by Deutsche Telekom which may severely affect our business as we may not be able to meet customer demand;

- In Germany, we are subject to numerous regulatory requirements when we operate under our license, including the requirement that we present our standard terms and conditions to German regulators and possibly that we contribute to universal service mechanisms; and

- Deutsche Telekom has exercised its option to terminate its current interconnection agreement with us as of the end of 1999 and has asked that renegotiations be commenced. Deutsche Telekom has at the same time presented us with a new draft interconnection agreement containing terms less favorable to us than in the current agreement, including, higher interconnection fees; higher resale fees for certain interconnecting calls; and minimum traffic volume requirements. Most of these new terms have not been accepted by the German telecommunications regulatory authority for the period of the current interconnection regime until the end of 1999. The same terms may, however, be introduced under the new interconnection regime as of the year 2000 and may then adversely affect our business. The first interconnection agreement signed to cover the year 2000 and beyond, however, reduced interconnection tariffs substantially. Its other terms and conditions are unknown and non-discrimination between large and smaller carriers like ourselves will, thus, become a serious issue. Whether or not non-discrimination can be ensured with respect to all terms and conditions and in a timely fashion will severely impact our business.

In Japan, there can be no guarantee that the Japanese regulatory environment will allow us to provide services in Japan at competitive rates.

In other jurisdictions regulatory considerations that affect or limit our business include the following:

- In countries that enact legislation intended to deregulate the telecommunications sector or that have made commitments to open their markets to competition in the World Trade Organization Agreement, there may be significant delays in the adoption of implementing regulations and uncertainties as to the implementation of the deregulatory programs which could delay or make more expensive our entry into such additional markets; and

- In some countries, regulators may make subjective judgments in awarding licenses and permits, and we may be excluded from such markets without any legal recourse. If we are able to gain entry into such a market, we cannot assure you that we will be able to provide a full range of services in such market. In addition, we may have to modify significantly our operations to comply with changes in the regulatory environment in such markets.

A group of our stockholders could exercise significant influence over our affairs.

As of October 15, 1999, our executive officers and directors beneficially owned approximately 26.2%, or 9,948,623 shares, of our common stock. The executive officers and directors also have been granted options to purchase an additional 590,003 shares of our common stock which vest after October 15, 1999. Of these amounts, Mr. K. Paul Singh, our Chairman and Chief Executive Officer, beneficially owns 4,762,576 shares of our common stock, including options to purchase 371,433 shares of our common stock. Investors affiliated with E.M. Warburg, Pincus & Co., LLC beneficially own 3,875,689 shares of our common stock. As a result, the executive officers, directors and Warburg, Pincus exercise significant influence over such

matters as the election of our directors, amendments to our charter, other fundamental corporate transactions such as mergers and asset sales, and otherwise the direction of our business and affairs. Additionally, under the terms of a shareholders' agreement among Warburg, Pincus, Mr. Singh and us, entered into in connection with our merger with TresCom, we agreed to nominate one individual selected by Warburg, Pincus and reasonably acceptable to our non-employee directors, to serve as a member of our board of directors. This nomination right remains effective so long as Warburg, Pincus is the beneficial owner of 10% or more of our outstanding common stock. In June 1998, Douglas Karp joined our board of directors pursuant to the foregoing arrangement.

There could be no market for the new notes.

The new notes are a new issue of securities, have no established trading market, and may not be widely distributed. We do not intend to list the new notes on any national securities exchange or to seek to have them admitted to trade on The Nasdaq Stock Market. We cannot guarantee that an active public or other market will develop for the new notes. If a trading market does not develop or is not maintained, holders of the new notes may experience difficulty in reselling the new notes or may be unable to sell them at all. If a market for the new notes develops, it may be discontinued at any time. If a public trading market develops for the new notes, future trading prices of the new notes will depend on many factors, including prevailing interest rates, our results of operations and the market for similar securities. The price at which the holders of new notes will be able to sell such new notes is not assured and the new notes could trade at a premium or discount to their purchase price or face value. Depending on prevailing interest rates, the market for similar securities and other facts, including our financial condition, the new notes may trade at a discount from their principal amount.

The liquidity of, and trading market for, the new notes also may be adversely affected by declines in the market for the 1997 Senior Notes, declines in the market for the 1998 Senior Notes and in general declines in the market for similar securities issued by other companies. Any such decline may adversely affect such liquidity and trading markets independent of our financial performance and prospects.

The new notes have not been registered under state securities laws.

The new notes have not been registered or qualified under any state securities laws. The Exchange Offer is being made both to U.S. institutional investors, pursuant to exemptions from such laws for sales to such investors, and to non-U.S. persons, as state securities laws do not apply to sales to persons who are not residents of any state. In order to acquire the unregistered notes, each holder was required to represent to us that it was either (i) a "qualified institutional buyer", (ii) an institutional "accredited investor" or (iii) a non-U.S. person. Holders who wish to exchange their unregistered notes for new notes pursuant to the Exchange Offer will be required to represent to us that they remain institutional investors or non-U.S. persons. Any holder who no longer qualifies as an institutional investor or who is no longer a non-U.S. person, will not be entitled to exchange its unregistered notes for new notes in the Exchange Offer, unless another state securities law exemption is available. If no such exemption is available, the holder will continue to hold the unregistered notes, which will continue to be subject to the restrictions on transfer as set forth in the legend thereon.

Unregistered notes that are not exchanged will continue to be subject to restrictions on transfer.

Holders of unregistered notes who do not exchange their unregistered notes for new notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such unregistered notes as set forth in the legend thereon since the unregistered notes were issued pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the unregistered notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the unregistered notes for resale under the Securities Act. New notes issued pursuant to the Exchange Offer in exchange for unregistered notes may be offered for resale, resold or otherwise transferred by the holders without compliance with the registration and

prospectus delivery provisions of the Securities Act provided that such new notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such new notes. However, the foregoing is not applicable to any such holder which is our "affiliate" and other than any broker-dealer who purchased unregistered notes directly from us for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act. Each broker-dealer that acquired unregistered notes for its own account as a result of market making or other trading activities and that receives new notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. This prospectus may be used by a broker-dealer in connection with resales of new notes received in exchange for unregistered notes where such unregistered notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the effective date of this prospectus, we will make this prospectus available to any broker-dealer for use in connection with any such resale. However, to comply with the securities laws of certain jurisdictions, if applicable, the new notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and is complied with. To the extent that unregistered notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted unregistered notes will be adversely affected.

RECENT DEVELOPMENTS

Recent Securities Offering

In October 1999, we sold 8.0 million shares of our common stock at a price of $22.50 per share and issued $250 million in aggregate principal amount of the unregistered initial notes. The net proceeds from these sales were approximately $411.7 million.

Digital Subscriber Line Agreement with Covad Communications

On August 5, 1999, we entered into an agreement with Covad Communications, a leading broadband access provider, to offer DSL services in the United States. DSL technology allows for secure high-speed Internet access using the existing copper phone wires found in nearly every home and business today. Once installed, the high-speed DSL connection is secure and is "always on," removing the need to dial-in each time a user wants to connect to the Internet. The agreement will enable us to deliver high-speed Internet access and other integrated communications services using Covad's DSL technology to business and residential customers in major U.S. metropolitan markets. Under this agreement, we will also participate in joint marketing and advertising activities with Covad.

Acquisition of Telegroup Retail Assets

On June 30, 1999 and effective as of June 1, 1999, we acquired the global retail business of Telegroup, including the acquisition of selected Telegroup foreign subsidiaries, which includes:

- Approximately 372,000 retail customers located primarily in the United States, Europe and Canada;
- Two carrier grade switches, one located in the New York City area and one located in London;
- Approximately 20 programmable switching platforms and POPs located in the United States, Europe and Japan;
- Telegroup's global network of sales agents;
- A Web-based order-entry and provisioning system for agents; and
- A global network operations center and call center.

We paid the $71.8 million purchase price, plus $22.2 million for certain current assets, by issuing $45.5 million in aggregate principal amount of our 11 1/4% senior notes due 2009 and by issuing a $4.6 million short-term promissory note and paying the remainder in cash. The purchase price is subject to adjustment. The acquisition had an effective date of June 1, 1999 such that the financial results of the acquired business have been included in the Company's results beginning June 1, 1999.

We expect that this acquisition initially will result in approximately $150 million of sustainable retail revenues annually, after taking into account attrition in Telegroup's customer and agent base, which began to occur prior to our acquisition of Telegroup and which we expect to continue for the near future.

Acquisition of AT&T Canada Consumer Business

On May 31, 1999, we purchased the residential long distance customer base and customer support assets and residential Internet customers and network of AT&T Canada and ACC Telenterprises for a purchase price of C$54.1 million (C$40.7 million in cash and C$13.4 million in debt). We also entered into a strategic alliance pursuant to which AT&T Canada agreed to:

- provide us with underlying network services in Canada for five years;
- provide Canadian domestic termination for our global customers;

- provide customer support services to the customer base transferred to us for up to twelve months after the purchase; and

- license to us its bill face for six months after the purchase.

We intend to integrate the assets and residential long distance customer base of AT&T Canada and ACC Telenterprises into Primus Canada, our wholly-owned operating subsidiary in Canada. With this transaction, we acquired approximately 428,000 retail voice customers, including 28,000 residential Internet customers, customer support assets, and related POPs.

Internet and Data Services

In May 1999, we organized our Internet and data services business to be operated by our new subsidiary, iPRIMUS.com, which will provide services in some of the markets where we operate. We expect that we will use our existing global network infrastructure to offer a full range of Internet Protocol-based data and voice communications services. In February 1999, we acquired Globalserve Communications, a leading ISP in Canada, and we acquired the remaining 40% interest in Hotkey Internet Services that we did not previously own. We also recently acquired two German ISPs, TCP/IP, which operates an Internet backbone in Germany with over 20 POPs nationwide, and TouchNet. As a result of these acquisitions, we are now providing Internet services to business and residential customers in Australia, Canada and Germany. With our satellite earth station in London, we offer Internet transmission services in the Indian Ocean/Southeast Asia region. We intend to deploy additional satellite earth stations to service Latin America and the Pacific Rim. Our commitment and ability to provide voice, data and Internet communications over our global integrated communications network enabled us to qualify as a Cisco powered network.

Global Crossing Capacity Purchase Agreements

On May 24, 1999, we entered into capacity purchase agreements with Global Crossing Holdings Ltd. We agreed to purchase up to $50 million of fiber capacity from Global Crossing, and Global Crossing agreed to purchase up to $25 million of services on our global satellite network.

Acquisition of London Telecom

On March 31, 1999, we acquired London Telecom, a provider of domestic and international long distance services to approximately 162,000 residential and business customers in Canada and substantially all of the operating assets of Wintel CNC Communications, Inc. and Wintel CNT Communications, Inc., which are Canadian-based long distance telecommunications providers affiliated with the London Telecom companies, for C$76.0 million in cash. As part of this acquisition, we acquired network assets as well as call centers located in Toronto and Vancouver. We intend to continue marketing the London Telecom services under the London Telecom brand names.

USE OF PROCEEDS

We will not receive any proceeds from the new notes issued in the exchange offer.

THE EXCHANGE OFFER

Purpose and Effect

We sold the initial unregistered notes to the initial purchasers, including Lehman Brothers, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and CIBC World Markets Corp. on October 15, 1999, pursuant to a purchase agreement entered into as of October 12, 1999 by and between us and the initial purchasers. The initial purchasers subsequently resold the initial notes in reliance on Rule 144A under the Securities Act and certain other exemptions under the Securities Act. We and the initial purchasers also entered into a registration rights agreement, pursuant to which we agreed, with respect to the initial notes, to

(i) cause to be filed with the Commission as promptly as practicable a registration statement under the Securities Act concerning the exchange offer,

(ii) use our reasonable best efforts to cause such registration statement to be declared effective by the Commission on or prior to March 6, 2000 and

(iii) file all pre- and post-effective amendments necessary to cause such registration statement to become effective and cause all necessary filings in connection with the registration and qualification of the new notes under the "blue sky" laws of such jurisdictions as are necessary to consummate the exchange,

(iv) use our reasonable best efforts to cause the exchange offer to be consummated on or before April 5, 2000, and

(v) deliver the new notes in the same aggregate principal amount as the aggregate principal amount of the initial unregistered notes as are tendered by holders thereof pursuant to the exchange offer.

We also agreed to use our reasonable best efforts to keep the registration statement effective for no less than 20 business days. This exchange offer is intended to satisfy our exchange offer obligations under the registration rights agreement.

Terms of the Exchange Offer

We hereby offer, upon the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal, to exchange $1,000 in principal amount of the new notes for each $1,000 in principal amount of the outstanding unregistered initial notes. We will accept for exchange any and all initial notes that are validly tendered on or prior to 5:00 p.m., New York City time, on December , 1999. Tenders of the initial notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on December , 1999. This exchange offer is not conditioned upon any minimum principal amount of the initial notes being tendered for exchange. However, the exchange offer is subject to the conditions, terms and provisions of the registration rights agreement. The form and terms of the new notes will be identical in all material respects to the form and terms of the initial notes, except that

(i) the new notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof,

(ii) subject to certain limited exceptions, holders of new notes will not be entitled to liquidated damages, and

(iii) holders of new notes will not be, and upon consummation of the exchange offer, holders of initial notes will no longer be, entitled to certain rights under the registration rights agreement intended for holders of unregistered securities.

Initial notes may be tendered only in multiples of $1,000. Subject to the foregoing, holders may tender less than the aggregate principal amount represented by the initial notes held by them, provided that they

appropriately indicate this fact on the Letter of Transmittal accompanying the tendered initial notes (or so indicate pursuant to the procedures for book-entry transfer).

As of the date of this prospectus, $250.0 million in aggregate principal amount of the initial notes is outstanding. As of November , 1999, CEDE was the sole registered holder of the initial notes and held $250.0 million of aggregate principal amount of the initial notes for [22] of its participants. Solely for reasons of administration (and for no other purpose), we have fixed the close of business on November , 1999, as the record date for purposes of determining the persons to whom this prospectus and the Letter of Transmittal will be mailed initially. Only a holder of the initial notes (or such holder's legal representative or attorney-in-fact) may participate in the exchange offer. There will be no fixed record date for determining holders of the initial notes entitled to participate in the exchange offer. We believe that, as of the date of this prospectus, no such holder is our affiliate (as defined in Rule 405 under the Securities Act).

We shall be deemed to have accepted validly tendered initial notes when, as and if we have given oral or written notice thereof to the exchange agent. The exchange agent will act as agent for the tendering holders of initial notes and for the purposes of receiving the new notes from us.

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

Expiration Date; Extensions; Amendments

The expiration date of the exchange offer is December , 1999 at 5:00 p.m., New York City time, unless we, in our sole discretion, extend the exchange offer, in which case the expiration date shall be the latest date and time to which the exchange offer is extended.

In order to extend the exchange offer, we will notify the exchange agent of any extension by oral or written notice and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Such notice and public announcement shall set forth the new expiration date of the exchange offer.

We reserve the right, in our sole discretion,

(i) to delay accepting any initial notes,

(ii) to extend the exchange offer,

(iii) if any of the conditions set forth below under "Conditions of the Exchange Offer" shall not have been satisfied, to terminate the exchange offer by giving oral or written notice of such delay, extension or termination to the exchange agent, and

(iv) to amend the terms of the exchange offer in any manner.

If the exchange offer is amended in a manner determined by us to constitute a material change, we will, in accordance with applicable law, file a post-effective amendment to the registration statement and resolicit the registered holders of the initial notes. If we file a post-effective amendment, we will notify the exchange agent of an extension of the exchange offer by oral or written notice, and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the effectiveness of such post-effective amendment. Such notice and public announcement shall set forth the new expiration date, which new expiration date shall be no less than five days after the then applicable expiration date.

Conditions of the Exchange Offer

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

Further, as a condition to its participation in the exchange offer, each holder of initial notes (including, without limitation, any holder who is a broker-dealer) will be required to furnish a written representation to us (which may be contained in the Letter of Transmittal to the effect that such holder

(i) is not our affiliate,

(ii) is not engaged in, or does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the new notes to be issued in the exchange offer and

(iii) is acquiring the new notes in its ordinary course of business.

Each holder using the exchange offer to participate in a distribution of the new notes will be required to acknowledge and agree that, if the resales are of new notes obtained by such holder in exchange for initial notes acquired directly from us or our affiliate, it (1) could not, under Commission policy as in effect on the date of the registration rights agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling (available July 2, 1993) and K-III Communications Corporation (available May 14, 1993), or similar no-action or interpretive letters, and (2) must comply with the registration and prospectus delivery requirements of the Exchange Act in connection with a secondary resale transaction and that such a secondary sale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K, unless an exemption from registration is otherwise available.

In addition, each holder of initial notes will be required to furnish a written representation to the Company (which may be contained in the Letter of Transmittal to the effect that such holder is either (A) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, (B) an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act or (C) a non-U.S. person within the meaning of Regulation S under the Securities Act.

Termination of Certain Rights

The registration rights agreement provides that, subject to certain exceptions, in the event of a registration default, holders of initial notes are entitled to receive liquidated damages, if

(i) any of such registration statements are not declared effective by the Commission on or prior to the date specified for such effectiveness in the registration rights agreement,

(ii) the exchange offer has not been consummated within 30 days after the effectiveness target date with respect to the exchange offer registration statement or

(iii) any registration statement required by the registration rights agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose (in the case of the exchange offer registration statement, at any time after the effectiveness target date and, in the case of any shelf registration statement, at anytime) without being succeeded within five business days by a post-effective amendment to such registration statement that cures such failure and that is itself immediately declared effective (each event referred to in clauses (i) through (iii) above being a registration default),

then additional cash interest shall accrue to each holder of the notes commencing upon the occurrence of such registration default in an amount equal to .50% per annum of the principal amount of notes held by such holder. The amount of liquidated damages will increase by an additional .50% per annum of the principal amount of notes with respect to each subsequent 90-day period (or portion thereof) until all registration defaults have been cured, up to a maximum rate of liquidated damages of 1.50% per annum of the principal amount of

notes. All accrued liquidated damages will be paid to holders by us in the same manner as interest is paid pursuant to the indenture. Following the cure of all registration defaults relating to any particular transfer restricted securities, the accrual of liquidated damages with respect to such transfer restricted securities will cease.

Accrued Interest on the Initial Notes

The new notes will bear interest at a rate equal to 12 3/4% per annum from and including their date of issuance. Holders whose initial notes are accepted for exchange will have the right to receive interest accrued thereon from the date of their original issuance or the last interest payment date, as applicable to, but not including, the date of issuance of the new notes. Such interest will be payable with the first interest payment on the new notes. Interest on the initial notes accepted for exchange, which interest accrued at the rate of 12 3/4% per annum, will cease to accrue on the day prior to the issuance of the new notes.

Procedures for Tendering Initial Notes

The tender of a holder's initial notes as set forth below and the acceptance thereof by us will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions set forth in this prospectus and in the accompanying Letter of Transmittal. Except as set forth below, a holder who wishes to tender initial notes for exchange pursuant to the exchange offer must transmit such initial notes, together with a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to the exchange agent at the address set forth on the back cover page of this Prospectus prior to 5:00 p.m., New York City time, on the expiration date.

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

Each signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the initial notes surrendered for exchange pursuant hereto are tendered

(i) by a registered holder of the initial notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" in the Letter of Transmittal or

(ii) by an eligible institution (as described below).

In the event that a signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, is required to be guaranteed, such guarantee must be by a firm which is a member of a registered national securities exchange or The Nasdaq Stock Market, a commercial bank or trust company having an office or correspondent in the United States or otherwise be an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act. If the Letter of Transmittal is signed by a person other than the registered holder of the initial notes, the initial notes surrendered for exchange must either

(i) be endorsed by the registered holder, with the signature thereon guaranteed by an eligible institution or

(ii) be accompanied by a bond power, in satisfactory form as determined by us in our sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an eligible institution.

The term "registered holder" as used herein with respect to the initial notes means any person in whose name the initial notes are registered on the books of the Registrar.

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

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

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

By tendering, each registered holder will represent to us that, among other things

(i) the new notes to be acquired in connection with the exchange offer by the holder and each beneficial owner of the initial notes are being acquired by the holder and each beneficial owner in the ordinary course of business of the holder and each beneficial owner,

(ii) the holder and each beneficial owner are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the new notes,

(iii) the holder and each beneficial owner acknowledge and agree that any person participating in the exchange offer for the purpose of distributing the new notes must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the new notes acquired by such person and cannot rely on the position of the staff of the Commission set forth in no-action letters that are discussed herein under "Resales of the Exchange Notes,"

(iv) that if the holder is a broker-dealer that acquired initial notes as a result of market making or other trading activities, it will deliver a prospectus in connection with any resale of new notes acquired in the exchange offer,

(v) the holder and each beneficial owner understand that a secondary resale transaction described in clause (iii) above should be covered by an effective registration statement containing the selling security holder information required by Item 507 of Regulation S-K of the Commission, and

(vi) neither the holder nor any beneficial owner is an "affiliate," as defined under Rule 405 of the Securities Act, of us except as otherwise disclosed to us in writing.

In connection with a book-entry transfer, each participant will confirm that it makes the representations and warranties contained in the Letter of Transmittal.

Guaranteed Delivery Procedures. Holders who wish to tender their initial notes and

(i) whose initial notes are not immediately available or

(ii) who cannot deliver their initial notes or any other documents required by the Letter of Transmittal to the exchange agent prior to the expiration date (or complete the procedure for book-entry transfer on a timely basis),

may tender their initial notes according to the guaranteed delivery procedures set forth in the Letter of Transmittal. Pursuant to such procedures:

(i) such tender must be made by or through an eligible institution and a Notice of Guaranteed Delivery (as defined in the Letter of Transmittal) must be signed by such holder,

(ii) on or prior to the expiration date, the exchange agent must have received from the holder and the eligible institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder, the certificate number or numbers of the tendered initial notes, and the principal amount of tendered initial notes, stating that the tender is being made thereby and guaranteeing that, within three business days after the date of delivery of the Notice of Guaranteed Delivery, the tendered initial notes, a duly executed Letter of Transmittal and any other required documents will be deposited by the eligible institution with the exchange agent, and

(iii) such properly completed and executed documents required by the Letter of Transmittal and the tendered initial notes in proper form for transfer (or confirmation of a book-entry transfer of such initial notes into the exchange agent's account at the depositary) must be received by the exchange agent within three business days after the expiration date.

Any holder who wishes to tender initial notes pursuant to the guaranteed delivery procedures described above must ensure that the exchange agent receives the Notice of Guaranteed Delivery and Letter of Transmittal relating to such initial notes prior to 5:00 p.m., New York City time, on the expiration date.

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

Acceptance of Initial Notes for Exchange; Delivery of New Notes

Upon satisfaction or waiver of all the conditions to the exchange offer, we will accept any and all initial notes that are properly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The new notes issued pursuant to the exchange offer will be delivered as soon as practicable after acceptance of the initial notes. For purposes of the exchange offer, we shall be deemed to have accepted validly tendered initial notes, when, as, and if we have given oral or written notice thereof to the exchange agent.

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

Withdrawal Rights

Tenders of the initial notes may be withdrawn by delivery of a written notice to the exchange agent, at its address set forth on the back cover page of this prospectus, at any time prior to 5:00 p.m., New York City time, on the expiration date. Any such notice of withdrawal must

(i) specify the name of the person having deposited the initial notes to be withdrawn,

(ii) identify the initial notes to be withdrawn (including the certificate number or numbers and principal amount of such initial notes, as applicable),

(iii) be signed by the holder in the same manner as the original signature on the Letter of Transmittal by which such initial notes were tendered (including any required signature guarantees) or be accompanied by a bond power in the name of the person withdrawing the tender, in satisfactory form as determined by us in our sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an eligible institution together with the other documents required upon transfer by the indenture, and

(iv) specify the name in which such initial notes are to be re-registered, if different from the depositor, pursuant to such documents of transfer.

Any questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by us, in our sole discretion and such determination shall be final and binding. The initial notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any initial notes which have been tendered for exchange but which are withdrawn will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal. Properly withdrawn initial notes may be retendered by following one of the procedures described under "The Exchange Offer--Procedures for Tendering Initial Notes" at any time on or prior to the expiration date.

The Exchange Agent; Assistance

First Union National Bank is the exchange agent. All tendered initial notes, executed Letters of Transmittal and other related documents should be directed to the exchange agent. Questions and requests for assistance and requests for additional copies of the prospectus, the Letter of Transmittal and other related documents should be addressed to the exchange agent as follows:

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

Solicitation of Tenders; Fees and Expenses

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

All expenses incident to our consummation of the exchange offer and compliance with the registration rights agreement will be borne by us, including, without limitation:

(i) all registration and filing fees (including, without limitation, fees and expenses of compliance with state securities laws),

(ii) printing expenses (including, without limitation, expenses of printing certificates for the new notes in a form eligible for deposit with the depositary and of printing prospectuses),

(iii) messenger, telephone and delivery expenses,

(iv) fees and disbursements of our counsel,

(v) fees and disbursements of independent certified public accountants,

(vi) rating agency fees,

(vii) our internal expenses (including, without limitation, all salaries and expenses of our officers and employees performing legal or accounting duties), and

(viii) fees and expenses incurred in connection with the listing, if any, of the new notes on a securities exchange.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptance of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

Accounting Treatment

The new notes will be recorded at the same carrying value as the initial notes, as reflected in our accounting records on the date of the exchange. Accordingly, no gain or loss will be recognized by us for accounting purposes. The expenses of the exchange offer will be amortized over the term of the new notes.

Resales of the New Notes

Based on interpretations by the staff of the Commission set forth in no-action letters issued to third parties,we believe that the new notes issued pursuant to the exchange offer to a holder in exchange for initial notes may be offered for resale, resold and otherwise transferred by such holder (other than (i) a broker-dealer who purchased initial notes directly from us for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act, or (ii) a person that is our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holder is acquiring the new notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in the distribution of the new notes. We have not requested or obtained an interpretive letter from the Commission staff with respect to this exchange offer, and we and the holders are not entitled to rely on interpretive advice provided by the staff to other persons, which advice was based on the facts and conditions represented in such letters. However, the exchange offer is being conducted in a manner intended to be consistent with the facts and conditions represented in such letters. If any holder acquires new notes in the exchange offer for the purpose of distributing or participating in a distribution of the new notes, such holder cannot rely on the position of the staff of the Commission enunciated in Morgan Stanley & Co., Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letters to Shearman and Sterling (available July 2, 1993) and K-III Communications Corporation (available May 14, 1993), or similar no-action or interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction, unless an exemption from registration is otherwise available. Each broker-dealer that receives new notes for its own account in exchange for initial notes, where such initial notes were acquired by such broker-dealer as a result of market making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. We have agreed that for a period of 180 days after the effective date of this prospectus, we will make this prospectus, as amended and supplemented, available to any broker-dealer who receives new notes in the exchange offer for use in connection with any such resale. See "Plan of Distribution."

Consequences of Failure to Exchange

Holders of initial notes who do not exchange their initial notes for new notes pursuant to the exchange offer will continue to be subject to the restrictions on transfer of such initial notes as set forth in the legend thereon as a consequence of the offer or sale of the initial notes pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the initial notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exception from, or in a transaction not subject to, the Securities Act and applicable states securities laws. We do not currently anticipate that we will register the initial notes under the Securities Act.

Other

Participation in the exchange offer is voluntary, and holders of initial notes should carefully consider whether to participate. Holders of the initial notes are urged to consult their financial and tax advisers in making their own decisions on what action to take.

As a result of the making of, and upon acceptance for exchange of all validly tendered initial notes pursuant to the terms of, this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement. Holders of initial notes who do not tender their initial notes in the exchange offer will

continue to hold such initial notes and will be entitled to all the rights, and limitations applicable thereto, under the indenture, except for any such rights under the registration rights agreement that by their terms terminate or cease to have further effectiveness as a result of the making of this exchange offer. All untendered initial notes will continue to be subject to the restrictions on transfer set forth in the indenture. To the extent that initial notes are tendered and accepted in the exchange offer, the trading market for untendered initial notes could be adversely affected.

We may in the future seek to acquire untendered initial notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plan to acquire any initial notes which are not tendered in the exchange offer.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999. Our capitalization is presented:

- on an actual basis;

- on an as adjusted basis, after giving effect to the sale of the initial unregistered notes in October 1999, less discounts, commissions and expenses paid by us; and

- on an as adjusted basis, after giving effect to the preceding bullet points, and as further adjusted for the sale of 8,000,000 shares of our common stock in October 1999 at $22.50, less discounts, commissions and estimated expenses paid by us. We cannot assure you that the proposed common stock offering will be completed.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, and notes thereto, included elsewhere in this offering memorandum.

	As of June 30, 1999		
	Actual	As Adjusted	As Further Adjusted
	(Dollars in thousands)		
Cash and cash equivalents(1)	$168,679	$411,054	$ 580,364
Restricted investments (including current and long-term)	38,561	38,561	38,561
Total cash, cash equivalents and restricted investments	$207,240	$449,615	$ 618,925
Debt and capital lease obligations (including current portions):			
11 3/4% Senior Notes due 2004	223,159	223,159	223,159
9 7/8% Senior Notes due 2008	150,000	150,000	150,000
11 1/4% Senior Notes due 2009	245,467	245,467	245,467
12 3/4% Senior Notes due 2009	--	250,000	250,000
Capital lease obligations	26,863	26,863	26,863
Other long-term obligations (including current portions)	19,475	19,475	19,475
Total debt and capital lease obligations	664,964	914,964	914,964
Stockholders' equity:			
Common Stock, $.01 par value--authorized 80,000,000 shares; issued and outstanding 28,658,488 actual and as adjusted shares and 36,658,488 as further adjusted shares	287	287	367
Additional paid-in capital	242,536	242,536	411,766
Accumulated deficit	(162,876)	(162,876)	(162,876)
Accumulated other comprehensive loss	(6,385)	(6,385)	(6,385)
Total stockholders' equity	73,562	73,562	242,872
Total capitalization	$738,526	$988,526	$1,157,836

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(1) Includes $40.3 million (net of cash acquired) paid in July 1999 for the Telegroup acquisition.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the consolidated financial statements, the notes thereto, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this prospectus. The statement of operations data from inception to December 31, 1994, for the years ended December 31, 1995, 1996, 1997, 1998 and the balance sheet data as of December 31, 1994, 1995, 1996, 1997 and 1998 have been derived from the consolidated financial statements, which have been audited by Deloitte & Touche LLP, independent auditors. The statement of operations data for the six months ended June 30, 1998 and 1999, and the balance sheet data as of June 30, 1999, have been derived from the unaudited consolidated financial statements which, in management's opinion, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein.

	Period from Inception through December 31,	Year Ended December 31,				Six Months Ended June 30,	
	1994	1995	1996	1997	1998	1998	1999
	(Dollars in thousands)						
Statement of Operations Data:							
Net revenue(1)	$ --	$ 1,167	$172,972	$280,197	$421,628	$179,526	$ 316,854
Cost of revenue	--	1,384	158,845	252,731	353,016	152,848	247,456
Gross margin (deficit)	--	(217)	14,127	27,466	68,612	26,678	69,398
Operating expenses:							
Selling, general and administrative	557	2,024	20,114	50,622	79,532	34,367	70,849
Depreciation and amortization	12	160	2,164	6,733	24,185	7,911	21,490
Total operating expenses	569	2,184	22,278	57,355	103,717	42,278	92,339
Loss from operations	(569)	(2,401)	(8,151)	(29,889)	(35,105)	(15,600)	(22,941)
Interest expense	(13)	(59)	(857)	(12,914)	(40,047)	(16,780)	(34,293)
Interest income	5	35	785	6,238	11,504	5,270	6,011
Other income (expense)	--	--	(345)	407	--	--	--
Loss before income taxes	(577)	(2,425)	(8,568)	(36,158)	(63,648)	(27,110)	(51,223)
Income taxes	--	--	(196)	(81)	--	--	--
Net loss	$(577)	$ (2,425)	$ (8,764)	$(36,239)	$(63,648)	$(27,110)	$ (51,223)
Ratio of earnings to fixed charges(2)	--	--	--	--	--	--	--
Geographic Data:							
Net revenue							
North America(3)	$ --	$ 1,167	$ 16,573	$ 74,359	$188,008	$ 68,092	$ 152,882
Asia-Pacific(4)	--	--	151,253	183,126	172,757	88,446	100,494
Europe(5)	--	--	5,146	22,712	60,863	22,988	63,478
Total	$ --	$ 1,167	$172,972	$280,197	$421,628	$179,526	$ 316,854
Other Data:							
Gross margin (deficit) as a percentage of net revenue	--	(18.6)%	8.2%	9.8%	16.3%	14.9%	21.9%
EBITDA(6)	$(557)	$ (2,241)	$ (5,987)	$(23,156)	$(10,920)	$ (7,689)	$ (1,451)
Capital expenditures(7)	$ 106	$ 396	$ 12,745	$ 39,465	$ 75,983	36,029	$ 45,395
Number of switches	--	1	1	11	16	15	19

	As of December 31,					As of June 30,
	1994	1995	1996	1997	1998	1999
	(Dollars in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 221	$ 2,296	$ 35,474	$115,232	$136,196	$ 168,679
Restricted investments (including current and long-term)	--	--	--	73,550	50,623	38,561
Working capital (deficit)	(264)	1,295	44,233	118,615	107,193	83,180
Total assets	487	5,042	135,609	355,393	673,963	1,028,444
Long-term obligations (including current portion)	13	528	17,248	231,211	420,174	664,964
Stockholders' equity (deficit)	(71)	2,562	76,440	42,526	114,917	73,562

(1) Net revenue is after provision for bad debt.
(2) The ratio of earnings to fixed charges is computed by dividing pre-tax income from operations before fixed charges (other than capitalized interest) by fixed charges. Fixed charges consist of interest charges, whether expensed or capitalized, and that portion of rental expense we believe to be representative of interest. For the years ended December 31, 1994, 1995, 1996, 1997 and 1998, and for the six month periods ended June 30, 1998 and 1999, earnings were insufficient to cover fixed charges by $0.6 million, $2.4 million, $8.6 million, $36.4 million, $63.6 million, $27.1 million, and $51.2 million, respectively.
(3) Consists primarily of net revenue from operations in the United States for all periods prior to 1997. Net revenue subsequent to December 31, 1996 reflects our commencement of operations in Canada beginning in April, 1997.
(4) Consists solely of net revenue from operations in Australia for the year December 31, 1996. Net revenue subsequent to December 31, 1996 reflects our commencement of operations in Japan beginning in October 1997.
(5) Consists solely of net revenue from operations in the United Kingdom for all periods prior to 1998. Net revenue subsequent to December 31, 1997 reflects our commencement of operations in Germany in August 1998.
(6) As used herein, "EBITDA" is defined as income (loss) from operations plus depreciation and amortization expense. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included to provide additional information regarding our ability to meet future debt service, capital expenditures and working capital requirements. EBITDA is not necessarily a measure of our ability to fund our cash needs and is not necessarily comparable to similarly titled measures of other companies.
(7) Capital expenditures excludes assets acquired in business combinations and under terms of capital leases.

UNAUDITED PRO FORMA FINANCIAL DATA

The following unaudited pro forma consolidated financial statements are based on the historical presentation of our consolidated financial statements, the combined financial statements of Telegroup and certain subsidiaries and the financial statements of TresCom.

The Unaudited Pro Forma Consolidated Statement of Operations for the six months ended June 30, 1999 gives effect to:

- the sale of $200 million of senior notes in January 1999, less discounts, commissions and expenses paid by us;
- the Telegroup acquisition and the related issuance of $45.5 million of senior notes in June 1999; and
- the sale of $250 million of initial unregistered notes in October 1999 less discounts, commissions and estimated expenses paid by us;

as if each had occurred on January 1, 1999.

The Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 1998 gives effect to all of the items described in the preceding bullet points and:

- the sale of $150 million of senior notes in May 1998, less discounts, commissions and expenses paid by us; and
- our merger with TresCom in June 1998;

as if each had occurred on January 1, 1998.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements, including notes thereto, of Primus, TresCom and Telegroup included elsewhere herein.

The unaudited pro forma consolidated financial statements do not give effect to our acquisitions of the common stock of London Telecom (and the assets of certain related companies) and assets of AT&T Canada and ACC Telenterprises.

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

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1999
(Dollars in thousands)

			Adjustments		
	Primus(1)	Telegroup(2)	Telegroup	Notes Issuances	Pro Forma As Adjusted
Net revenue	$316,854	$101,618(3)	$(5,676)(4) (3,041)(5)	$ --	$409,755
Cost of revenue	247,456	67,584	(5,421)(4)	--	309,619
Gross margin	69,398	34,034	(3,296)	--	100,136
Operating expenses:					
Selling, general, and administrative	70,849	34,822	(114)(4) (3,041)(5)	--	102,516
Depreciation and amortization	21,490	5,709	(1,100)(7) 2,134 (8)	--	28,233
Total operating expenses	92,339	40,531	(2,121)	--	130,749
Gain (loss) from operations	(22,941)	(6,497)	(1,175)	--	(30,613)
Interest expense	(34,293)	(6,500)	6,500(6)	(20,213)(9)	(54,506)
Interest income	6,011	221			6,232
Other income		(32)			(32)
Gain (loss) before income taxes	(51,223)	(12,808)	5,325	(20,213)	(78,919)
Income taxes		(225)			(225)
Net loss	$(51,223)	$(13,033)	$ 5,325	$(20,213)	$(79,144)

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(1) Represents the historical results of our operations for the six months ended June 30, 1999.
(2) Represents the historical results of operations of Telegroup for the five months ended May 31, 1999.

Telegroup Adjustments:

(3) Does not give effect to the attrition in Telegroup's retail customer and agent base, which began to occur prior to our acquisition of Telegroup and which we expect to continue into the near future.
(4) To eliminate wholesale net revenue, cost of revenue, and selling, general and administrative expenses, as this component of the Telegroup business had been substantially eliminated prior to the purchase by Primus.
(5) To reflect the reclassification of bad debt expenses from selling, general and administrative expenses to a reduction of net revenue to conform to Primus's accounting policies.
(6) To eliminate interest expense on non-purchased obligations.
(7) To reverse amortization expense associated with Telegroup's previously acquired customer list, the excess of purchase price over the fair value of net assets acquired, depreciation and amortization of non-purchased fixed and cable assets, and amortization related to debt financing costs.
(8) To record amortization expense associated with acquired customer list and the excess of purchase price over the fair value of net assets acquired.

Notes Issuances:

(9) To reflect the interest expense and amortization of deferred financing costs, where applicable, on the $200 million of January 1999 senior notes, the $45.5 million of senior notes issued in June 1999 in connection with the Telegroup acquisition and the $250 million of initial unregistered notes in October 1999.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Dollars in thousands)

				Adjustments			
	Primus(1)	TresCom(2)	Telegroup(3)	TresCom	Telegroup	Notes Issuances	Pro Forma As Adjusted
Net revenue	$421,628	$71,342	$359,932 (4)	$(1,817)(5) (5,957)(6)	$(125,269)(9) (9,369)(10) (6,230)(11)	$ --	$704,260
Cost of revenue	353,016	60,632	299,651	(5,957)(6)	(119,632)(9) (5,552)(11)		582,158
Gross margin	68,612	10,710	60,281	(1,817)	(15,684)	--	122,102
Operating expenses:							
Selling, general, and administrative	79,532	16,050	106,628	(1,817)(5)	(5,152)(9) (9,369)(10) (3,325)(14)		182,547
Depreciation and amortization	24,185	3,215	10,940	(1,046)(7) 4,333 (8)	(1,701)(15) 5,122 (16)		45,048
Impairment of long-lived assets			14,799		(14,799)(12)		--
Total operating expenses	103,717	19,265	132,367	1,470	(29,224)	--	227,595
Gain (loss) from operations	(35,105)	(8,555)	(72,086)	(3,287)	13,540	--	(105,493)
Interest expense	(40,047)	(754)	(11,069)		11,069 (13)	(66,811)(17)	(107,612)
Interest income	11,504		2,406				13,910
Other income (expense)		288	(548)				(260)
Gain (loss) before income taxes	(63,648)	(9,021)	(81,297)	(3,287)	24,609	(66,811)	(199,455)
Income taxes			(30)				(30)
Net loss	$(63,648)	$(9,021)	$(81,327)	$(3,287)	$ 24,609	$(66,811)	$(199,485)

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(1) Reflects the historical results of our operations for the year ended December 31, 1998.
(2) Reflects the historical results of operations of TresCom from January 1, 1998 through June 9, 1998, the date of such acquisition.
(3) Reflects the historical results of operations of Telegroup for the year ended December 31, 1998.
(4) Does not give effect to the attrition in Telegroup's retail customer and agent base which began to occur prior to our acquisition of Telegroup and which we expect to continue into the near future. After giving effect to this attrition and to the adjustments described in notes (9), (10) and (11) below, we expect that this acquisition initially will result in approximately $150 million of sustainable retail revenues annually.

TresCom Adjustments:
(5) To reflect the reclassification of bad debt expense from selling, general and administrative expenses to a reduction of net revenue to conform to Primus's accounting policies.
(6) To eliminate the effects of intercompany transactions between Primus and TresCom.
(7) To reverse amortization expense associated with TresCom's previously acquired customer list and the excess of purchase price over the fair value of net assets acquired.
(8) To record amortization expense associated with acquired customer list and the excess of purchase price over the fair value of net assets acquired.

Telegroup Adjustments:
(9) To eliminate wholesale net revenue, cost of revenue, and selling, general and administrative expenses, as this component of the Telegroup business had been substantially eliminated prior to the purchase by Primus.

(10) To reflect the reclassification of bad debt expenses from selling, general and administrative expenses to a reduction of net revenue to conform to Primus's accounting policies.
(11) To eliminate the effects of intercompany transactions between Telegroup, Primus, and TresCom.
(12) To eliminate the write-down of non-purchased assets.
(13) To eliminate interest expense on non-purchased obligations.
(14) To eliminate restructuring expenses and losses on non-purchased assets held for disposal.
(15) To reverse amortization expense associated with Telegroup's previously acquired customer list, the excess of purchase price over the fair value of net assets acquired, depreciation and amortization of non-purchased fixed and cable assets, and amortization expense related to debt financing costs.
(16) To record amortization expense associated with acquired customer list and the excess of purchase price over the fair value of net assets acquired.

Notes Issuances:
(17) To reflect the interest expense and amortization of deferred financing costs, where applicable, on the $150 million of 1998 senior notes, the $200 million of January 1999 senior notes, the $45.5 million of senior notes issued in June 1999 in connection with the Telegroup acquisition and the $250 million of initial unregistered notes in October 1999.

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

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

Overview

We are a facilities-based global communications company offering a portfolio of bundled international and domestic voice, data and Internet services to business, residential and carrier customers. Our customers are primarily in North America, Europe and selected markets within the Asia-Pacific region. We seek to capitalize on the increasing demand for high-quality international communications services. We provide services over our network, which consists of:

- 19 carrier-grade switches, including 15 international gateway switches in the United States, Australia, Canada, Germany, Japan, Puerto Rico and the United Kingdom, and four domestic switches in Australia;
- more than 100 POPs and Internet access nodes in additional markets within our principal service regions;
- both owned and leased transmission capacity on undersea and land-based fiber optic cable systems; and
- an international satellite earth station located in London, together with the capacity we leased on an Intelsat satellite.

Utilizing this network, along with resale arrangements and foreign carrier agreements, we offer quality service to approximately 1.7 million customers.

We were founded in February 1994, and through the first half of 1995 we were a development stage enterprise involved in various start-up activities. We began generating revenue during March 1995. On March 1, 1996 we acquired Axicorp Pty. Ltd., the fourth largest telecommunications provider in Australia. We then entered the Japanese and German markets with our October 1997 acquisition of TelePassport/USFI, and we expanded our service offerings in Australia with our March 1998 acquisition of a controlling interest in Hotkey Internet Services Pty. Ltd., an Australia-based ISP, and our April 1998 acquisition of Eclipse Telecommunications Pty. Ltd., an Australia-based data communications service provider.

On June 9, 1998, we acquired the operations of TresCom. The TresCom merger expanded the scope and coverage of our communications network, thereby providing additional opportunities to migrate traffic onto the network, resulting in better utilization of the network and reduced variable costs. In 1999, we have:

- acquired London Telecom, a Canadian long distance provider, and certain related companies;
- purchased a residential long distance customer base, customer support assets and residential Internet customers and network from AT&T Canada and ACC Telenterprises;
- purchased Telegroup's global retail customer businesses, which include retail customers primarily in North America and Europe; and
- organized our Internet and data services business into a new subsidiary, iPRIMUS.com, acquired GlobalServe, a Canadian ISP, TCP/IP and TouchNet, two independent German ISPs, and the remaining interest in Hotkey Internet Services, entered into an agreement with Covad Communications to offer DSL services, and began to build an Internet Protocol-based network platform in Australia.

Net revenue is earned based on the number of minutes billable and is recorded upon completion of a call, adjusted for sales allowance. We generally price our services at a savings compared to the major carriers operating in our principal service regions. Our net revenue is derived from carrying a mix of business, residential and carrier long distance traffic, data and Internet traffic in Australia, Canada and Germany, and, in Australia, also from the provision of local and cellular services. We expect to continue to generate net revenue from internal growth through sales and marketing efforts focused on customers with significant international long-distance usage, including small- and medium-sized businesses, multinational corporations, ethnic residential customers and other telecommunications carriers and resellers.

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, we believe that prices are likely to continue to decrease. Additionally, we believe that because deregulatory influences only recently have begun to affect non-United States and non-United Kingdom telecommunications markets, including Australia, the deregulatory trend in such markets is expected to result in greater competition which could adversely affect our net revenue per minute and gross margin as a percentage of net revenue. However, we believe that such decreases in prices will be offset by increased communications usage and decreased costs.

Cost of revenue is comprised primarily of costs incurred from other domestic and foreign telecommunications carriers to originate, transport and terminate calls. The majority of our cost of revenue is variable, based upon the number of minutes of use, with transmission and termination costs being our most significant expense. As we increase the portion of traffic transmitted over leased or owned facilities, cost of revenue increasingly will be comprised of fixed costs. In order to manage such costs, we pursue a flexible approach with respect to the expansion of our network. In most instances, we initially obtain transmission capacity on a variable-cost, per-minute leased basis, next acquire additional capacity on a fixed-cost basis when traffic volume makes such a commitment cost-effective, and ultimately purchase and operate our own facilities when traffic levels justify such investment. We also seek to lower our cost of revenue through:

- optimizing the routing of calls over the least cost route;

- increasing volumes on our fixed cost leased and owned lines, thereby spreading the allocation of fixed costs over a larger number of minutes;

- negotiating lower variable usage based costs with domestic and foreign service providers and negotiating additional and lower cost foreign carrier agreements with the foreign incumbent carriers and others; and

- continuing to expand the network when we believe traffic volumes justify such investment.

We generally realize a higher gross margin as a percentage of net revenue on our international as compared to our domestic long distance services and a higher gross margin as a percentage of net revenue on our services to both business and residential customers compared to those realized on our services to other telecommunications carriers. In addition, we generally realize a higher gross margin as a percentage of net revenue on our long distance services as compared to those realized on local switched and cellular services. Carrier services, which generate a lower gross margin as a percentage of net revenue than retail services, are an important part of our net revenue because the additional traffic volume of such carrier customers improves the utilization of the network and allows us to obtain greater volume discounts from our suppliers than we otherwise would realize. Our overall gross margin as a percentage of net revenue may fluctuate based on our relative volumes of international versus domestic long distance services, carrier services versus business and residential long distance services, and the proportion of traffic carried on our network versus resale of other carriers' services.

Our 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 consistently with the expansion of our operations. We expect this trend to continue and believe that we will incur additional selling, general and administrative expenses to support the

expansion of sales and marketing efforts and operations in current markets as well as new markets in our principal service regions.

Since the inception of our operations, we have made, and expect to continue to make, significant investments in the development of our operations in our principal service regions and the development and expansion of our network. The costs of developing our operations and expanding our network, including the purchase and installation of switches, sales and marketing expenses and other organizational costs, are significant. In addition, our increased capital investment activity in the future can be expected to affect our operating results in the near term due to increased depreciation charges and interest expense in connection with borrowings to fund such expenditures. These costs will be incurred in advance of the realization of the expected improvements in operating results from such investments. Such costs and investment activities have resulted in negative cash flows and operating losses for us on an historical basis. Operating losses are expected to continue in the near future as we use the proceeds from the notes to accelerate the expansion of our business and the build-out of our network.

Although our functional currency is the United States dollar, a significant portion of our net revenue is derived from sales and operations outside the United States. In the future, we expect to continue to derive the majority of our net revenue and incur a significant portion of our operating costs from outside the United States and therefore changes in exchange rates may have a significant effect on our results of operations. We historically have not engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks.

Other Financial and Operating Data. The following financial and operating data for the nine quarters ended June 30, 1999 are provided for informational purposes and should be read in conjunction with the consolidated financial statements and the notes thereto contained elsewhere herein.

	Three Months Ended								
	June 30, 1997	September 30, 1997	December 31, 1997	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998	March 31, 1999	June 30, 1999
	(in thousands, except gross margin percentage)								
Financial Data(1):									
Net revenue(2)....	$ 70,045	$ 73,018	$ 78,098	$ 80,051	$ 99,475	$116,047	$126,055	$131,228	$185,626
Gross margin......	5,867	7,752	9,845	11,329	15,349	19,490	22,444	26,632	42,766
Gross margin percentage..........	8.4%	10.6%	12.6%	14.2%	15.4%	16.8%	17.8%	20.3%	23.0%
EBITDA(3)..........	(7,339)	(5,997)	(4,993)	(4,048)	(3,641)	(3,532)	301	(2,664)	1,213
Minutes of Long Distance Use:									
International:									
North America.....	45,784	57,199	75,950	78,950	111,029	152,701	197,069	205,194	276,128
Asia-Pacific......	6,222	11,844	18,944	24,596	29,865	32,896	32,370	35,113	36,815
Europe...........	5,131	9,852	17,403	22,944	49,028	52,266	69,628	97,133	129,277
Total international..	57,137	78,895	112,297	126,490	189,922	237,863	299,067	337,440	442,220
Domestic:									
North America.....	18,498	17,131	17,653	20,138	36,590	86,113	73,019	67,958	173,438
Asia-Pacific......	61,304	61,544	61,496	61,151	64,936	76,456	82,111	85,054	108,923
Europe...........	5,775	6,973	9,626	11,462	18,263	16,354	25,633	21,516	58,686
Total domestic..	85,577	85,648	88,775	92,751	119,789	178,923	180,763	174,528	341,047
Total minutes of long distance use...............	142,714	164,543	201,072	219,241	309,711	416,786	479,830	511,968	783,267

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(1) Reflects the commencement of operations in Canada in April 1997, the TelePassport/USFI acquisition in October 1997, the TresCom merger in June 1998 and the Telegroup acquisition in June 1999.
(2) Net revenue is after provision for bad debt.
(3) As used herein, "EBITDA" is defined as income (loss) from operations plus depreciation and amortization expense. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance

with generally accepted accounting principles, it is included herein to provide additional information regarding our ability to meet future debt service, capital expenditures and working capital requirements. EBITDA is not necessarily a measure of our ability to fund our cash needs and is not necessarily comparable to similarly titled measures of other companies.

Results of Operations

For the six months ended June 30, 1999 as compared to the six months ended June 30, 1998

Net revenue increased $137.4 million or 77%, from $179.5 million for the six months ended June 30, 1998 to $316.9 million for the six months ended June 30, 1999. North American operations contributed $84.8 million, representing 125% growth in North America, to the overall net revenue increase. The growth reflects increased traffic volumes in business and ethnic residential retail operations and in carrier operations, and includes six months of operations of TresCom in the 1999 results versus twenty-one days of operations in the 1998 results. The 1999 results also reflect three months of results for the acquired businesses of the London Telecom Companies and the Wintel Companies and one month of results for the acquired business of Telegroup and AT&T Canada. The Company's Asia-Pacific net revenue increased $12.1 million or 14% from $88.4 million for the six months ended June 30, 1998 to $100.5 million for the six months ended June 30, 1999. Net revenue of the Australian operations grew as a result of increased traffic from retail residential and business customers and from the addition of data and Internet services. The European net revenue increased $40.5 million from $23.0 million for the six months ended June 30, 1998 to $63.5 million for the six months ended June 30, 1999, a growth rate of 176%. The European net revenue increase is attributable to increased traffic volumes in the United Kingdom's business and residential retail traffic and carrier operations, increased retail and carrier traffic volumes in Germany and the addition of one month of Telegroup net revenue.

Cost of revenue increased to $247.5 million or 78.1% of net revenue for the six months ended June 30, 1999, from $152.8 million or 85.1% of net revenue for the six months ended June 30, 1998. This $94.7 million increase is caused by the increase in traffic volumes associated with net revenue growth. This increase is also due to the addition of expense from acquired operations including the acquired businesses of the London Telecom Companies, the Wintel Companies, Telegroup and AT&T Canada. The cost of revenue as a percentage of net revenue decreased as a result of the continuing expansion of our global network, a greater mix of retail traffic and the continuing migration of existing and newly generated customer traffic onto our network and new higher margin product offerings such as data and Internet services.

Selling, general and administrative expenses of $70.8 million for the six months ended June 30, 1999 increased by $36.4 million from $34.4 million for the six months ended June 30, 1998. The increase is attributable to the addition of the acquired businesses of the London Telecom and Wintel Companies, Telegroup, AT&T Canada, TresCom and GlobalServe as well as the impact of increased advertising and sales expenses focused on our retail operations.

Depreciation and amortization expense increased from $7.9 million for the six months ended June 30, 1998 to $21.5 million for the six months ended June 30, 1999. The increase is associated with increased depreciation expense related to capital expenditures to expand the network including purchases for fiber optic cable, switching and other network equipment being placed into service, and increased amortization expense related to intangible assets arising from our acquisitions of Trescom, the London Telecom and Wintel Companies, Telegroup, AT&T Canada, GlobalServe and Hotkey.

Interest expense increased from $16.8 million for the six months ended June 30, 1998 to $34.3 million for the six months ended June 30, 1999. The increase is primarily due to the issuance of the January 1999 senior notes, 1998 senior notes and additional capital lease financing.

Interest income increased from $5.3 million for the six months ended June 30, 1998 to $6.0 million for the six months ended June 30, 1999.

For the year ended December 31, 1998 as compared to the year ended December 31, 1997

Net revenue increased $141.4 million or 51% to $421.6 million for the year ended December 31, 1998, from $280.2 million for the year ended December 31, 1997. Of the net revenue increase, $113.7 million was associated with our North American operations, which represents a growth rate of approximately 153%. The growth reflects increased traffic volumes in business and ethnic residential retail operations and in carrier operations, and includes operations of TresCom (since the June 9, 1998 acquisition), and a full year's results of the acquired Canadian operations and the acquired operations of TelePassport L.L.C./USFI, Inc. Our European net revenue increased from $22.7 million for the year ended December 31, 1997 to $60.9 million for the year ended December 31, 1998, resulting from increased retail business and residential traffic and the addition of carrier services, both in the United Kingdom and Germany. Our Asia-Pacific net revenue decreased by $10.3 million or 5.7% to $172.8 million for the year ended December 31, 1998 from $183.1 million for the year ended December 31, 1997 primarily resulting from a 13% decrease in the Australian dollar average exchange rate. Net revenue of the Australian operations, in Australian dollar terms, grew 7% to Australian $259.5 million as a result of increased retail business and residential traffic growth and the addition of data and Internet services.

Cost of revenue increased $100.3 million, from $252.7 million, or 90.2% of net revenue, for the year ended December 31, 1997 to $353.0 million, or 83.7% of net revenue, for the year ended December 31, 1998. The increase in the cost of revenue is primarily attributable to the increased traffic volumes and associated net revenue growth. The cost of revenue as a percentage of net revenue decreased by 650 percentage points as a result of the expansion of our global network, the continuing migration of existing and newly generated customer traffic onto our network, and new higher margin product offerings such as data and Internet services.

Selling, general and administrative expenses increased $28.9 million to $79.5 million for the year ended December 31, 1998 from $50.6 million for the year ended December 31, 1997. The increase is attributable to the addition of expenses from acquired operations including TresCom, Hotkey, Eclipse and the Canadian operations, the hiring of additional sales and marketing staff and network operations personnel and increased advertising and promotional expenses associated with our residential marketing campaigns.

Depreciation and amortization increased from $6.7 million for the year ended December 31, 1997 to $24.2 million for the year ended December 31, 1998. The increase is associated with increased amortization expense related to intangible assets arising from our acquisitions and with increased depreciation expense related to capital expenditures for fiber optic cable, switching and other network equipment being placed into service.

Interest expense increased to $40.0 million for the year ended December 31, 1998 from $12.9 million for the year ended December 31, 1997. The increase is primarily attributable to the interest expense associated with our 1997 senior notes and our 1998 senior notes, and, to a lesser extent, our bank revolving credit facility and additional capital lease financing.

Interest income increased from $6.2 million for the year ended December 31, 1997 to $11.5 million for the year ended December 31, 1998. The increase is a result of the investment of the net proceeds of our 1998 and 1997 senior note offerings.

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

Net revenue increased $107.2 million or 62%, from $173.0 million for the year ended December 31, 1996 to $280.2 million for the year ended December 31, 1997 (the net revenue increase in 1997 was $80.9 million or 40.6% when compared to our net revenue during 1996 after giving pro forma effect to the acquisition of Axicorp as of January 1, 1996). Of the increase, $57.8 million was associated with our North American operations and reflects a growth rate of approximately 350% (approximately 300% exclusive of net revenue associated with the TelePassport/USFI acquisition and operations acquired in Canada during 1997). The growth

is a result of increased traffic volumes in wholesale carrier operations and, to a lesser extent, in ethnic residential and business customer traffic. The Asia-Pacific operations contributed $31.9 million to the year-over-year net revenue growth, resulting primarily from the residential customer marketing campaigns commenced in early 1997. The 1997 results also reflect a full year of the Australian operations as compared to ten months in 1996 as a result of the March 1, 1996 acquisition of these operations. The Asia-Pacific net revenue growth was impacted negatively by weakness in the Australian dollar during 1997 as compared to 1996. The remaining net revenue growth of $17.6 million, a year-over-year growth rate in excess of 300%, came from the European operations as a result of expansion into the wholesale carrier marketplace during the third quarter of 1997 and continued growth in the ethnic residential and business marketplaces.

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

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

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

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

Interest expense increased $12.0 million, from $0.9 million for the year ended December 31, 1996 to $12.9 million for the year ended December 31, 1997. The increase is attributable to the interest expense associated with our 1997 senior notes issued in August 1997.

Interest income increased $5.4 million, from $0.8 million for the year ended December 31, 1996 to $6.2 million for the year ended December 31, 1997. The increase is due to investment of the proceeds from our 1997 senior notes offering and our initial public equity offering.

Other income (expense) for the year ended December 31, 1997 was $0.4 million compared to an expense of $0.3 million for the year ended December 31, 1996. Other income (expense) is the result of foreign currency transaction gains/losses on Australian dollar-denominated debt incurred by us for the acquisition of Axicorp, due to the fluctuations of the Australian dollar against the United States dollar during the year. This debt was paid in full during 1997.

Income taxes were attributable to the operations of our United Kingdom and Australian subsidiaries.

Liquidity and Capital Resources

Our liquidity requirements arise from:

- net cash used in operating activities;

- purchases of network equipment including switches, related transmission equipment, international and domestic fiber optic cable transmission capacity, satellite earth stations and satellite transmission capacity;

- interest and principal payments on outstanding indebtedness; and

- acquisitions of and strategic investments in businesses.

We have financed our growth to date through public offerings and private placements of debt and equity securities, bank debt and capital lease financing.

Net cash used in operating activities was $11.1 million for the six months ended June 30, 1999 as compared to net cash used in operating activities of $31.7 million for the six months ended June 30, 1998. The decrease in operating cash use was comprised of an increase in accrued liabilities, which included $40.3 million (net of cash acquired) for the acquisition of Telegroup, an increase in interest payable, offset by an increase in prepaid expenses, other current assets and an increase in the net loss.

Net cash used in operating activities was $71.3 million for the year ended December 31, 1998 as compared to net cash used in operating activities of $14.8 million for the year ended December 31, 1997 and $6.9 million for the year ended December 31, 1996. The increase in cash used in operating activities for the year ended December 31, 1998 as compared to the year ended December 31, 1997 is primarily comprised of an increase in net losses of $27.4 million and a decrease in accounts payable of $8.2 million (as compared to an increase in accounts payable of $30.2 million in 1997), partially offset by increased non-cash operating expenses of $21.5 million. The increase in cash used in operating activities for the year ended December 31, 1997 was primarily the result of the increase in the negative operating cash flow for the period as compared to the same period in 1996. The increased cash usage for the year ended December 31, 1996 was the result of an increase in net losses partially offset by increases in accounts payable and accrued expenses.

Net cash used in investing activities was $125.9 million for the six months ended June 30, 1999 compared to net cash used in investing activities of $26.0 million for the six months ended June 30, 1998. Net cash used in investing activities during the six months ended June 30, 1999 includes $45.4 million of capital expenditures primarily for the expansion of our global network as compared to $36.0 million during the six months ended June 30, 1998. Also, $92.6 million was used during the six months ended June 30, 1999 for acquisitions of Telegroup, the London Telecom Companies, the Wintel Companies, AT&T Canada, GlobalServe, Telephone Savings Network, a local carrier in Canada, Hotkey and TCP/IP.

Net cash used in investing activities was $54.2 million for the year ended December 31, 1998 compared to net cash used in investing activities of $104.2 million for the year ended December 31, 1997 and $39.6 million for the year ended December 31, 1996. Net cash used in investing activities during the year ended December 31, 1998 includes $76.0 million of capital expenditures primarily for the expansion of our global network, partially offset by $22.9 million of cash provided by the sale of restricted investments used to fund interest payments on the 1997 senior notes. Cash used in investing activities for the year ended December 31, 1997 was the result of capital expenditures made during the year of $39.5 million to expand our global network, the TelePassport/USFI acquisition and the acquisition of our Canadian operations net of cash acquired, and the purchase of $73.6 million of restricted investments with proceeds from the offering of the 1997 senior notes for escrowed interest payments, offset by the sale of $25.1 million of short term cash investments. The cash utilized during the year ended December 31, 1996 includes $12.7 million for capital expenditures to expand our global network and $1.7 million for the purchase of Axicorp, net of cash acquired.

Net cash provided by financing activities was $173.5 million for the six months ended June 30, 1999 as compared to net cash provided by financing activities of $145.3 million during the six months ended June 30, 1998. Cash provided by financing activities in the six months ended June 30, 1999 resulted primarily from $192.5 million of net proceeds from the January 1999 senior notes offering, partially offset by the $17.8 million repayment of the TresCom credit facility.

Net cash provided by financing activities was $146.8 million for the year ended December 31, 1998 as compared to net cash provided by financing activities of $200.1 million during the year ended December 31, 1997 and $79.5 million during the year ended December 31, 1996. Cash provided by financing activities in the year ended December 31, 1998 resulted primarily from $144.5 million of net proceeds of the 1998 senior notes offering. Net cash provided by financing activities for the year ended December 31, 1997 resulted primarily from the net proceeds of the 1997 senior notes offering. In 1996, we completed private placements of common stock generating net proceeds of approximately $21.9 million, and in November 1996, we completed an initial public offering of our common stock and generated net proceeds of approximately $54.4 million.

We anticipate aggregate capital expenditures of approximately $60 million during the remainder of 1999. Such capital expenditures will be primarily for international and domestic switches and POPs, international and domestic fiber optic cable capacity for new and existing routes, satellite earth station facilities, other transmission equipment, and back office support systems. We have recently installed an additional international gateway switch in Paris, which became operational during the second quarter of 1999. By the end of 2000, we intend to add up to one switch in North America, 11 additional switches in Europe and one switch in Japan.

In January 1999, we entered into a supplemental indenture applicable to our 1997 senior notes in order to provide additional flexibility to incur indebtedness to fund our expansion, to make permitted investments in marketing channels and complementary telecommunications services and to secure additional bank debt. The supplemental indenture substantially conformed certain covenants applicable to the 1997 senior notes to the corresponding provisions of our other senior notes. We incurred fees and expenses of approximately $4.8 million in connection with securing consents to enter into the supplemental indenture.

In January 1999, we voluntarily repaid in full with a part of our available cash, and delivered notice of our termination of, the TresCom credit facility. The TresCom credit facility, which provided for up to $25 million of revolving credit borrowings and which was due to mature on July 30, 2002, was acquired from TresCom upon the completion of the TresCom merger. In March 1999, the TresCom credit facility was terminated and we will no longer be able to borrow funds under it. The collateral securing the repayment obligations, consisting primarily of TresCom's receivables, has been released. We do not believe that the termination of the TresCom credit facility will have a material adverse effect on our liquidity and capital resources.

In January 1999, we completed an offering of $200 million 11 1/4% senior notes due in 2009. The $192.5 million of net proceeds of the January 1999 senior notes offering are to be used for continued expansion of our network and other general corporate purposes. The indenture under which these notes were issued permits us to issue up to $75 million in additional notes, subject to the debt incurrence provisions thereunder.

In March 1999, we purchased the common stock of London Telecom and certain related entities that provide long distance telecommunications services in Canada, for approximately C$54.0 million in cash (including payments made in exchange for certain non-competition agreements). In March 1999, we purchased substantially all of the operating assets of Wintel CNC Communications, Inc. and Wintel CNT Communications, Inc., which are Canada-based long distance telecommunications providers affiliated with the London Telecom companies, for C$22.0 million in cash.

In June 1999, we purchased Telegroup's global retail customer business, including the acquisition of selected Telegroup foreign subsidiaries. We paid the $71.8 million purchase price plus $22.2 million for certain current assets, by issuing, under the January 1999 indenture, an additional $45.5 million aggregate principal amount of our 11 1/4% senior notes due 2009 and by issuing a $4.6 million short-term promissory note and paying the remainder in cash.

In May 1999, we purchased the residential long distance customer base, consumer support assets and residential Internet customers and network from AT&T Canada and ACC Telenterprises for C$54.1 million.

In May 1999, we acquired TCP/IP, an independent German ISP. TCP/IP operates the Contrib.Net Internet backbone. Our newly formed subsidiary, iPRIMUS.com, will operate TCP/IP's Internet backbone.

In October 1999, we sold 8.0 million shares of our common stock at a price of $22.50 per share and issued $250 million in aggregate principal amount of the unregistered intitial notes. The approximately $411.7 million in aggregate net proceeds from those sales will be used to fund capital expenditures to expand and enhance our communications network and for other general corporate purposes, including possible acquisitions.

We believe that the net proceeds from the initial unregistered notes and the October 1999 common stock offering, together with our existing cash and our available capital lease financing and bank financing (subject to limitations in our senior note indentures), will be sufficient to fund our operating losses, debt service requirements, capital expenditures, possible acquisitions and other cash needs for our operations, including iPRIMUS.com, until at least December 31, 2000. The semi-annual interest payments due under the 1997 senior notes through August 1, 2000 have been pre-funded and will be paid from our restricted investments. We continually are evaluating the expansion of our service offerings and plan to make further investments in and enhancements to our switches and distribution channels in order to expand our service offerings. In order to fund these additional cash requirements, we anticipate that we will be required to raise additional financing from public or private equity or debt sources. Additionally, if our plans or assumptions change, including those with respect to the development of our network, the level of our operations and our operating cash flow, if our assumptions prove inaccurate, if we consummate additional investments or acquisitions or if we experience unexpected costs or competitive pressures, or if existing cash and any other borrowings prove to be insufficient, we may be required to seek additional capital sooner than expected. We presently have no commitment or agreement with respect to any material acquisition, joint venture or strategic investment.

Since our inception through June 30, 1999, we have had negative cash flow from operating activities of $106.6 million and negative EBITDA of $44.3 million. In addition, we incurred net losses in 1995, 1996, 1997, 1998 and the six months ended June 30, 1999 of $2.4 million, $8.8 million, $36.2 million, $63.6 million and $51.2 million, respectively, and had an accumulated deficit of approximately $162.9 million as of June 30, 1999. On a pro forma basis, after giving effect to the sale of $150 million of senior notes in May 1998, the TresCom merger in June 1998, the sale of $200 million of senior notes in January 1999, the Telegroup acquisition and the related issuance of $45.5 million of senior notes in June 1999 and the sale of $250 million of initial unregistered notes in October 1999, for the year ended December 31, 1998, we would have had a net loss of $199.5 million. On a pro forma basis, after giving effect to the sale of $200 million of senior notes in January 1999, the Telegroup acquisition and the related issuance of $45.5 million of senior notes in June 1999 and the sale of $250 million of initial unregistered notes in October 1999, for the six months ended June 30, 1999, we would have had a net loss of $79.1 million. Although we have experienced net revenue growth in each of our last 17 quarters, such growth should not be considered to be indicative of future net revenue growth, if any. We expect to continue to incur additional operating losses and negative cash flow from operations as we expand our operations and continue to build-out and upgrade our network. There can be no assurance that our revenue will grow or be sustained in future periods or that we will be able to achieve or sustain profitability or positive cash flow from operations in any future period. If we cannot achieve and sustain operating profitability or positive cash flow from operations, we may not be able to meet our debt service or working capital requirements (including our obligations with respect to the new notes).

Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposures relate to changes in foreign currency exchange rates and to changes in interest rates.

Foreign currency. Although the Company's functional currency is the United States dollar, a significant portion of the Company's net revenue is derived from its sales and operations outside the United States. In the future, the Company expects to continue to derive a significant portion of its net revenue and incur a significant portion of its operating costs outside the United States, and changes in foreign currency exchange rates may have a significant effect on the Company's results of operations. The operations of affiliates and subsidiaries in foreign countries have been funded with investments and other advances. Due to the long-term nature of such investments and advances, the Company accounts for any adjustments resulting from translation as a charge or credit to

"accumulated other comprehensive loss" within the stockholders' equity section of the consolidated balance sheet. The Company historically has not engaged in hedging transactions to mitigate foreign exchange risk.

Interest rates. The Company's financial instruments that are sensitive to changes in interest rates are its (i) 1997 $225 million 11 3/4% senior notes due August 2004, (ii) 1998 $150 million 9 7/8% senior notes due May 2008, (iii) January 1999 $200 million 11 1/4% senior notes due 2009 and (iv) October 1999 $250 million 12 3/4% senior notes due 2009 (and the new notes exchanged therefor). It is expected that the notes to be sold pursuant to this offering will also be sensitive to changes in interest rates. As of June 30, 1999, the aggregate fair value of the 1997, 1998 and January 1999 senior notes approximates their face value.

Year 2000 Readiness

General. We are reviewing our network elements, computer systems, software applications and other business systems in order to determine if any of these systems will not properly reflect or recognize the year 2000. Because many computer and computer applications define dates by the last two digits of the year, "00" could be interpreted to mean the year 1900, rather than the year 2000. This error could result in miscalculations or system failures. Year 2000 issues may also affect the systems and applications of our customers, vendors or resellers.

Readiness Program. In 1998, we began a comprehensive inventory and Year 2000 assessment of our principal computer systems, network elements, software applications and other business systems throughout the world. We have completed our inventory and assessment and have begun repairing or replacing the most critical items that we have determined not to be Year 2000 ready. We expect to complete the repair, replacement, testing and certification of substantially all non-ready network elements by the middle of the fourth quarter 1999. We are using both internal and external resources to identify, correct or reprogram, and test our systems for Year 2000 readiness.

Suppliers. We currently are and have been contacting third party suppliers of major equipment, software, systems and services used by us to identify and, to the extent possible, to resolve issues involving Year 2000 readiness. However, we have limited or no control over the actions of these third party suppliers. Consequently, while we expect that we will be able to resolve any significant Year 2000 issues with regard to these systems and services, there can be no assurance that these suppliers will resolve any or all Year 2000 issues before the occurrence of a material disruption to our business or any of our customers.

Costs. We expect to incur in the aggregate approximately $1 to $3 million in expenditures in 1999 to complete our Year 2000 readiness program and to date have spent approximately $1 million. These estimates do not include the costs of systems, software and equipment that are being replaced or upgraded in the normal course of business. The costs of modifying our network elements, software and systems for Year 2000 readiness are being funded from existing cash resources and are being charged as expenses as incurred.

Risks. We believe that we will complete substantially the implementation of our Year 2000 program prior to December 31, 1999. Consequently, we do not believe that Year 2000 issues will have a material adverse effect on our business or results of operations. However, if we do not achieve readiness prior to December 31, 1999, if we fail to identify and remedy all critical Year 2000 problems or if major suppliers or customers experience material Year 2000 problems, our results of operations or financial condition could be materially affected. We have determined that non-ready network elements and systems may result in improperly routed traffic and that non-ready, non-network systems may result in errors in customer billing and accounting records. We may also be adversely affected by general economic disruptions caused by the Year 2000 issue even in circumstances where our systems and the systems of our customers are Year 2000 ready.

Contingency Plans. We have begun to develop appropriate contingency plans to mitigate, to the extent possible, any significant Year 2000 non-readiness. We expect to complete our contingency plans by November 15, 1999. If we are required to implement our contingency plans, the cost of Year 2000 readiness may be greater than the amount referenced above and there can be no assurance that these plans will be adequate.

BUSINESS

Primus

We are a full-service, facilities-based global communications company. We offer a portfolio of bundled international and domestic voice, data and Internet services to business and residential retail customers and other carriers located in the United States, Canada, the United Kingdom, continental Europe, Australia and Japan. We seek to capitalize on the increasing demand for high-quality international communications services which is being driven by the globalization of the world's economies, the worldwide trend toward telecommunications deregulation and the growth of data and Internet traffic.

We have experienced significant growth from our initial public offering in the fourth quarter of 1996 through the second quarter of 1999, with our net revenues increasing at a compounded quarterly growth rate of 12.8%. Our net revenue for the year ended December 31, 1998 was $421.6 million and we had net revenue of $316.9 million for the six months ended June 30, 1999.

We primarily target customers with significant international long distance usage, including small- and medium-sized businesses, multinational corporations, ethnic residential customers and other telecommunications carriers and resellers. We provide our approximately 1.7 million customers with a portfolio of competitively priced services, including:

- International and domestic long distance services and private networks;
- Prepaid and calling cards, toll-free services and reorigination services; and
- Local services in Australia, Canada, Puerto Rico and the United States Virgin Islands.

Through our newly formed subsidiary, iPRIMUS.com, we target business and residential customers for data and Internet services, including dial-up, dedicated and high-speed Internet access, virtual private networks, Web hosting, data center co-location, e-commerce services and other data services.

By constructing and expanding our network, we have reduced costs, improved service reliability and increased flexibility to introduce new products and services. By carrying more traffic over our expanding network, we have increased gross margin as a percentage of net revenue (after accounting for bad debt) to 23.0% in the second quarter of 1999 from 7.7% in the fourth quarter of 1996. We believe that, as the volume of telecommunications traffic carried on our network increases, we should continue to improve profitability as we more fully utilize our network capacity and realize economies of scale. Currently, 29 countries are connected directly to our network. We expect to continue to expand our network through additional investment in undersea and domestic fiber optic cable systems, international gateway and domestic switching facilities and international satellite earth stations as customer demand justifies the capital investment.

Market Opportunities

International Long Distance

The international long distance industry, which involves the transmission of voice and data traffic from one country to another, is undergoing a period of fundamental change. The change has resulted in, and is expected to continue to result, in significant growth in usage of international telecommunications services. According to TeleGeography, in 1997, the international long distance industry accounted for $66 billion in revenues and 82 billion minutes of use. That is an increase from $27 billion in revenues and 22 billion minutes of use in 1988. TeleGeography has estimated that, under one scenario, by the year 2001 this market will have expanded to $80 billion in revenues and 159 billion minutes of use.

We believe that the growth in international long distance services is being driven by:

- globalization of the world's economies and the worldwide trend toward telecommunications deregulation;

- the growth of data and Internet traffic;

- declining prices and a wider choice of products and services driven by greater competition resulting from privatization and deregulation;

- increased telephone accessibility resulting from technological advances and greater investment in telecommunications infrastructure, including deployment of wireless networks; and

- increased international business and leisure travel.

We believe that growth of traffic originated in markets outside the United States will continue to be higher than growth in traffic originated within the United States due to recent deregulation in many foreign markets and increasing access to telecommunications facilities in emerging markets.

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, France Telecom in France, Deutsche Telekom in Germany, Telstra in Australia, NTT in Japan, and Teleglobe in Canada. Deregulation of a particular telecommunications market typically has begun with the introduction of a second long distance carrier, followed by the governmental authorization of multiple carriers. In the United States, one of the first highly deregulated markets, deregulation began in the 1960's with MCI's authorization to provide long distance service and was followed in 1984 by AT&T's divestiture of the regional Bell operating companies and, most recently, by the passage of the 1996 Telecommunications Act. Deregulation has occurred elsewhere, such as in the United Kingdom, Canada and Australia, and is being implemented in other countries, including most EU countries, Japan and several Latin American countries, such as Chile, Guatemala, Peru, El Salvador and Mexico.

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

Internet/Data Services

Internet connectivity and enhanced Internet/data services represent two of the fastest growing segments of the telecommunications services market. Total ISP revenues for the United States are projected to grow from $10.7 billion in 1998 to $37.4 billion in 2003 and total Western European ISP revenues are projected to grow from $4.3 billion to $17.7 billion over the same period, according to International Data Corporation (IDC). The availability of Internet connectivity, advancements in technologies required to navigate the Internet and the proliferation of content and applications over the Internet have attracted a rapidly growing number of users.

Businesses are increasingly recognizing that the Internet can significantly enhance communications among geographically distributed offices and employees as well as with customers and suppliers. As a result, businesses increasingly are utilizing the Internet for mission critical applications such as sales, customer service and project coordination. IDC estimates that corporate dedicated access revenues in the United States will grow from $2.9 billion in 1998 to $12.0 billion in 2003 and that Western European corporate dedicated access revenues will grow from $2.2 billion to $7.7 billion over the same period. In addition to Internet connectivity, business customers are increasingly seeking a variety of enhanced products and applications to take full advantage of the Internet. For example, a growing number of businesses are implementing secured virtual private networks over the Internet as a more economical option than dedicated private networks. IDC estimates that the ISP value-added services market in the United States will grow from $3.0 billion in 1998 to over $12.9 billion in 2003 and the Western European ISP value-added services market will grow from $528 million to $3.7 billion over the same period.

We believe there is a significant market opportunity for us to bundle Internet connectivity and enhanced products and services with traditional voice services and to transport such services over our existing global network as a way to satisfy the needs of our existing customers and to attract additional customers, in particular corporate customers.

Strategy

Our objective is to become a leading global provider of international and domestic voice, data and Internet services. Key elements of our strategy to achieve this objective include:

- Provide One-Stop Shopping for Voice, Data and Internet Services: We offer in selected markets, and intend to offer our customers in each of the markets we serve, a portfolio of bundled voice, data and Internet services. We typically enter international markets in the early stages of deregulation by initially offering international long distance voice services and subsequently expanding our portfolio of offerings to include Internet access and data services. For example, through our recent acquisitions in Canada, we now offer our business and residential customers a comprehensive array of voice services, including international and domestic long distance, as well as Internet access and enhanced services, including Internet roaming and Web hosting. By bundling our traditional voice services with data and Internet services, we believe that we will attract and retain a strong base of retail customers, which are traditionally the highest margin communications customers.

- Expand the Reach and Data Capabilities of Our Global Network: Through the geographic expansion of our global network, we expect to be able to increase the amount of our on-net traffic and thereby continue to reduce transmission costs and operating costs as a percentage of revenue, improve gross margins, reduce reliance on other carriers, and improve service reliability. In addition, we are planning investments in our network that will enable us to provide a full range of ATM, frame relay and Internet protocol-based data and voice communications over our existing network infrastructure. Our commitment and ability to provide reliable, carrier-grade voice, data and Internet communications over our global network on a standard platform recently enabled us to qualify as a Cisco powered network. In addition, through our satellite earth station in London, we currently offer Internet and data transmission services in the Indian Ocean/Southeast Asia region. Our target satellite customers are PTTs, other communications carriers, ISPs and multinational corporations in developing countries. We plan to replicate this strategy by offering Internet and data services in Latin America and the Pacific Rim through the addition of four satellite earth stations, two on each of the east and west coasts of the United States.

- Build Base of Retail Customers with Significant International Communications Usage: We are focused on building a retail customer base with significant demand for international voice, data and Internet services. These customers typically include small- and medium-sized businesses, multinational corporations, and ethnic residential customers. Our strategic focus on retail customers reflects that we generally realize a higher gross margin as a percentage of net revenue from these customers compared to carrier customers. By offering high quality services at competitive prices through experienced sales and service representatives and bundling a comprehensive portfolio of communications services, we intend to further broaden our retail base.

- Pursue Early Entry Into Selected Deregulating Markets: We seek to be an early entrant into selected deregulating communications markets worldwide where we believe there is significant demand for voice, data and Internet services as well as substantial growth and profit potential. We believe that early entry into deregulating markets provides us with competitive advantages as we develop sales channels, establish a customer base, hire personnel experienced in the local communications industry and achieve name recognition prior to a large number of competitors entering these markets. We intend to concentrate our immediate expansion plans in those markets that are more economically stable and are experiencing more rapid deregulation, such as continental Europe and Canada. Subsequently, we plan to expand in additional markets, including Japan, other parts of the Asia-Pacific region and Latin America.

- Grow Through Selected Acquisitions, Joint Ventures and Strategic Investments: As part of our business strategy, we frequently evaluate potential acquisitions, joint ventures and strategic investments with companies in the voice, data and Internet businesses. We view acquisitions, joint ventures and strategic investments as a means to enter additional markets, add new products and market segments (e.g., DSL and Web hosting), expand our operations within existing markets, and generally accelerate the growth of our customer and revenue base. We target voice and data service providers, ISPs and Web hosting companies with an established customer base, complementary operations, telecommunications licenses, experienced management or network facilities in our target markets. In particular, we anticipate that we will make additional investments in or acquisitions of ISPs and other Internet-related and data service businesses worldwide.

Description of Operating Markets

The following is a summary of the market size, competitive dynamics and regulatory environments of the domestic and international long distance industries in the principal jurisdictions in which we provide our services and a description of our operations in each of our primary service regions:

United States. The United States long distance market is highly deregulated and is the largest in the world. According to the FCC, in 1997 long distance telephone revenue in the United States was approximately $98.6 billion, including approximately $15.1 billion from international services (representing 15.3% of the total market). AT&T is the largest long distance carrier in the United States market, with market share of approximately 40.0% of total long distance revenues in 1997. MCI/WorldCom and Sprint had market shares of 23.4% and 8.7%, respectively in 1997. AT&T, MCI/WorldCom 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 Frontier and Qwest, constitute the second-tier of the industry. The remainder of the United States long distance market is comprised of several hundred smaller companies, largely resellers, which are known as third-tier carriers.

In the United States, we provide long distance services to small- and medium-sized businesses, residential customers, multinational corporations and other telecommunication carriers. We operate international gateway telephone switches in the New York City area, Washington, Fort Lauderdale and Los Angeles which are connected with countries in Europe, Latin America and the Asia-Pacific region through owned and leased international fiber cable systems. We maintain a direct sales organization in New York and Virginia to sell to business customers and have a telemarketing center for small business sales in Tampa. To reach residential customers, we advertise nationally in ethnic newspapers and other publications, offering discounted rates for international calls to targeted countries. We also utilize independent agents to reach and enhance sales to both business and residential customers and have established a direct sales force for marketing international services to other long distance carriers. Additionally, as a result of the TresCom merger, we have expanded our marketing activities to customers in the United States seeking to transmit international calls to Latin America, consisting principally of businesses with sales or operations in Latin America, as well as the growing Hispanic population in the United States. We maintain a national customer service center in Florida staffed with multi-lingual representatives and operate a 24-hour global network management control center in Virginia that monitors our network. We also operate network management control centers in London, Sydney and, following the Telegroup acquisition, in Cedar Rapids, Iowa. In addition to international long distance services, we provide local service in Puerto Rico and the United States Virgin Islands.

Canada. According to the International Telecommunications Union, the total telecommunications market in Canada accounted for approximately $13.8 billion in revenues in 1997. In Canada, Stentor, a partnership of Canadian regional telephone companies, was the largest provider of long distance services prior to 1999. The Stentor partnership was discontinued on January 1, 1999, and the former Stentor partner companies such as Bell Canada and BCT.TELUS COMMUNICATIONS now compete against one another for the first time. Two other types of long distance providers also compete against the former Stentor partner companies. The first,

which includes AT&T Canada and Call-Net Enterprises (Sprint Canada), owns and operates interexchange circuits and offers essentially the same services as the former Stentor partner companies. The second type of competitor consists of other long distance providers that lease but do not own interexchange circuits and sell their services primarily to distinct niche markets, such as ethnic communities, affinity associations or small business associations. In Canada, we provide long distance services to small- and medium-sized businesses, residential customers and other telecommunication carriers and have sales and customer service offices in Vancouver, Toronto and Montreal. We operate international gateway switches in Toronto and Vancouver, maintain points-of-presence in Ottawa, Montreal and Calgary and lease interexchange circuits in Canada. In Canada, we offer Internet access services through our February 1999 acquisition of GlobalServe Communications, Inc. In March 1999, we acquired London Telecom Network, Inc. and related entities which provide long distance telecommunications services in Canada. In May 1999, we purchased customer bases and assets of AT&T Canada. In June 1999, we acquired Telephone Savings Network, Ltd., a reseller of local services to small- and medium-sized business customers in Canada.

As of June 30, 1999, we had approximately 385,000 business customers and 875,000 residential customers in North America.

Europe. According to the International Telecommunications Union, in 1997 the total telecommunications market in the United Kingdom accounted for approximately $32.4 billion in revenue. In the United Kingdom, British Telecom historically has dominated the telecommunications market and is the largest carrier. Mercury, which owns and operates interexchange 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, MCI/WorldCom, ACC and GTS/Esprit.

We are a fully-licensed carrier in the United Kingdom and provide domestic and international long distance services to residential customers, small businesses, and other telecommunications carriers. We operate an Ericsson AXE-10 international gateway telephone switch in London, which is directly connected to the United States and is directly connected to continental Europe via our international gateway switch in Frankfurt, Germany. In addition, we have completed the construction in London of an Intelsat earth station and lease capacity on the Intelsat-62(degrees) satellite. This new earth station is operational and is able to carry voice, data and Internet traffic to and from countries in the Indian Ocean/Southeast Asia region. Our European operations are headquartered in London, where we maintain both a 24-hour customer service call center and a 24-hour network management control center which monitors our network in the United Kingdom. We market our services in the United Kingdom using a combination of direct sales, agents, and direct media advertising primarily to ethnic customers who make a higher-than-average percentage of international calls.

We are in the process of expanding our services and network to continental Europe which has recently begun the process of deregulation of its telecommunications markets. We currently hold a Class-4 switched voice telephone license in Germany, an L34.1 switched voice license in France and a voice services license in Switzerland. According to the International Telecommunications Union, in 1997, the German telecommunications market generated approximately $46.1 billion in revenues and the French telecommunications market generated approximately $26.9 billion in revenues. Our international gateway switch in Paris recently became operational, and by the end of the second quarter of 2000, our network in Europe is expected to include the Frankfurt international gateway switch which is currently operational, and up to 11 additional switches in various countries. Through the TelePassport/USFI acquisition, we acquired a base of small business customers in Germany to whom we provide reorigination services, establishing a platform for our expansion into that market. Additionally, we have opened our first continental European sales office in Frankfurt and are in the process of building a direct sales force and engaging independent sales agents to market our services. We have recently acquired two German ISPs, TCP/IP, which operates an Internet backbone in Germany with over 20 POPs nationwide, and TouchNet. With these acquisitions we can now begin to offer bundled voice, data and Internet services to existing and new customers in Germany.

As of June 30, 1999, we had approximately 1,020 business customers and 43,900 residential customers in the United Kingdom.

Asia-Pacific. According to the International Telecommunications Union, in 1997, the total telecommunications market in Australia accounted for approximately $14.7 billion in revenues. Telstra and Cable & Wireless Optus, the leading full-service carriers in Australia, own and operate local, national and international transmission networks. Telstra, which is majority-owned by the Australian government, is a traditional facilities-based carrier with a majority of the telecommunications market share. In addition to Cable & Wireless Optus and us, Telstra currently competes against other facilities-based carriers (such as AAPT), several switchless resellers and call-back service providers (including CorpTel), and mobile telecommunications carriers (such as Vodafone). Australia has further deregulated its long-distance market by allowing service providers other than Telstra and Cable & Wireless Optus to own domestic transmission facilities and mandating that Telstra provide equal (non-code) access to customers of select service providers such as us. We are a licensed carrier permitted to own and operate transmission facilities in Australia.

We are the fourth largest long distance company in Australia based on revenues, providing domestic and international long distance services, data and Internet access services, as well as local and cellular service on a resale basis, to small- and medium-sized business customers and ethnic residential customers. We have invested substantial resources over the past three years to build a domestic and international long distance network to transform our Australian operations into a facilities-based telecommunications carrier. During 1997, we installed and began operating a five-city switched network using Northern Telecom switches in Sydney, Melbourne, Perth, Adelaide, and Brisbane. We purchased international fiber cable capacity during 1997 and linked the Australian network to the United States via the TPC-5, APCN, and Jasaurus cable systems, as well as to New Zealand. We became a fully licensed facilities-based telecommunications carrier on July 1, 1997. In August 1997, equal access was introduced in Australia, and we began the process of migrating and connecting customers directly onto our own network. We maintain both a 24-hour customer service center and a network management control center in Australia.

In March 1998, we purchased a controlling interest in Hotkey, an Australia-based ISP, and in April 1998, we acquired all of the outstanding stock of Eclipse, an Australia-based data communications service provider. In February 1999, we purchased the remaining stock in Hotkey. The Hotkey and Eclipse acquisitions positioned us to offer a complete range of telecommunications services for corporate customers in Australia, including fully integrated voice and data networks, as well as Internet access. We market our services through a combination of direct sales to small- and medium-sized business customers, independent agents which market to business and residential customers, and media advertising aimed at ethnic residential customers living in Australia who make a high volume of international calls.

We entered the Japanese market in late 1997 through the TelePassport/USFI acquisition. According to the International Telecommunications Union, in 1997, the total telecommunications market in Japan accounted for approximately $86.5 billion in revenues. We maintain an office in downtown Tokyo and operate an international gateway switch to provide international calling services to resellers and small businesses. We interconnected our Tokyo switch to Los Angeles via the TPC-5 fiber cable system. We have a Type I carrier license, which permits us to provide selected telecommunications services using our own facilities in Japan. We plan to market our services in Japan through direct sales and relationships that we are establishing with business partners.

As of June 30, 1999, we had approximately 29,250 business customers and 294,110 residential customers in the Asia-Pacific region.

Services

We offer a broad array of communications services through our network and through interconnection with the networks of other carriers. Our decision to offer certain services in a market is based on competitive factors and regulatory restraints within the market. Below is a summary of services we offer:

- International and Domestic Long Distance. We provide international long distance voice services terminating in approximately 230 countries, and provide domestic long distance voice services within selected countries within our principal service regions.

- Private Network Services. For business customers, we design and implement international private network services that may be used for voice, data and video applications.

- Data and Internet Services. In Australia, we offer data transfer services over ATM and frame relay networks in addition to Internet access services. In Canada, we offer Internet access services through our February 1999 acquisition of GlobalServe and our May 1999 acquisition of ACC Telenterprises. In Germany, we offer Internet access services through our acquisitions of TCP/IP and TouchNet. We also offer Web design, Web hosting and co-location services in selected regions. Our satellite earth station in London enables us to offer Internet and data transmission services in the Indian Ocean/Southeast Asian region. We plan to replicate this strategy to offer such services in Latin America and the Pacific Rim by adding four additional satellite earth stations, two each on the east and west coasts of the United States.

- Reorigination Services. In selected countries, we provide call reorigination services which allow non-United States country to country calling to originate from the United States, thereby taking advantage of lower United States accounting rates.

- Local Switched Services. We intend to provide local service on a resale basis as part of our "multi-service" marketing approach, subject to commercial feasibility and regulatory limitations. We currently provide local service in Australia, Canada, Puerto Rico and the United States Virgin Islands.

- Toll-free Services. We offer domestic and international toll-free services within selected countries within our principal service regions.

- Cellular Services. We resell Telstra analog and digital cellular services in Australia.

- Prepaid and Calling Cards. We offer prepaid and calling cards that may be used by customers for domestic and international telephone calls both within and outside of their home country.

Network

General. Since our inception in 1994, we have been deploying a global intelligent communications network consisting of international and domestic switches, related peripheral equipment, undersea fiber optic cable systems and leased satellite and cable capacity. We believe that our network allows us to control both the quality and cost of the on-net communications services we provide to our customers. To ensure high-quality communications services, our network employs digital switching and fiber optic technologies, uses SS7 signaling and is supported by comprehensive monitoring and technical services. Our network consists of:

- a global backbone network connecting intelligent gateway switches in our principal service regions:

- a domestic long distance network presence within certain countries within our principal service regions; and

- a combination of owned and leased transmission facilities, resale arrangements and foreign carrier agreements.

Each of our international gateway switches is connected to our domestic and international networks as well as those of other carriers in a particular market, allowing us to:

- provide seamless service;

- package and market the voice and data services purchased from other carriers under the "Primus" brand name; and

- maintain a substantial portion of each market's United States-bound return traffic through our integrated communications network to maintain quality of service and cost efficiencies and increase gross margins.

We have targeted North America, the United Kingdom and continental Europe for the immediate development of our network due to their economic stability and the more rapid pace of deregulation as compared to other areas of the world. We expect to expand our network into additional markets within our principal service regions, including in Japan and other parts of the Asia-Pacific region and Latin America. We are using our United Kingdom operations to coordinate efforts to enter other major markets in Europe in conjunction with the deregulation of the telecommunications industry in certain EU countries which began in 1998. This expansion commenced with our installation of an international gateway switch in Frankfurt, and is continuing with our international gateway switch in Paris, which has recently become operational, and with our acquisition of an international gateway switch in London from a European subsidiary of Telegroup.

Switches and Points of Presence. Our network consists of 19 carrier-grade switches, including 15 international gateway switches and four domestic switches in Australia. We currently operate more than 100 POPs and Internet access nodes within our principal service regions.

Here is further information about the location and type of our switches:

Location	Type of Switch
New York City(3)	International Gateway
Los Angeles	International Gateway
Washington	International Gateway
Fort Lauderdale	International Gateway
Toronto	International Gateway
Vancouver	International Gateway
London(2)	International Gateway
Paris	International Gateway
Frankfurt	International Gateway
Sydney	International Gateway
Tokyo	International Gateway
Puerto Rico	International Gateway
Adelaide	Domestic
Brisbane	Domestic
Melbourne	Domestic
Perth	Domestic

Fiber Optic Cable Systems. Where our customer base has developed sufficient traffic, we have purchased and leased undersea and land-based fiber optic cable transmission capacity to connect to our various switches. Where traffic is light or moderate, we obtain capacity to transmit traffic on a per-minute variable cost basis. When traffic volume increases and such commitments are cost effective, we either purchase lines or lease lines on a monthly or longer term basis at a fixed cost and acquire economic interests in transmission capacity through minimum assignable ownership units and indefeasible rights of use to international traffic destinations. The following chart sets forth a listing of the undersea fiber optic cable systems in which we have capacity (which includes both minimum assignable ownership units and indefeasible rights of use):

Cable System	Countries Served	Status
TAT 12/13	United States--United Kingdom	Existing
Gemini	United States--United Kingdom	Existing
CANTAT	United States--Germany	Existing
	United States--Canada	Existing
CANUS	United States--Canada	Existing
FLAG	United Kingdom--Italy	Existing
	United Kingdom--Israel	Existing
UK--France 5	United Kingdom--France	Existing
Arianne	France--Greece	Existing
CIOS	United Kingdom--Israel	Existing
Aphrodite	United Kingdom--Cyprus	Existing

Cable System	Countries Served	Status
TPC 5	United States--Japan	Existing
APCN	Japan--Indonesia	Existing
Jasaurus	Indonesia--Australia	Existing
Atlantic Crossing-1	United States--United Kingdom	Existing
Columbus II	United States--Mexico	Existing
Americas I	United States--Brazil	Existing
	United States--United States Virgin Islands	Existing
	United States Virgin Islands--Trinidad	Existing
PTAT-1	United States--United States Virgin Islands	Existing
CARAC	United States--United States Virgin Islands	Existing
Taino--Carib	United States Virgin Islands--Puerto Rico	Existing
Bahamas I	United States--Bahamas	Existing
ECMS	United States Virgin Islands--Antigua--St. Martin--St. Kitts --Martinique--Guyana	Existing
CANTAT 3	United States--Denmark	Existing
ODIN	Netherlands--Denmark	Existing
RIOJA	Netherlands--Belgium	Existing
Southern Cross	United States--Australia	Under Construction
JPN--US	United States--Japan	Under Construction
Americas II	United States--Argentina	Under Construction
Columbus III	United States--Spain	Under Construction
Pan American	United States Virgin Islands--Aruba--Venezuela--Panama --Colombia--Ecuador--Peru--Chile--Panama	Under Construction
Bahamas 2	United States--Bahamas	Under Construction
MONA	Puerto Rico--Dominican Republic	Under Construction
Antillas 1	Puerto Rico--Dominican Republic	Under Construction

We also have entered into a multi-year agreement to purchase $20 million of fiber capacity from Qwest, which will provide connections among our U.S. gateway switches and future points of presence. By replacing existing leased lines in the U.S. with this Primus-owned high speed capacity, we expect to reduce our cost structure and provide improved service to customers on our high traffic routes. During the fourth quarter of 1998, we began using the first portion of this capacity--a DS-3 link between New York and Los Angeles. On May 24, 1999 through a capacity purchase agreement with Global Crossing Holdings Ltd., we agreed to purchase up to $50 million of fiber capacity on Global Crossing's undersea fiber network.

Satellite Earth Stations and Capacity. We are constructing international satellite earth stations and purchasing capacity on international satellites in order to provide data and Internet transmission services, in addition to voice services, principally to and from post, telephone and telegraph operators, other telecommunications carriers and Internet service providers, in developing countries. We have completed the construction in London of an Intelsat earth station and lease capacity on the Intelsat-62(degrees) satellite. This earth station now is operational and is able to carry voice, data and Internet traffic to and from countries in the Indian Ocean/Southeast Asia region. Pursuant to our purchase agreement with Global Crossing, Global Crossing has agreed to purchase up to $25 million of capacity on our global satellite network.

Foreign Carrier Agreements. In selected countries where competition with the traditional incumbent post, telephone and telegraph operators is limited or is not currently permitted, we have entered into foreign carrier agreements with post, telephone and telegraph operators or other service providers which permit us to provide traffic into and receive return traffic from these countries. We have existing foreign carrier agreements with post, telephone and telegraph and other licensed operators in Cyprus, Greece, India, Iran, Italy, New Zealand, the Philippines, Belgium, Denmark, Israel, Ireland, Singapore, Malaysia, Japan, Australia, France, Switzerland, Argentina, the Bahamas and the Dominican Republic and maintain additional agreements with other foreign carriers in other countries.

Network Management and Control. We own and operate network management control centers in McLean, Virginia, London, Sydney and, with the Telegroup acquisition, in Cedar Rapids, Iowa, which are used to monitor and control a majority of the switches and other transmission equipment used in our network. These network management control centers operate seven days a week, 24 hours per day, 365 days a year. In Canada, Tokyo and Frankfurt, we currently monitor and control each switch locally. We are using a portion of the net proceeds of the offering of the notes to upgrade the existing network management control centers so that they can monitor all of our switching and other transmission equipment throughout the entire network.

Planned Expansion of Network. We recently installed and commenced operating an international gateway switch in Paris. By the end of 2000, we intend to add up to 11 additional switches in Europe, one switch in North America and one switch in Japan. Additionally, we intend to continue to invest in additional switches and points of presence in major metropolitan areas of our principal service regions as the traffic usage warrants the expenditure. We also intend to acquire capacity in terrestrial and undersea fiber optic cable systems in our principal service regions, particularly in North America and Europe, by the end of 1999.

Planned Enhancement of Network for Data and Internet Services. We intend to invest in a U.S. Internet backbone network and an overlay to our existing network architecture that will enable our existing global network to carry Internet and data traffic for our business, residential, carrier and ISP customers. This network will use packet switched technology, including Internet protocol and ATM, in addition to traditional circuit switched voice traffic. Packet switched technology will enable us to transport voice and data traffic compressed as "packets" over circuits shared simultaneously by several users. This network investment will allow us to offer to existing and new customers a full range of data and voice communications services, including, in selected geographic areas, dial-up and dedicated Internet access, Web hosting, managed virtual private network services, and ATM and frame relay data services.

Customers

As of June 30, 1999, Primus had approximately 1.7 million business and residential customers. Set forth below is a description of our customer base:

- Businesses. Historically, our business sales and marketing efforts targeted small- and medium-sized businesses with significant international long distance traffic. More recently, we also have targeted larger multi-national businesses. In an effort to attract these larger business customers in multiple markets, we intend to offer a broad array of bundled services (including long distance voice, Internet, data and cellular services) in approximately 10 major markets, including the United States, Canada, Australia, the United Kingdom, Germany, France, Japan and Italy. We believe that these businesses are and will continue to be attracted to us primarily due to price savings compared to traditional carriers and, secondarily, due to our personalized approach to customer service and support, including customized billing and bundled service offerings.

- Residential Customers. Our residential sales and marketing strategy targets ethnic residential customers who generate high international long-distance traffic volumes and, increasingly, call-through and reorigination customers in Europe and other markets which have not fully deregulated. We believe that such customers are attracted to us because of price savings as compared to traditional carriers, simplified pricing structure, and multilingual customer service and support. We are now offering Internet access to our residential customers in select markets and intend to expand our Internet and data offerings to additional markets and bundle them with traditional voice services.

- Telecommunications Carriers, Resellers and ISPs. We compete for the business of other telecommunications carriers and resellers primarily on the basis of price and service quality. Sales to other carriers and resellers help us maximize the utilization of our network and thereby reduce our fixed costs per minute of use. We are also carrying international ISP traffic over our global satellite network and plan to increase the ISP traffic on our terrestrial and undersea fiber network once we have completed the enhancement of our network for data and Internet services.

We strive to provide personalized customer service and believe that the quality of our customer service is one of our competitive advantages. Our larger customers are covered actively by dedicated account and service representatives who seek to identify, prevent and solve problems. We provide toll-free, 24-hour a day customer service in the United States, Canada, the United Kingdom and Australia which can be accessed to complete collect, third party, person-to-person, station-to-station and credit card validation calls. We also provide a multi-lingual "Trouble Reporting Center" for our residential customers. As of August 31, 1999, we employed 520 full-time customer service employees, many of whom are multi-lingual.

Sales and Marketing

We market our services through a variety of sales channels, as summarized below:

- Direct Sales Force. As of August 31, 1999, our direct sales force was comprised of 307 full-time employees who focus on business customers with substantial international traffic, including multinational businesses and international governmental organizations. We intend to use our direct sales force in the future to offer bundled voice, Internet and data services to existing and new multinational business customers. As of August 31, 1999, we employed approximately 184 full-time direct sales representatives focused on ethnic residential consumers and direct sales representatives who exclusively sell wholesale services to other long-distance carriers and resellers. Direct sales personnel are compensated with a base salary plus commissions. We currently have offices in New York City, Virginia, Tampa, Puerto Rico, St. Thomas, Montreal, Toronto, Vancouver, Mexico City, London, Frankfurt, Adelaide, Brisbane, Melbourne, Perth, Sydney and Tokyo.

- Independent Sales Agents. We also sell our services through independent sales agents and representatives, who typically focus on residential consumers and small- and medium-sized businesses. In June 1999, we significantly expanded our independent sales agent program through the acquisition of Telegroup's global network of agents and its agent support systems. These support systems include RepLink, a World Wide Web interface that allows agents to send customer information directly to us via the Internet for fully automated provisioning. Through RepLink, agents also receive monthly usage reports, commission reports, reports on new products and updates about the agent program. An agent receives commissions based on revenue generated by customers obtained for us by the agent. We also provide additional incentives in the form of restricted stock to those agents that meet certain revenue growth targets. We usually grant only nonexclusive sales rights and require our agents and representatives to maintain minimum revenues. We also market our services through representatives of network marketing companies.

- Telemarketing. We employ full-time telemarketing sales personnel in our Tampa call center to supplement sales efforts to ethnic residential consumers and small- and medium-sized business customers.

- Media and Direct Mail. We use a variety of print, television and radio advertising to increase name recognition and generate new customers. We reach ethnic residential customers by print advertising campaigns in ethnic newspapers, and by advertising on select radio and television programs.

Management Information and Billing Systems

We use various management information, network and customer billing systems in our different operating subsidiaries to support the functions of network and traffic management, customer service and customer billing. For financial reporting, we consolidate information from each of our markets into a single database. For our billing requirements in the United States, we use a customer billing system developed by Electronic Data Systems Inc. (EDS) which supplies, operates and maintains this system and is responsible for providing backup facilities and disaster recovery. The EDS system is widely used in the telecommunications industry and has been customized to meet our specific needs. Elsewhere, we use other third party systems or systems developed in-house to handle our billing requirements. We bill all of our business, reseller and residential customers directly in all of our principal service regions.

We believe that, subject to modifications which are necessary to make our systems Year 2000 ready, our financial reporting and billing systems are generally adequate to meet our needs in the near term. However, as we continue to grow, we will need to invest additional capital to purchase hardware and software, license more specialized software, increase capacity and link our systems among different countries.

Competition

The international communications 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. We believe that long distance service providers compete on the basis of price, customer service, product quality and breadth of services offered. In each country of operation, we have numerous competitors. We believe that as the international communications markets continue to deregulate, competition in these markets will increase, similar to the competitive environment that has developed in the United States following the AT&T divestiture in 1984. Prices for long-distance voice calls in the markets in which we compete have declined historically and are likely to continue to decrease. In addition, many of our competitors are significantly larger, have substantially greater financial, technical and marketing resources and larger networks.

Privatization and deregulation have had, and are expected to continue to have, significant effects on competition in the industry. For example, as a result of legislation enacted in the United States, regional Bell operating companies will be allowed to enter the long distance market, AT&T, MCI/WorldCom 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 communications markets in connection with the deregulation of the telecommunications industry in most EU countries, which began in January 1998. This increase in competition could adversely affect net revenue per minute and gross margin as a percentage of net revenue.

The following is a brief summary of the competitive environment in selected countries within each of its principal service regions:

North America.

- The United States. In the United States, which is the most competitive and among the most deregulated long distance markets in the world, competition primarily 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/WorldCom and Sprint being the next largest providers. In the future, under provisions of recently enacted federal legislation, we anticipate that we will also compete with regional Bell operating companies, local exchange carriers and ISPs in providing domestic and international long-distance services.

- Canada. The Canadian communications market is highly competitive and is dominated by a few established carriers whose marketing and pricing decisions have a significant impact on the other industry participants including us. We compete with facilities-based carriers, other resellers and rebillers, primarily on the basis of price. The principal facilities-based competitors include the former Stentor member companies, in particular, Bell Canada, the dominant supplier of local and long-distance services in Canada, and BCT.TELUS COMMUNICATIONS, created from the merger of two former Stentor companies, as well as non-Stentor companies, Teleglobe Canada, AT&T Canada and Call-Net Enterprises (Sprint Canada). The former Stentor member companies discontinued their alliance on January 1, 1999 and now compete against one another for the first time.

Europe.

- United Kingdom. Our principal competitors in the United Kingdom are British Telecom, the dominant supplier of telecommunications services in the United Kingdom, and Cable & Wireless

Communications. Other competitors in the United Kingdom include Colt, Energis, GTS/Esprit and RSL Communications. We compete in the United Kingdom and continental Europe, and expect to compete in other European countries, by offering competitively-priced bundled and stand-alone services, personalized customer service and value-added services.

- Germany. Our principal competitor in Germany is Deutsche Telekom, the dominant carrier. We also compete with Mannesmann ARCOR/O.tel.o Communications, VIAG Interkom, MobilCom, Talkline, NTS/Colt, MCI/WorldCom and RSL Communications. Additionally, we also face competition from other licensed public telephone operators that are constructing their own facilities-based networks, cable companies and switch-based resellers, including the emerging German local exchange carriers known as "City Carriers."

Asia-Pacific.

- Australia. Australia is one of the most deregulated and competitive communications markets in the Asia-Pacific region. Our principal competitors in Australia are Telstra, the dominant carrier, Cable & Wireless Optus and AAPT and a number of other switchless resellers. We compete 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. We believe that competition in Australia will increase as more companies are awarded carrier licenses in the future.

- Japan. Our principal competitor in Japan is KDD, the dominant carrier, as well as Japan Telecom, IDC and a number of second tier carriers, including Cable & Wireless, MCI/WorldCom and ATNet.

The market for data services and Internet services is extremely competitive. We anticipate that competition will continue to intensify. Our current and prospective competitors offering these services include national, regional and local Internet service providers, Web hosting companies, other long distance and international long distance telecommunications companies, including AT&T, MCI/WorldCom and Sprint, local exchange telecommunications companies, cable television, direct broadcast satellite, wireless communications providers and on-line service providers. Some of these competitors have a significantly greater market presence and brand recognition than we. Many of our competitors also have greater financial, technological and marketing resources than those available to us.

Government Regulation

As a global communications company, we are subject to varying degrees of regulation in each of the jurisdictions in which we provide services. Local laws and regulations, and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which we operate. There can be no assurance that future regulatory, judicial and legislative changes will not have a material adverse effect on us, that domestic or international regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations or that regulatory activities will not have a material adverse effect on us.

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

The regulatory framework in certain jurisdictions in which we provide services is described below:

United States

In the United States, our services are subject to the provisions of the Communications Act of 1934, FCC regulations thereunder, as well as the applicable laws and regulations of the various states and state regulatory commissions.

As a carrier offering services to the public, we 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. We are classified as a non-dominant common carrier for domestic service and are not required to obtain specific prior FCC approval to initiate or expand domestic interstate services.

International Service Regulation. International common carriers like us 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. We have 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 and have filed a tariff.

In addition to the general common carrier principles, we must conduct our international business in compliance with the FCC's International Settlements Policy, the rules that establish the permissible boundaries for U.S.-based carriers and their foreign correspondents to settle the cost of terminating each others' traffic over their respective networks.

Domestic Service Regulation. We are considered a non-dominant domestic interstate carrier subject to minimal regulation by the FCC. We are not required to obtain FCC authority to expand our domestic interstate operations, but we are required to maintain a tariff on file at the FCC, file various reports and pay various fees and assessments. Among other things, interstate common carriers must offer service on a nondiscriminatory basis at just and reasonable rates. As a nondominant carrier, we are subject to the FCC's complaint jurisdiction. In particular, we may be subject to complaint proceedings in conjunction with alleged noncompliance such as unauthorized changes in a customer's preferred carrier. The 1996 Telecommunications Act also addresses a wide range of other telecommunications issues that may potentially impact our operations.

Our costs of providing long distance services will be affected by changes in the access charge rates imposed by incumbent local exchange carriers for origination and termination of calls over local facilities. The FCC has significantly revised its access charge rules in recent years to permit incumbent local exchange carriers greater pricing flexibility and relaxed regulation of new switched access services in those markets where there are other providers of access services. The FCC continues to adjust its access charge rules and has indicated that it will promulgate additional rules sometime in 1999 that may grant certain local exchange carriers further flexibility.

The FCC has also significantly revised the universal service subsidy regime to be funded by interstate carriers, such as us, and certain other entities. The FCC recently established new universal service funds to support qualifying schools, libraries, and rural health care providers and expanded subsidies for low income consumers. Recently the U.S. Court of Appeals for the Fifth Circuit reversed and remanded for reconsideration portions of the FCC's universal service subsidy plan. The FCC has filed for a rehearing and requested a stay of this decision. The outcome of these proceedings or their effect cannot be predicted.

State Regulation. Our intrastate long distance operations are subject to various state laws and regulations, including, in most jurisdictions, certification and tariff filing requirements. Some states also require the filing of periodic reports, the payment of various fees and surcharges and compliance with service standards and consumer protection rules. States often require pricing approval or notification for certain stock or asset transfers or, in several states, for the issuance of securities, debt or for name changes. We have received the

necessary certificate and tariff approvals to provide intrastate long distance service in 48 states. Certificates of authority can generally be conditioned, modified, canceled, terminated, or revoked by state regulatory authorities for failure to comply with state law and/or the rules, regulations, and policies of the state regulatory authorities. Fines and other penalties also may be imposed for such violations. Public service commissions also regulate access charges and other pricing for telecommunications services within each state. The regional Bell operating companies and other local exchange carriers have been seeking reduction of state regulatory requirements, including greater pricing flexibility which, if granted, could subject us to increased price competition. We may also be required to contribute to universal service funds in some states.

Wireless Service Regulations. Through TresCom, we hold a variety of wireless licenses issued by the FCC. As a licensee authorized to provide microwave and satellite earth station services, we are subject to Title III of the 1934 Communications Act and FCC regulations promulgated thereunder. All wireless licenses are subject to foreign ownership restrictions. However, the Communications Act permits licensees to seek a waiver of these restrictions allowing 25% or greater indirect foreign ownership.

Canada

The operations of telecommunications carriers are regulated by the Canadian Radio-television and Telecommunications Commission (CRTC), which has recently established a new competitive regulatory framework governing the international segment of the long-distance market, eliminating certain barriers to competition, consistent with Canada's commitments in the World Trade Organization Agreement. As a result, full facilities-based and resale competition has been introduced in the provision of international services in Canada, effective October 1, 1998, coincident with the elimination of traffic routing limitations on switched hubbing through the United States. In addition, foreign ownership rules for facilities-based carriers have now been waived in relation to ownership of international submarine cables landed in Canada and satellite earth stations used for telecommunications purposes. Effective January 1, 1999, all international service providers must be licensed by the CRTC under the Telecommunications Act of 1993, and we received our international license as of December 23, 1998. Our international operations will remain subject to conditions of our CRTC license, which address matters such as competitive conduct and consumer safeguards, and to a regime of contribution charges (roughly the equivalent of access charges in the U.S.). The CRTC is currently conducting an examination of its international services contribution regime in light of its recent decision to move from a per circuit to a per minute contribution charge arrangement.

Primus, as a reseller of domestic Canadian telecommunications, virtually is unregulated by the CRTC. In particular, because we do not own or operate transmission facilities in Canada, we are not subject to the Canadian Telecommunications Act or the regulatory authority of the CRTC, except to the extent that our provision of international telecommunications services is subject to CRTC licensing and other regulations. Therefore we may provide resold Canadian domestic long distance service without rate, price or tariff regulation, ownership limitations, or other regulatory requirements.

Competition. Long distance competition has been in place in Canada since 1990 for long distance resellers and since 1992 for facilities-based carriers. Since 1994, the incumbent local exchange carriers have been required to provide "equal access" which eliminated the need for customers of competitive long distance providers to dial additional digits when placing long distance calls. In June 1992, the CRTC issued its ground-breaking Telecom Decision CRTC 92-12 requiring the incumbent local exchange carriers to interconnect their networks with their facilities-based as well as resale competitors. However, these companies have now disbanded the Stentor alliance effective January 1, 1999, and have begun to compete against one another. Other nationwide providers are AT&T Canada Corp., and Sprint Canada. Additional long distance services competition is provided by a substantial resale long distance industry in Canada.

Foreign Ownership Restrictions. Under Canada's Telecommunications Act and certain regulations promulgated pursuant to such Act, foreign ownership and control restrictions are applicable to facilities-based carriers (known as "Canadian carriers"), but not resellers, which may be wholly foreign-owned and controlled.

These restrictions limit the amount of direct foreign investment in Canadian carriers to no more than 20% of the voting equity of a Canadian carrier operating company and no more than 33 1/3% of the voting equity of a Canadian carrier holding company. The restrictions also limit the number of seats which may be occupied by non-Canadians on the board of directors of a Canadian carrier operating company to 20%. In addition, under Canadian law, a majority of Canadians must occupy the seats on the board of directors of a Canadian carrier holding company. Although it is possible for foreign investors to also hold non-voting equity in a Canadian carrier, the law requires that the Canadian carrier not be "controlled in fact" by non-Canadians.

Australia

The provision of our services is subject to federal regulation. The two primary instruments of regulation are the Australian Telecommunications Act of 1997 and federal regulation of anti-competitive practices pursuant to the Australian Trade Practices Act of 1974. The current regulatory framework came into effect in July 1997.

We are licensed under the Telecommunications Act of 1997 to own and operate transmission facilities in Australia. Under the regulatory framework, we are not required to maintain a carriage license in order to supply carriage services to the public using network facilities owned by another carrier. Instead, with respect to carriage services, we must comply with legislated "service provider" rules contained in the Telecommunications Act of 1997 covering matters such as compliance with the Telecommunications Act of 1997, operator services, regulation of access, directory assistance, provision of information to allow maintenance of an integrated public number database, and itemized billing.

Two federal regulatory authorities exercise control over a broad range of issues affecting the operation of the Australian telecommunications industry. The Australian Communications Authority (ACA) is the authority regulating matters including the licensing of carriers and technical matters, and the Australian Competition and Consumer Commission (ACCC) has the role of promotion of competition and consumer protection. We are required to comply with the terms of our own license, are subject to the greater controls applicable to licensed facilities-based carriers and are under the regulatory control of the ACA and the ACCC. In addition, other federal legislation, various regulations pursuant to delegated authority and legislation, ministerial declarations, codes, directions, licenses, statements of Australian government policy and court decisions affecting telecommunications carriers also apply to us.

There is no limit to the number of carriers who may be licensed. Any company that meets the relevant financial and technical standards and complies with the license application process can become a licensed carrier permitted to own and operate transmission facilities in Australia. Carriers are licensed individually, are subject to charges that are intended to cover the costs of regulating the telecommunications industry, and are obliged to comply with license conditions (including obligations to comply with the Telecommunications Act of 1997, with certain commitments made in their industry development plan and with the telecommunications access regime and related facilities access obligations). Carriers also must meet the universal service obligation, to assist in providing all Australians, particularly in remote areas, with reasonable access to standard telephone services. The levy required to be paid in connection with this obligation is currently set at a level that is not material for us. However, there can be no guarantee that the Australian Communications Authority will not make an assessment of a universal service levy in the future that would be material or that the Australian Government will not legislate in the future for an outcome that would be material.

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

The Telecommunications Act of 1997 package of legislation includes a telecommunications access regime that provides a framework for regulating access rights for specific carriage services and related services through the declaration of services by the ACCC. The regime establishes mechanisms within which the terms and conditions of access can be determined. The Australian government intends the access regime to reduce the power of Telstra and Cable & Wireless Optus (as the former protected fixed line carriers) and other carriers who may come to own or control important infrastructure or services necessary for competition.

The access regime establishes a mechanism for the industry to develop an access code containing model terms and conditions for access to particular declared services. Once approved by the ACCC, those model terms and conditions may be adopted in an undertaking by individual carriers who are under an access obligation.

Since July 1997, the ACCC has mandated progressively that Telstra provide access to a range of its facilities at specified rates to other service providers including us. We have negotiated access arrangements with Telstra in substitution for certain mandated arrangements. In July 1999, the ACCC mandated access to Telstra's local call network. We expect that access to Telstra's local call network will provide us with new opportunities.

Foreign Ownership Limitations. Foreign investment in Australia is regulated by the Foreign Acquisitions and Takeovers Act 1975. We notified the Australian government of our proposed acquisition of Axicorp in 1996 and were informed at that time that there were no objections to the investment in terms of Australia's foreign investment policy. There can be no assurance, however, that additional foreign ownership restrictions will not be imposed on the telecommunications industry or other foreign investors, including us, in the future.

Japan

Our services in Japan are subject to regulation by the Japanese Ministry of Post and Telecommunications under the Japanese Telecommunications Business Law. We have obtained licenses as a Type I business, and as a Special Type II business, and also as a General Type II business through the Telegroup acquisition. Our licenses allow us to provide selected international telecommunications services using our own facilities, as well as leased facilities, and domestic telecommunications services using leased facilities. There can be no guarantee that the Japanese regulatory environment will allow us to provide service in Japan at competitive rates.

European Union

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

In March 1996, the EU adopted the Full Competition Directive containing two provisions which required EU member states to allow the creation of alternative telecommunications infrastructures by July 1, 1996, and which reaffirmed the obligations of EU member states to abolish the post, telephone and telegraph operators' monopolies in voice telephony by 1998. Certain EU countries were allowed to delay the abolition of the voice telephony monopoly based on derogations established in the Full Competition Directive. These countries include Luxembourg (July 1, 1998), Spain and Ireland (which were liberalized on December 1, 1998), Portugal (January 1, 2000) and Greece (December 31, 2000).

Each EU member state in which we currently conduct or plan to conduct our business has a different regulatory regime and such differences have continued beyond January 1998. The requirements for us to obtain necessary approvals vary considerably from country to country and are likely to change as competition is permitted in new service sectors. Most EU member states require companies to obtain a license in order to provide voice telephony services or construct and operate telecommunications networks. However, the EU generally does not permit its member states to require individual licenses for other types of services. In

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

United Kingdom

Our services are subject to the provisions of the United Kingdom Telecommunications Act. The Secretary of State for Trade and Industry, acting on the advice of the United Kingdom Department of Trade and Industry, is responsible for granting UK telecommunications licenses, while the Director General of Telecommunications 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 anti-competitive behavior.

In 1991, the British government established a "multi-operator" policy to replace the duopoly that had existed between British Telecom and Cable and Wireless Communications. Under the multi-operator policy, the Department of Trade and Industry recommends the grant of a license to operate a telecommunications network to any applicant that it 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 voice resellers operate under individual licenses granted by the Secretary of State for Trade and Industry pursuant to the United Kingdom Telecommunications Act. Any telecommunications system with compatible equipment that is authorized to be run under an individual license is permitted to interconnect to British Telecom's network. As of June 30, 1999, only those systems providing bearer services will be entitled to interconnection, providing the operator has been registered in Annex II. 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).

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

Telegroup Network Services Ltd. holds an ISVR license granted on December 31, 1997 and Telegroup UK Ltd. holds an international facilities-based license granted on December 30, 1997, amended effective as of September 27, 1999 to cover United Kingdom domestic facilities provision.

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

Interconnection and Indirect Access. We must interconnect our U.K. network to networks of other service providers in the United Kingdom and allow our end user customers to obtain access to our services in order to compete effectively in the United Kingdom. In the United Kingdom, licensed long distance carriers like us can obtain interconnection to British Telecom at cost-based rates. However, while customers of British Telecom's long distance service can access that service automatically (i.e., without dialing additional digits), customers of other long distance carriers generally must dial additional digits to access their chosen carrier's services.

Fair Trading Practices. Oftel is the principal regulator of the competitive aspects of the United Kingdom telecommunications industry. There are no foreign ownership restrictions that apply to telecommunications company licensing in the United Kingdom although the Department of Trade and Industry does have a discretion as to whether to award licenses on a case by case basis. We also are subject to general European law, which, among other things, prohibits certain anti-competitive agreements and abuses of dominant market positions through Articles 81 and 82 of the Treaty of Rome.

Germany

The German Telecommunications Act of 1996 liberalized all telecommunications activities as of January 1, 1998. The German Telecom Act has been complemented by several ordinances.

Under the German regulatory scheme, licenses are required for the operation of infrastructure and the provision of voice telephony services. Licenses required for the operation of infrastructure are divided into 3 license classes: mobile telecommunications (license class 1); satellite (license class 2); and other telecommunications services for the general public (license class 3). In addition to the infrastructure licenses, a separate license is required for provision of voice telephony services to the general public on the basis of self-operated telecommunications networks (license class 4). A class 4 license does not include the right to operate transmission infrastructure. All other telecommunications services (e.g. valued-added, data, etc.) are only subject to a notification requirement. We operate under a license class 4 which has been extended to a Germany-wide area license under a change of regulatory policy that requires Germany-wide area licenses for the Germany-wide offer of public switched voice telephony. License fees caused by this license extension are high, but have been challenged by a German court and have therefore not yet been imposed.

Under the German Telecom Act, companies that desire to connect with Deutsche Telekom's network must enter into an interconnection agreement with the regulated interconnection tariffs. We entered into an interconnection agreement with Deutsche Telekom on February 27, 1998 at the regulated standard interconnection rates presently under court review. Our interconnection agreement with Deutsche Telekom permits the parties to renegotiate interconnection rates or other provisions of the agreement in the event of a change in the German regulatory environment or other circumstances which have a bearing on the economic basis of the interconnection agreement or a party's license situation or which are considered by both parties to materially affect the interconnection agreement in any other way. The interconnection agreement may also be terminated by commencing a six month notice period at the end of the calendar year. After the public announcement on December 15, 1998, Deutsche Telekom, by letter of December 23, 1998, informed us that, as a matter of precaution, it terminated the interconnection agreement as of December 31, 1999 and it asked that renegotiations be opened.

Several complaints, the outcome of which may affect our business, currently are pending before the Regulierungsbehorde fur Telekommunikation und Post (RegTP) or German courts concerning interconnection with Deutsche Telekom. Since Deutsche Telekom and some of its major competitors in Germany have been unable to reach agreement on interconnection rates, the RegTP established provisional interconnection tariffs in September 1997 which Deutsche Telekom has since challenged in court. These rates are now part of the standard offer of Deutsche Telekom and are valid for all interconnected and licensed carriers until the end of 1999 or possibly the end of the first quarter of 2000 for as long as the matter is pending before the German courts. Court review of these rates may result in higher rates being imposed on network operators retroactively as the standard interconnection agreement provides for retroactive effect of the court's final decision. Other pending complaints concern the costs of billing services provided by Deutsche Telekom to other carriers and

rates for direct access to the end-user lines of Deutsche Telekom. It is expected that a final resolution to these matters will take several years.

Due, in part, to Deutsche Telekom's refusal, since March 1998, to conclude interconnection agreements with long-distance operators, the RegTP initiated a public hearing concerning the prerequisites for interconnection under the German Telecom Act. The preliminary results were presented to the general public in a hearing on December 15, 1998 and have been confirmed and published. Accordingly, the RegTP regards an operator that requests three points of interconnection directed by one switch and three leased lines connecting these three points of interconnection as a carrier operating a public telecommunications network as defined in the German Telecom Act and as such they are entitled to interconnection based on the regulated tariffs. Deutsche Telekom had filed an application requesting surcharges to be imposed on all operators who have not signed the new interconnection agreement requiring operators to install additional points of interconnection and meet minimum traffic requirements to avoid atypical traffic. Deutsche Telekom uses the term "atypical traffic" to denote what it perceives an inefficient traffic caused by long-distance operators with only a few interconnection points with Deutsche Telekom. According to Deutsche Telekom, traffic originating outside the long distance network's geographic reach is transported through Deutsche Telekom's network to the long distance network's closest switch and back again to be terminated in Deutsche Telekom's network. In extreme cases this may multiply the distance a single call travels as compared to the case where the same call would have been routed more or less directly to its destination through Deutsche Telekom's or any other large network. Deutsche Telekom has claimed that this type of traffic jams its network and requires otherwise unnecessary investments into surplus capacity.

In May 1999, the RegTP turned down Deutsche Telekom's application for regulatory approval of surcharges for atypical traffic. New, possibly higher interconnection fees and surcharges for small network operators or an interconnection tariff regime disadvantaging small network operators may, however, be introduced in connection with the upcoming new interconnection regime 2000, along with other possible unfavorable changes such as a 24-month minimum lease of interconnection lines and minimum traffic requirements. The first new interconnection agreement signed with Mannesmann Arcor, the major market player besides Deutsche Telekom, however, introduced a reduction of interconnection tariffs by extending off-peak times to comply with end-user off-peak times. These new rates have yet to be regulated by RegTP. Non-discrimination with regard to all other terms of this agreement between large and smaller carriers such as Primus will become an important regulatory issue in the market once this new agreement comes into force. Discrimination would severely affect our business.

Deutsche Telekom has presented a new draft interconnection agreement for the upcoming negotiations. The new interconnection offer is based generally on less favorable terms than the current one. These less favorable conditions do, in part, run counter to the outcome of the regulatory proceedings in May 1999. The new draft agreement, in addition, may be wholly or partially overturned by the RegTP's new interconnection regime 2000, in particular by element-based interconnection tariffs which RegTP proposes to introduce as announced in June 1999. We cannot predict the results of this upcoming new interconnection regulation, but the results may severely affect our business in Germany.

Further, the general price depression in the end-customer market along with the fact that the RegTP has authorized Deutsche Telekom's price cuts in the end-customer market (announced to be effective as of January 1, April 1 and July 1, 1999) may adversely affect us. Other large operators also have reduced their prices which may adversely affect our business. These price cuts have come under attack before the European Commission and the courts. The outcome of these proceedings is, however, difficult to predict; decision-making may take years.

Finally, RegTP has auctioned off the first round of wireless local loop licenses. This has attracted additional competitors to enter the German market, which may also affect our business even though we are not active in the local exchange market.

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

France

The French Telecommunications Act of 26 July 1996 further developed the new legal framework for the development of a competitive telecommunications market in France.

As a result, the French Regulator (Autorite de Regulation des Telecommunications) was created on January 1, 1997 with the task of overseeing the development of a competitive telecommunications sector which would provide benefits to the user. In addition, the monopoly on the provision of voice telephony services to the public was abolished as of January 1, 1998.

Under the French regulatory regime, an L33.1 license is required for the establishment and running by the operator of a telecommunications network open to the public (an infrastructure licence) and the provision of public voice telephony services requires an L34.1 licence. An infrastructure license is required by those operators who wish to install or purchase dark fiber for the running of a network. As with the L34.1 voice license, L33.1 infrastructure licenses are granted on a regional or nation-wide basis and it is possible to be granted a license just for the region of Paris and its suburbs. We (via our French subsidiary) were awarded the first L34.1 only license on May 29, 1998. Call back operators and least cost routing operators not using their own leased lines as defined by the French Regulator, do not need to apply and obtain an L34.1 license. Certain competitors obtained a joint L34.1 & L33.1 license and we are considering applying for an L33.1 license in addition to our L34.1 license so that we can benefit from the lower interconnection tariffs afforded to L33.1 infrastructure license holders.

Because we hold a nation-wide class L34.1 license, we have the authority to originate and terminate calls throughout France.

Companies that desire to interconnect with France Telecom's network must enter into an interconnection agreement which applies certain fixed interconnection tariffs set out in an interconnection catalog. In order to obtain the lowest available interconnection tariffs throughout France, we would need to obtain a nation-wide infrastructure license and install dark fiber and points of interconnection in all the different French regions (a minimum of 18 regions) where we are to be originating and terminating traffic.

We have entered into an interconnection agreement with France Telecom at the regulated standard interconnection rates applicable to L34.1 voice license holders set out in the interconnection catalog. In order to interconnect with France Telecom, we are required to install, in addition to our principal switch in the city of Paris, a second point of presence to be interconnected with France Telecom in the outer zone of the Parisian region as defined for telecommunications purposes. We have located a site for our principal Ericsson AXE-10 switch and have ordered the leased lines from France Telecom to interconnect our switch with the most convenient France Telecom points of interconnection. France Telecom estimates and sets out in the interconnection agreement that leased lines so requested will be provided within a period of 6 to 18 months.

It is possible that the license fees currently paid could be further increased. In addition, the interconnection fees payable to France Telecom include an element relating to the funding of France Telecom's universal service financing obligations, and it is possible that the levels of such contributions will be raised in the foreseeable future.

We have been granted the 1656 four digit indirect access code; however, there have been seven one digit indirect access numbers granted to other telecommunications providers in France. Those operators with a one

digit access number will have a competitive advantage. It is highly unlikely that we will be able to obtain a one digit access number.

The Telegroup French subsidiary holds a mixed voice and infrastructure license and has been allocated the 1633 carrier selection code. We understand that this Telegroup subsidiary employs over 10 employees and has entered into a number of contracts with other telecom operators in France. It has also contracted with France Telecom for the use of two "3PBQ" numbers which are the equivalent of four digit freephone access numbers for use in regions where the carrier selection code is not operational due to the lack of a point of interconnection. Primus is in the process of determining whether to maintain its separate license and carrier selection code, in light of those held by Telegroup.

Latin America

Various countries in Latin America have taken initial steps towards deregulating their telecommunications markets. Each Latin American country has a different national regulatory regime and each country is in a different stage of liberalization. Historically, Latin American countries have reserved the provision of voice services to the state-owned post, telegraph and telephone operators. In the last few years, several Latin American countries have privatized completely or partially their national carriers, including Argentina, Chile, Mexico, Peru and Venezuela. In addition, certain countries have opened partially or completely their local and/or long distance markets, most notably Chile, which has competitive operators in all sectors. Argentina has liberalized certain telecommunications services, such as value-added, paging, data transmission, and personal communications services. Brazil currently is in the process of opening its telecommunications market to competition. Brazil intends to privatize Telecomunicas Brasileras S.A. (Telebras), which, through its 28 regional subsidiaries, holds a monopoly over the provision of local telephone services, as well as Empresa Brasiliera de Telecomunicacoes S.A., the monopoly provider of long distance and international telephone services. Moreover, Colombia recently has opened national and international long distance services to competition, and has awarded two new concessions for the provision of these services to two major local exchange carriers in Colombia--Empresa Brasiliera de Telecomunicaciones S.A. de Bogota and Orbitel, S.A. In Colombia the provision of value-added services and voice services to closed-user groups is open to competition. Mexico initiated competition in the domestic and international long distance services market on January 1, 1996, which are subject to a concession requirement. In addition, the Mexican government has opened recently basic telephony, and currently is auctioning radio-electric spectrum frequencies for the provision of personal communications services and Local Multipoint Distribution System Services. Value-added services are also fully open to competition in Mexico. Finally, in the Central American region, Guatemala and El Salvador recently have opened their telecommunications market to competition, abolishing all restrictions on foreign investment in this sector. Other countries in Central America, such as Nicaragua and Honduras, are in the process of privatizing their state-owned carriers, and have not opened fully their markets to competition.

Employees

The following table summarizes the number of our full-time employees as of August 31, 1999, by region and classification:

	North America	Asia-Pacific	Europe	Total
Management and Administrative	319	48	33	400
Sales and Marketing	282	150	59	491
Customer Service and Support	390	59	71	520
Technical	353	85	49	487
Total	1,344	342	212	1,898

We have never experienced a work stoppage, and none of our employees is represented by a labor union or covered by a collective bargaining agreement. We consider our employee relations to be excellent.

Properties

We currently lease our corporate headquarters which is located in McLean, Virginia. Additionally, we also lease administrative, technical and sales office space, as well as space for our switches, in various locations in the countries in which we operate, including the United States, Canada, Australia, the United Kingdom, Canada, Japan, Mexico, Germany and France. Total leased space approximates 350,000 square feet and the total annual lease costs are approximately $7.0 million. The operating leases expire at various times through 2008. Certain communications equipment which includes network switches and transmission lines is leased through operating and capital leases. We believe that our present administrative and sales office facilities are adequate for our anticipated operations and that similar space can be obtained readily as needed. We further believe that the current leased facilities are adequate to house existing communications equipment. However, as our network grows, we expect to lease additional locations to house the new equipment.

Legal Proceedings

We are involved from time to time in litigation incidental to the conduct of our business. We believe the outcome of pending legal proceedings to which we are a party will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

MANAGEMENT

Executive Officers and Directors

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

Name	Age	Position	Year of Expiration of Term as Director
K. Paul Singh(1).......	48	Chairman of the Board of Directors, President, and Chief Executive Officer	2002
Neil L. Hazard.........	47	Executive Vice President and Chief Financial Officer	N/A
John F. DePodesta......	54	Executive Vice President and Director	2002
Ravi Bhatia............	50	Chief Operating Officer, Primus Australia	N/A
Yousef Javadi..........	43	Chief Operating Officer, Primus North America	N/A
John Melick............	40	Vice President of International Business Development	N/A
Jay Rosenblatt.........	34	Vice President, Global Carrier Services	N/A
Herman Fialkov(2)(3)...	77	Director	2000
David E. Hershberg(2)..	62	Director	2000
Douglas M. Karp........	44	Director	2001
John G. Puente(1)(3)...	69	Director	2001

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

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

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

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

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

MCI in various sales and marketing positions. Most recently, he served as the Director of Sales and Marketing for MCI in the South Pacific Region, based in Sydney.

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

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

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

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

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

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

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

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

Classified Board of Directors

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

Compensation of Directors

Directors are paid an annual fee of $10,000 and receive reimbursement of their expenses for attending meetings. In addition, we grant each person who becomes an Eligible Director (as defined in the Director Option Plan) options to purchase 15,000 shares of our common stock pursuant to the Director Option Plan. These options vest one-third upon the grant date, and one-third on each of the first and second anniversary of the grant dates. We did not grant any such options in 1997 or 1998.

Committees of the Board

Our board of directors has appointed an Audit Committee, Nominating Committee and a Compensation Committee.

Audit Committee. The Audit Committee, which currently consists of Mr. Puente and Mr. Fialkov, has the authority and responsibility: to hire one or more independent public accountants to audit our books, records and financial statements and to review our systems of accounting (including our 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 our board of directors.

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

Compensation Committee Interlocks and Insider Participation

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

Executive Compensation

The following table sets forth, for the years ended December 31, 1998, 1997 and 1996, certain compensation information with respect to our chief executive officer and our other officers named therein.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Restricted Stock Award(s) ($)	Securities Underlying Options/SARs (#)	LTIP Payouts ($)	All Other Compen-sation ($)
K. Paul Singh--Chairman of the Board of Directors, President and Chief Executive Officer	1998	258,013	180,000	--	--	--	--	--
	1997	247,692	160,000	--	--	100,000	--	--
	1996	185,000	100,000	--	--	338,100	--	--
Neil L. Hazard--Executive Vice President and Chief Financial Officer	1998	184,006	105,000	--	--	--	--	--
	1997	159,231	100,000	--	--	40,000	--	--
	1996	118,461	60,000	--	--	304,290	--	--
Yousef B. Javadi--Chief Operating Officer, Primus North America	1998	154,808	80,000	--	--	--	--	--
	1997	121,154	60,000	--	--	170,000	--	--
	1996	--	--	--	--	--	--	--
John F. DePodesta--Executive Vice President	1998	178,718	135,000	--	--	--	--	--
	1997	100,000	--	--	--	180,000	--	--
	1996	--	10,000	--	--	--	--	--
John Melick--Vice President of International Business Development	1998	128,391	55,000	--	--	--	--	--
	1997	105,000	50,000	--	--	25,000	--	--
	1996	101,538	10,000	--	--	--	--	--

Stock Options Granted to Certain Executive Officers During Last Fiscal Year

Under the Employee Stock Option Plan, options to purchase our common stock are available for grant to selected employees. Options are also available for grant to eligible directors under our Director Stock Option Plan. No options for the purchase of our common stock were awarded to the executive officers named on the above summary compensation table during 1998.

Stock Plans

Employee Stock Option Plan. We established the Employee Stock Option Plan for our employees and consultants on January 2, 1995. Recently, our board adopted and the stockholders approved an amendment to the Employee Stock Option Plan that, among other things, increased the number of options available for grant and expanded the category of plan participants. The Employee Stock Option Plan provides for the grant to selected full and part-time employees and consultants of Primus and its subsidiaries who contribute to the development and success of Primus and its subsidiaries of both "incentive stock options" within the meaning of Section 422 of the Code (ISOs) and options that are non-qualified for federal income tax purposes (NQSOs); provided, however, that consultants are eligible for the grant of NQSOs only. The total number of shares of our common stock for which options may be granted pursuant to the Employee Stock Option Plan is 5,500,000, of which 1,404,750 are available for future grants, subject to certain adjustments reflecting changes in our capitalization. No individual may receive, over the term of the Employee Stock Option Plan, options for more than an aggregate of 25% of the shares authorized for grant under the Employee Stock Option Plan. The Employee Stock Option Plan currently is administered by the Compensation Committee of our board of directors which is comprised of directors who are not also our employees. The Compensation Committee determines, among other things:

- which employees and consultants will receive options under the Employee Stock Option Plan;
- the time when options will be granted;

- the type of option (ISO or NQSO, or both) to be granted;
- the number of shares subject to each option;
- the time or times when the options will become exercisable and expire; and
- subject to certain conditions discussed below, the option price and duration of the option.

Members of our board of directors administering the Employee Stock Option Plan may vote on any matters affecting the administration of the Employee Stock Option Plan, except that no member may act upon the granting of an option to himself or herself.

The exercise price of the options granted under the Employee Stock Option Plan is determined by our board of directors, but may not be less than the fair market value per share of our 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 our capital stock, then the exercise price for such ISO may not be less than 110% of the fair market value per share of our common stock on the date the option is granted. Our board of directors also determines the method of payment for the exercise of options under the Employee Stock Option Plan. Payment may consist entirely of cash, check, promissory notes or our common stock having a fair market value on the date of surrender equal to the aggregate exercise price. Our board of directors, in its sole discretion, may cooperate with an optionee to complete a cashless exercise transaction.

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

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

There are no federal income tax consequences to Primus 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), we 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 Primus if an ISO lapses before exercise or is forfeited. The grant of a NQSO has no immediate tax consequences to Primus. Upon the exercise of a NQSO by an employee or consultant, we are 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 Primus 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 our common stock received on the exercise of the ISO is an adjustment for purposes of the alternative minimum tax. Upon the exercise of an ISO, an employee will have a basis in the common stock received equal to the amount paid. An employee will be subject to capital gain or loss upon the sale of such common 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 common stock received from the exercise of the ISO 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 our common stock), then the amount required to be recognized by the employee as ordinary income will be limited to the excess, if any, of the amount realized on the sale over the basis of the stock.

The Employee Stock Option Plan allows an employee or consultant to pay an exercise price in cash or shares of our common stock. If the employee pays with shares of our common stock that already are owned, the basis of the newly acquired common 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, the transaction will be tax-free to the extent that the number of shares received does not exceed the number of shares paid. The basis of the number of shares of newly acquired common stock which does not exceed the number of shares of common 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 common stock paid. To the extent that the employee receives more new shares than shares surrendered, the "excess" shares of common stock will take a zero basis. If an employee exercises an ISO by using stock that is acquired previously from the exercise of an ISO, however, certain special rules apply. If the employee has not held the previously acquired common 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 common stock, the use of such common stock to pay the exercise price will constitute a Disqualifying Disposition and subject the employee to income tax with respect to the common stock as described above. In such circumstances, the basis of the newly acquired common stock will be equal to the fair market value of the previously acquired common stock used as payment.

The grant of a NQSO has no immediate tax consequences to an employee or consultant. The exercise of a NQSO requires an employee or consultant to include in gross income the amount by which the fair market value of the acquired shares exceeds the exercise price on the exercise date. We are required to withhold income and employment taxes from an employee's wages on account of this income. The employee's or consultant's basis in the acquired shares will be their fair market value on the date of exercise. Upon a subsequent sale of such shares, the employee or consultant will recognize capital gain or loss equal to the difference between the sales price and the basis in the stock. The capital gain or loss will be long- or short-term, depending on whether the employee or consultant has held the shares for more than one year. There are no tax consequences to an employee or consultant if a NQSO lapses before exercise or is forfeited. If an employee or consultant uses previously owned common stock as payment for the exercise price of a NQSO, to

the extent the employee or consultant surrenders the same number of shares received, the exchange is tax-free and the new shares will have a basis equal to that of the shares surrendered. The holding period for the new shares will include the period the employee or consultant held the surrendered shares. To the extent the employee or consultant receives more new shares than shares surrendered, the excess shares are treated as having been acquired for no consideration and the fair market value of such excess shares is includible in the employee's or consultant's income as compensation. The basis of the excess shares is their fair market value at the time of receipt. If the previously owned shares consist of common stock from the exercise of an ISO 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.

Our board of directors has authority to suspend, terminate or discontinue the Employee Stock Option Plan or revise or amend it in any manner with respect to options granted after the date of revision. No such revision, however, can change the aggregate number of shares subject to the Employee Stock Option Plan, change the designation of employees eligible thereunder, or decrease the price at which options may be granted. Our board of directors may not grant any options under the Employee Stock Option Plan after January 2, 2005.

TresCom International Stock Option Plan. In connection with the TresCom merger, we assumed a stock option plan previously sponsored by TresCom. Pursuant to the terms of the agreement governing the TresCom merger, each outstanding option to acquire one share of TresCom common stock was converted into an option to acquire 0.6147 shares of our common stock. Options to acquire 114,334 shares of our common stock are outstanding under this Primus-TresCom Option Plan. The Primus-TresCom Option Plan provides for an equitable adjustment in the number and price of shares of our common stock with respect to outstanding options in the event the outstanding shares of our common stock are increased or decreased through stock dividends, recapitalizations, reorganizations or similar things.

The Primus-TresCom Option Plan is intended as an incentive and to encourage stock ownership by the officers, key employees, consultants and directors of TresCom prior to the TresCom merger in order to increase their proprietary interest in our success and to encourage them to continue to provide services to us. No additional stock options will be granted under the Primus-TresCom Option Plan. All options issued under the Primus-TresCom Option Plan are vested entirely and exercisable in full.

The Primus-TresCom Option Plan is administered by our board of directors or by a committee appointed by our board of directors and consisting of not less than two members of our board of directors who also are not employees of Primus or any of its subsidiaries. The Primus-TresCom Option Plan does not limit the length of time a director may serve as part of this committee. Subject to the terms of the Primus-TresCom Option Plan, the board of directors or this committee will have the exclusive authority to interpret, administer and make determinations under the Primus-TresCom Option Plan. All options granted under the Primus-TresCom Option Plan are in the form of ISOs. Payment for the shares of our common stock purchased under an option must be made in full upon exercise of the option, by certified or bank cashier's check or by any other means acceptable to us, including, without limitation, tender of shares of our common stock then owned by the optionee. Each grant of an option under the Primus-TresCom Option has been evidenced by an option agreement which sets forth the number of shares of our common stock subject to the option and includes other terms and conditions applicable to the option. These options are not assignable or transferable except by will or by the laws of descent and distribution, and, during the lifetime of the optionee, the option may be exercised only by the optionee.

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

Director Stock Option Plan. We also established a Director Stock Option Plan on July 27, 1995, as amended. The purpose of the Director Stock Option Plan is to encourage ownership in Primus by outside directors (present or future incumbent directors who are not affiliated with or employees of Primus or any

subsidiary and who have not been nominated to serve as directors pursuant to an agreement with Primus) whose services are considered essential to our continued progress. Options granted under the Director Stock Option Plan are NQSOs. The Director Stock Option Plan is administered by a committee of the board of directors consisting of those directors who are not eligible to receive grants thereunder. The total number of shares of our common stock for which options may be granted pursuant to the Director Stock Option Plan is 338,100. On the effective date of the Director Stock Option Plan or the first date thereafter that any director becomes eligible to receive an award under the Director Stock Option Plan, each eligible director will automatically receive an option to purchase 15,000 shares of our common stock, exercisable for 5,000 shares immediately, and 5,000 on each of the next two anniversary dates of the grant date. All options become immediately exercisable, however, upon the retirement of a director in accordance with any mandatory retirement policy of our board of directors, upon the death or permanent disability of a director, or if we merge with another company and we are not the surviving corporation, we enter into an agreement to sell or otherwise dispose of all or substantially all of our assets, or any person or group acquires more than 20% of our 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 our common stock. Options issued under the Director Stock Option Plan are not transferable other than by will or the laws of descent and distribution. Options expire upon the earlier of five years from the date they were granted or three years following either the retirement or resignation of the director, the failure of the director to be re-elected, or the permanent disability or death of the director. No options may be granted under the Director Stock Option Plan after December 31, 2005.

The grant of a NQSO has no immediate tax consequences to Primus. Upon the exercise of a NQSO by a director, we are 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 Primus 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 our common stock acquired upon exercise thereof, are identical to those described for NQSOs under "--Employee Stock Option Plan" above, except that we have no withholding obligations upon the exercise of a NQSO by a director.

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

An employee of a participating company is eligible to participate in the ESP Plan if the employee, as of the last day of the month immediately preceding the effective date of an election to purchase shares of our common stock pursuant to the ESP Plan (1) has been employed on a full-time basis for at least six consecutive months; or (2) has been employed on a part-time basis for at least 24 consecutive months.

Presently, only our employees residing in the United States are eligible to participate in the ESP Plan. An employee is considered to be a part-time employee if the employee is scheduled to work at least 20 hours per week. Notwithstanding the foregoing, any employee who, after purchasing our common stock under the ESP Plan, would own five percent or more of the total combined voting power or value of all classes of our stock or

any parent corporation or subsidiary corporation thereof is not eligible to participate. Ownership of stock is determined in accordance with the provisions of Section 424(d) of the Internal Revenue Code. Further, an employee is not eligible to participate if such participation would permit such employee's rights to purchase stock under all employee stock purchase plans of the participating companies which meet the requirements of section 423(b) of the Code to accrue at a rate which exceeds $25,000 in fair market value (as determined pursuant to section 423(b)(8) of the Code) for each calendar year in which such option is outstanding.

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

An eligible employee who wishes to participate in the Employee Stock Purchase Plan shall file an election form with our board of directors or the committee governing the ESP Plan at least 15 days before the first of the month for the first offering for which such election form is effective. On this form an employee may elect to have payroll deductions made from his compensation on each regular payday during the time he is a participant in the ESP Plan. All payroll deductions shall be credited to the participant's account under the ESP Plan. A participant who is on an approved leave of absence may authorize continuing payroll deductions.

If the total number of shares of our common stock for which purchase rights are exercised on the last day of a month exceeds the maximum number of shares of our common stock available, our board of directors or the relevant committee shall make a pro rata allocation of shares available for delivery and distribution in as nearly a uniform manner as practicable, and as it shall determine to be fair and equitable, and the unapplied account balances shall be returned to participants as soon as practicable following the last day of the month.

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

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

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

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

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

The ESP Plan is not qualified under Section 401(a) of the Internal Revenue Code. We generally will not be entitled to a deduction with respect to stock purchased under the ESP Plan, unless the stock is disposed of less than one year after our common stock is purchased by the employee, or less than two years after each commencement of an offering.

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

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

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

Restricted Stock Plan. We established the 1998 Restricted Stock Plan on December 15, 1998 to facilitate the grant of "restricted stock" to selected individuals who contribute to our development and success and that of our subsidiaries. The total number of shares of our common stock which may be granted under the 1998 Restricted Stock Plan is 750,000. For any calendar year, the maximum number of shares of our common stock which may be granted to any individual is 200,000.

The 1998 Restricted Stock Plan is administered by our board of directors, provided that our board of directors may delegate its authority under the 1998 Restricted Stock Plan to a member of our board of directors, a committee of our board of directors or an executive officer of Primus. Except as otherwise provided by our board of directors, only our board of directors or the relevant committee may make grants under the 1998 Restricted Stock Plan to an executive officer or establish the number of shares of our common stock that can be subject to grants for any of our fiscal periods.

Persons who may receive grants under the 1998 Restricted Stock Plan are limited to our and our subsidiaries' employees, consultants, agents, advisers, managers or any other individual whose participation in the 1998 Restricted Stock Plan is determined by our board of directors to be in our best interests. However, notwithstanding the foregoing, individuals who are required to file reports under Section 16(a) of the Exchange Act are not eligible to receive grants under the 1998 Restricted Stock Plan.

Unless delegated to the relevant committee, our board of directors has the full and final authority to:

(i) designate recipients of grants;

(ii) determine the types of grants to be made;

(iii) determine the number of shares of our common stock to be subject to a grant;

(iv) establish the terms and conditions of each grant, including, but not limited to, the nature and duration of any restriction or condition;

(v) prescribe the form of each award agreement pursuant to which grants are made;

(vi) make grants alone, in addition to, in tandem with or in substitution or exchange for any other grant or any other award granted under another plan maintained by Primus or a subsidiary; and

(vii) amend, modify or supplement the terms of any outstanding grant of shares of our common stock under the 1998 Restricted Stock Plan.

The board or its delegate will establish a restricted period with respect to each grant of restricted stock under the 1998 Restricted Stock Plan. Except as otherwise determined by our board of directors, the minimum restricted period is one year. Each grant may be subject to a different restricted period, and may be subject to restrictions other than or in addition to the expiration of time, such as the satisfaction of individual or corporate objectives. Performance objectives other than the lapse of time must be established on or before the 90th day of the period of service to which the objectives relate and while the outcome is substantially uncertain. In addition, performance objectives may include positive results, maintaining the status quo or limiting economic losses.

Our common stock subject to grants under the 1998 Restricted Stock Plan may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the restricted period. These restrictions lapse upon the expiration of the restricted period, whether by lapse of time or the fulfillment of applicable performance objectives. Unless our board of directors provides otherwise in any particular award agreement, recipients may vote the shares subject to that award agreement and will be entitled to receive dividends paid with respect to such shares. However, our board of directors may require that such dividends be reinvested in shares of our common stock, which shares may or may not be subject to the same restrictions as the shares subject to the award agreement.

Unless otherwise provided by our board of directors, if a recipient terminates employment or engagement for any reason other than death or disability, any shares of our common stock held by such recipient that remain subject to restrictions under the 1998 Restricted Stock Plan will be forfeited. Unless otherwise provided by our board of directors, if a recipient terminates employment or engagement by reason of death or disability, all restrictions under the 1998 Restricted Stock Plan applicable to shares held by such recipient will lapse. For purposes of the 1998 Restricted Stock Plan, "disability" means "total and permanent disability," as described in Section 22(e)(3) of the Code.

The numbers of and type of shares subject to the 1998 Restricted Stock Plan and to grants made thereunder will be adjusted to the extent necessary to prevent the enlargement or diminution of rights in the event of any merger, reorganization, consolidation, recapitalization, stock dividend, spin-off or other change in corporate structure affecting our common stock.

All restrictions on shares of our common stock granted under the 1998 Restricted Stock Plan will lapse and the 1998 Restricted Stock Plan will terminate in the event of certain major corporate events. Those events include: (i) dissolution or liquidation of the Company, (ii) merger, consolidation or reorganization of the Company in which the Company is not the surviving entity, or (iii) any transaction approved by our board of directors that results in any person(s) or entity(ies) owning 80% or more of the combined voting power of all classes of securities of Primus. Notwithstanding the foregoing, the lapse of restrictions and the termination of the 1998 Restricted Stock Plan described in this paragraph will not occur despite the consummation of such a major corporate transaction if: (x) provision is made for continuation of the 1998 Restricted Stock Plan following such transaction, or for the substitution for such shares of new restricted stock of a successor entity (with appropriate adjustments as to the number and kind of shares), or (y) a majority of our board of directors determines that such transaction should not trigger the lapse of the restrictions and the termination of the 1998 Restricted Stock Plan.

Under the Internal Revenue Code, if property is transferred in connection with the performance of services, the excess, if any, of the fair market value of the property received over the price paid for such property is included in the income of the person performing such services as ordinary income. The income is included at the time such property either ceases to be subject to a substantial risk of forfeiture or is transferable free of such risk of forfeiture. The fair market value of such property generally is measured at the time when the substantial risk of forfeiture lapses, or when the property becomes transferable free of such risk of forfeiture, unless an election is made, as described below, to include the amount of any income at an earlier date.

Shares of our common stock granted to a recipient under the 1998 Restricted Stock Plan will be treated as acquired in connection with the performance of services and will be considered to be subject to a substantial risk of forfeiture during the restricted period, as described above. A recipient who receives a grant of restricted stock will recognize ordinary compensation income, in each year in which the restricted period lapses, equal to the fair market value of the shares of our common stock as to which the restricted period lapses. The fair market value of such shares at the time of vesting generally will be equal to the then current market price of such shares. A recipient's basis for determining gain or loss on a subsequent disposition of such shares of our common stock will be the amount which he must include in income when the shares vest. Any gain or loss recognized on a disposition of such shares generally will be long-term capital gain or loss if the recipient holds the shares for more than one year from the date the restricted period lapses.

The general rules described above do not apply if a recipient elects, pursuant to Section 83(b) of the Internal Revenue Code, to include in his income the fair market value of the shares of our common stock subject to an award at the time the shares are awarded, without taking into account the effect of the restrictions on the shares. If a recipient makes such a Section 83(b) election, he will not be required to recognize any income in any later year in which the shares vest. The recipient's basis for determining gain or loss on a disposition of the shares will be the amount included in income in the year of the initial award. Any gain or loss recognized by the recipient on a disposition of shares which were the subject of a Section 83(b) election will be capital gain or loss, and will be long-term capital gain or loss if the recipient holds the shares for more than one year from the date the shares are transferred to him. If, however, the recipient forfeits any shares upon a termination of employment, he will not be entitled to deduct any loss upon such forfeiture even though he may have been required to include an amount in income by virtue of a Section 83(b) election.

In general, for federal income tax purposes, we will be entitled to a deduction in the same amount and at the same time as a recipient recognizes income. In certain circumstances, our deductions may be limited because of the application of the $1,000,000 compensation cap under Section 162(m) of the Internal Revenue Code.

Employment Agreements

K. Paul Singh. We have entered into an employment agreement with Mr. Singh. 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. On May 30, 1999, this agreement renewed by its own terms for an

additional year. Under the terms of the Singh Agreement, Mr. Singh is required to devote his full time efforts to Primus as Chairman of our board of directors, President and Chief Executive Officer. We are required to compensate Mr. Singh at an annual rate of $250,000 effective January 1, 1997 (which amount is reviewed annually by our 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 subsequently was paid to him on July 31, 1996. We also are obligated to:

(i) allow Mr. Singh to participate in any bonus or incentive compensation plan approved for senior management;

(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.

We may terminate the Singh Agreement at any time in the event of Mr. Singh's disability or for cause, each as defined in the Singh Agreement. Mr. Singh may resign at any time without penalty (other than the non-competition obligations discussed below). If we terminate the Singh Agreement for disability or cause, we will have no further obligations to Mr. Singh. If, however, we terminate the Singh Agreement other than for disability or cause, we must pay Mr. Singh one-twelfth of his then applicable base salary as severance pay. If Mr. Singh resigns, he may not directly or indirectly compete with our business until six months after his resignation. If we terminate Mr. Singh's employment for any reason, Mr. Singh may not compete directly or indirectly with our business until six months after the final payment of any amounts owed to him under the Singh Agreement become due.

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

TRANSACTIONS WITH AFFILIATES AND OTHERS

Private Equity Sale

In July 1996, we completed the sale of 965,999 shares of our common stock for an aggregate purchase price of approximately $8.0 million to the Soros/Chatterjee Group consisting of:

(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.

The Soros/Chatterjee Group purchased, for an additional $8.0 million, warrants representing the right to receive, upon exercise, an indeterminate number of shares of our common stock with a fair market value of $10.0 million as of the date of exercise, plus up to 627,899 additional shares of our common stock. The warrants have been exercised in full. As of the date of this prospectus, Quantum Industrial Partners LDC no longer owns any shares of our common stock and, accordingly, is no longer entitled to the rights described below. During 1999, Mr. Soros sold all of his interest in S-C Phoenix Holdings, L.L.C. As a result, the Soros/Chatterjee Group is now referred to as the Chatterjee Group.

The Chatterjee Group was granted registration rights pursuant to a registration rights agreement with us. Under the registration rights agreement, the 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 Chatterjee Group has not registered 80% of its shares of our common stock after the first demand registration. We are 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 of a registration statement relating to the sale of shares for our own account. The Chatterjee Group also is entitled to unlimited piggyback registrations. All such registrations would be at our 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. We and the Chatterjee Group have entered into customary indemnification and contribution provisions.

Additionally, members of the 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. The Chatterjee Group shares also are subject to drag-along rights in the event holders of a majority of our common stock decide to sell 80% or more of the outstanding capital stock of Primus. A securityholders agreement provides that members of the Chatterjee Group will not transfer shares of our common stock to a company, or any affiliate, that competes with us 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.

Hotkey Investment

In March 1998, we invested in Hotkey, a Melbourne, Australia-based Internet service provider, acquiring a 60% interest in the Company. Mr. Singh was the holder of approximately 14% of the outstanding equity securities of Hotkey. We purchased our 60% ownership of Hotkey for approximately $1.3 million in cash. In February 1999, we purchased the remaining 40% of Hotkey from its stockholders for approximately $1.1 million comprised of $0.3 million in cash and 57,025 shares of our common stock. In connection with the February 1999 transaction, K. Paul Singh received 6,148 shares of our common stock and $34,252 in cash.

Executive Officer Loan

As of September 3, 1998, we loaned Ravi and Madhu Bhatia the principal amount of $164,000. As of March 31, 1999, the Bhatias paid down the principal amount of the loan to $112,681 and we extended the maturity of the loan until the earlier of the termination of Mr. Bhatia's employment or August 31, 1999. Interest was calculated daily at a rate of 10% per annum. The loan has been repaid in full.

TresCom Merger

In June 1998, pursuant to an Agreement and Plan of Merger dated February 3, 1998, as amended, Taurus Acquisition Corporation, a Florida corporation and our wholly-owned subsidiary, merged with and into TresCom International, Inc., a Florida corporation. Under the terms of the merger agreement, TresCom shareholders received 0.6147 shares of our common stock in exchange for each share of TresCom's common stock outstanding at the effective time of the merger, other than shares beneficially owned by us or our affiliates. The exchange ratio was determined pursuant to the merger agreement by dividing $12.00 by $19.5223, which was the weighted average sales price of our common stock during the 20-trading day period ending on June 4, 1998. As a result of the consummation of the merger, TresCom became our wholly-owed subsidiary.

As a result of the merger, Warburg, Pincus Investors, L.P., which beneficially owned approximately 52% of TresCom's common stock, received approximately 3,875,689 shares of our common stock valued at approximately $71,458,016. Warburg, Pincus currently beneficially owns approximately 13.5% of our common stock. Pursuant to a Stockholder Agreement dated February 3, 1998, by and among Mr. Singh, Warburg, Pincus, and us, Warburg, Pincus was granted certain demand and piggyback registration rights related to shares of our common stock, which if exercised, would permit Warburg, Pincus to transfer such shares free of Rule 144 volume limitations (the same as non-affiliates of TresCom), and the right, so long as Warburg, Pincus beneficially owns 10% or more of our common stock, to nominate an individual, reasonably acceptable to our non-employee directors, to serve as a director on our Board of Directors.

Satellite Earth Station

In June 1998, our U.K. subsidiary entered into a $2.1 million agreement for the design, manufacture, installation and the provision of training with respect to a satellite earth station in London. David Hershberg, one of our directors, is the chairman, president and a stockholder of the company providing such services. During 1998, $1.2 million was paid by us for the above services.

PRINCIPAL STOCKHOLDERS

The following table sets forth information, as of October 15, 1999, with respect to the beneficial ownership of shares of our common stock by each person or group who is known to us to be the beneficial owner of more than five percent of our outstanding common stock, by each director or nominee for director, by each of the executive officers on the Summary Compensation Table, and by all directors and executive officers as a group. Unless otherwise indicated, each person has sole voting power and sole investment power.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
K. Paul Singh(3) 1700 Old Meadow Road McLean, VA 22102	4,762,576	12.8%
Warburg, Pincus Investors, L.P.(4) 466 Lexington Avenue New York, New York 10017	3,875,689	10.5%
Franklin Resources, Inc.(5) 777 Mariners Island Boulevard San Mateo, CA 94404	2,035,270	5.5%
John F. DePodesta(6)	383,403	1.0%
Herman Fialkov	30,000	*
David E. Hershberg(7)	51,667	*
Douglas M. Karp(8)	3,875,689	10.5%
John G. Puente	100,715	*
Neil L. Hazard(9)	325,698	*
Yousef B. Javadi(10)	112,401	*
John Melick(11)	127,594	*
Ravi Bhatia(12)	113,930	*
All executive officers and directors as a group (11 persons)(13)	9,948,623	26.2%

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* Less than 1% of our outstanding common stock.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting or investment power with respect to the shares beneficially owned. Shares of our common stock subject to options or warrants currently exercisable or which become exercisable on or prior to 60 days from October 15, 1999 are deemed outstanding for computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for computing the percentage ownership of any other person.

(2) Based upon 36,772,293 shares of our common stock outstanding as of October 15, 1999.

(3) Includes 377,786 shares of our common stock owned by Mr. Singh's wife and children, 488,500 shares of our common stock held by a private foundation of which Mr. Singh is the president and a director, 396,828 shares of our common stock held of record by a series of revocable trusts of which Mr. Singh is the trustee and pursuant to which Mr. Singh has sole voting power and shared dispositive power, and 1,148 shares held in a 401(k) plan of which Mr. Singh is a beneficiary. Also includes 371,433 shares of our common stock issuable upon the exercise of options granted to Mr. Singh.

(4) E.M. Warburg, Pincus & Co., LLC, a New York limited liability company (E.M. Warburg), manages Warburg, Pincus. Warburg, Pincus & Co., a New York general partnership (WP), the sole general partner of Warburg, Pincus, has a 20% interest in the profits of Warburg, Pincus as the general partner. Lionel I. Pincus is the managing partner of WP and the managing member of E.M. Warburg and may be deemed to control both WP and E.M. Warburg.

(5) Based on a Schedule 13G dated February 1, 1999, Franklin Resources, Inc. has reported that it may be deemed to be the beneficial owner of 2,035,270 shares of our common stock. According to the Schedule 13G, such shares are also beneficially owned by Franklin Advisers, Inc., an investment advisory subsidiary of Franklin, which has all investment and/or voting power over the shares pursuant to an advisory contract. In addition, Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding common stock of Franklin and are the principal shareholders of FRI and may, therefore, be deemed to be the beneficial owner of the shares of our common stock held by Franklin. Franklin, the Adviser, and Messrs. Charles and Rupert Johnson disclaim any economic interest or beneficial ownership in such shares.

(6) Includes 161,430 shares of our common stock issuable upon the exercise of options granted to Mr. DePodesta.

(7) Includes 50,715 shares of our common stock issuable upon the exercise of options granted to Mr. Hershberg and 952 shares of our common stock owned by a partnership of which Mr. Hershberg is a general partner.

(8) All shares shown as being beneficially owned by Mr. Karp are owned directly by Warburg, Pincus and are included because of Mr. Karp's affiliation with Warburg, Pincus. Mr. Karp disclaims "beneficial ownership" of these shares within the meaning of Rule 13d-3 of the Exchange Act. See Note 4 above.

(9) Includes 317,623 shares of our common stock issuable upon the exercise of options granted to Mr. Hazard.

(10) Includes 106,666 shares of our common stock issuable upon the exercise of options granted to Mr. Javadi.

(11) Includes 123,287 shares of our common stock issuable upon the exercise of options granted to Mr. Melick.

(12) Includes 43,810 shares of our common stock issuable upon the exercise of options granted to Mr. Bhatia. Certain of Mr. Bhatia's options and shares are pledged to secure payment of certain loans.

(13) Includes 1,228,869 shares of our common stock issuable upon the exercise of options granted to directors and executive officers. Includes 3,875,689 shares deemed to be beneficially owned by Mr. Karp which are owned directly by Warburg, Pincus and are included because of Mr. Karp's affiliation with Warburg, Pincus. Mr. Karp disclaims "beneficial ownership" of these shares within the meaning of Rule 13d-3 of the Securities Exchange Act. See Notes 4 and 12 above.

Stockholders' Rights Plan

We have adopted a stockholders' rights plan in which we granted preferred stock purchase rights as a dividend to our stockholders of record at the close of business on December 31, 1998. In implementing this plan, our Board has declared a distribution of one right for each outstanding share of our common stock. Each right entitles the holder to purchase from us 1/1000 of a share of Series B Junior participating Preferred Stock at a purchase price of $90 per 1/1000 of a share of Series B Preferred Stock, subject to adjustment. Each 1/1000 of a share of Series B Preferred Stock is intended to be approximately the economic equivalent of one share of common stock. The rights will expire on December 23, 2008, unless we redeem them.

The rights are not exercisable and not traded separately from the common stock. The rights will become exercisable if a person or group in the future becomes the beneficial owner of 20% or more of our then outstanding common stock or announces an offer to acquire 20% or more of our then outstanding common stock.

If:

(i) we are the surviving corporation in a merger with an acquiring person and shares of our common stock remain outstanding;

(ii) a person becomes the beneficial owner of 20% or more of our then outstanding common stock;

(iii) an acquiring person engages in one or more "self- dealing" transactions as set forth in the rights plan; or

(iv) when there is an acquiring person, the acquiring person's ownership interest is increased by more than 1% (for example by means of a reverse stock split or recapitalization);

then each holder of a right (other than those held by an acquiring person) will thereafter have the right to receive, upon exercise, Series B Preferred Stock (or, in certain circumstances, common stock, cash, property or other Primus securities) having a current market value equal to two times the exercise price of the right.

If:

(i) we are acquired in a merger or other business combination transaction and we are not the surviving corporation (other than a merger described in the preceding paragraph);

(ii) any person consolidates or merges with us and all or part of our common stock is converted or exchanged for securities, cash or property of any other person; or

(iii) 50% or more of our assets or earning power is sold or transferred;

then each holder of a right (other than those held by an acquiring person) shall therefore have the right to receive, upon exercise, common stock of the acquiring person having a value equal to two times the exercise price of the right.

Our board of directors may redeem the rights in whole, but not in part, at a price of $0.001 per right (subject to adjustment in certain events), payable, at the election of the board of directors, in cash or shares of common stock. When the board of directors orders the redemption of the rights, the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

DESCRIPTION OF OTHER INDEBTEDNESS

1997 Senior Notes

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

Ranking. The 1997 senior notes will rank senior in right of payment to any of our future subordinated indebtedness (as defined in the 1997 indenture governing the 1997 senior notes), and pari passu in right of payment with all of our senior indebtedness. Because we operate via a holding company that conducts our business through our subsidiaries, all existing and future indebtedness and other liabilities and commitments of our subsidiaries, including trade payables, will be structurally senior to the 1997 senior notes.

Security. The indenture required us to purchase and pledge to First Union National Bank, as security for the benefit of the holders of the 1997 senior notes, securities consisting of U.S. government securities in an amount sufficient to provide for the payment in full of the first six scheduled interest payments due on the 1997 senior notes. We used approximately $71.8 million of the net proceeds of the 1997 senior notes to acquire these pledged securities. Assuming the first six scheduled interest payments on the 1997 senior notes are made in a timely manner, all remaining pledged securities will be released.

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

Year	Redemption Price
2001	105.875%
2002	102.938%
2003 (and thereafter)	100.000%

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

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

Covenants. The 1997 indenture contains certain covenants that, among other things, limit our ability and that of our Restricted Subsidiaries (as defined in the 1997 indenture) to:

- incur additional indebtedness and issue preferred stock;
- pay dividends or make other distributions;
- repurchase Capital Stock (as defined in the 1997 indenture) or subordinated indebtedness or make certain other Restricted Payments (as defined in the 1997 indenture);
- create certain liens;

- enter into certain transactions with affiliates;
- sell assets;
- issue or sell Capital Stock of our Restricted Subsidiaries; or
- enter into certain mergers and consolidations.

Pursuant to a consent solicitation, we amended the 1997 indenture to generally conform portions of covenants relating to debt incurrence, restricted payments, permitted investments and permitted liens to the corresponding provisions in the 1998 indenture and to the corresponding provisions contained in the January 1999 indenture.

Events of Default. The 1997 indenture contains customary events of default, including:

(i) defaults in the payment of principal, premium or interest;

(ii) defaults in the compliance with covenants contained in the 1997 indenture;

(iii) cross defaults on more than $5 million of other indebtedness;

(iv) failure to pay more than $5 million of judgments that have not been stayed by appeal or otherwise; and

(v) the bankruptcy of Primus or certain of its subsidiaries.

1998 Senior Notes

General. Our 1998 senior notes are senior obligations, limited to $150 million in principal amount, which mature on May 15, 2008. The 1998 senior notes, which were issued pursuant to an indenture dated May 19, 1998, accrue interest at a rate of 9 7/8% per annum. Interest is payable each May 15 and November 15, commencing on November 15, 1998.

Ranking. The 1998 senior notes rank senior in right of payment to any future subordinated Indebtedness (as defined in the 1998 indenture governing the 1998 senior notes), and pari passu in right of payment with all senior indebtedness. Because we are a holding company that conducts business through subsidiaries, all existing and future indebtedness and other liabilities and commitments of our subsidiaries, including trade payables, will be structurally senior to the 1998 senior notes.

Optional Redemption. The 1998 senior notes are not redeemable prior to May 15, 2003. Thereafter, the 1998 senior notes will be redeemable, in whole or in part, at our option, at the redemption prices set forth in the indenture, plus accrued and unpaid interest to the applicable redemption date. Specifically, if redeemed during the 12-month period commencing on May 15 of the years set forth below, the redemption price will be that amount, expressed as a percentage of the principal amount of the 1998 senior notes, set forth below:

Year	Redemption Price
2003	104.938%
2004	103.208%
2005	101.604%
2006 (and thereafter)	100.000%

In addition, prior to May 15, 2001, we may redeem up to 25% of the originally issued principal amount of the 1998 senior notes at 109.875% of the principal amount thereof, plus accrued and unpaid interest through the redemption date, with the net cash proceeds of one or more Public Equity Offerings (as defined in the 1998 indenture); provided, however, that at least 75% of the originally issued principal amount of the 1998 senior notes remains outstanding after the occurrence of such redemption.

Change of Control. Upon the occurrence of a Change of Control (as defined in the 1998 indenture), each holder of 1998 senior notes will have the right to require us to repurchase all or any part of such holder's 1998 senior notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase.

Covenants. The 1998 indenture contains certain covenants that, among other things, limit the ability of Primus and its Restricted Subsidiaries (as defined in the 1998 indenture) to:

- incur additional indebtedness and issue preferred stock;

- pay dividends or make other distributions;

- repurchase Capital Stock (as defined in the 1998 indenture) or subordinated indebtedness or make certain other Restricted Payments (as defined in the 1998 indenture);

- create certain liens;

- enter into certain transactions with affiliates;

- sell assets;

- issue or sell Capital Stock of our Restricted Subsidiaries; or

- enter into certain mergers and consolidations.

These covenants are substantially the same as those contained in the indenture.

Events of Default. The 1998 indenture contains customary events of default, including:

(i) defaults in the payment of principal, premium or interest;

(ii) defaults in the compliance with covenants contained in the 1998 indenture;

(iii) cross defaults on more than $10 million of other indebtedness;

(iv) failure to pay more than $10 million of judgments that have not been stayed by appeal or otherwise; and

(v) the bankruptcy of Primus or certain of its subsidiaries.

January 1999 Senior Notes

General. Our January 1999 senior notes are senior obligations, currently providing for $200 million in principal amount, which mature on January 15, 2009. The January 1999 senior notes, which were issued pursuant to the January 29, 1999 indenture, accrue interest at a rate of 11 1/4% per annum. Interest is payable each January 15 and July 15, commencing on July 15, 1999. The indenture provides for the issuance of up to an additional $75 million in principal amount of notes under the same indenture, subject to the debt incurrence provisions thereunder, and we have issued $45.5 million aggregate principal amount of such additional notes to finance, in part, the Telegroup acquisition.

Ranking. The January 1999 notes rank senior in right of payment to any of our existing and future obligations that are expressly subordinated in right of payment to the notes and will rank pari passu in right of payment with all of our other existing and future senior unsecured obligations, including trade payables. Because we are a holding company that conducts business through subsidiaries, all existing and future indebtedness and other liabilities and commitments of our subsidiaries, including trade payables, will be structurally senior to the January 1999 senior notes.

Optional Redemption. The January 1999 senior notes are not redeemable prior to January 15, 2004. Thereafter, the January 1999 senior notes will be redeemable, in whole or in part, at the redemption prices set

forth in the indenture, plus accrued and unpaid interest to the applicable redemption date. Specifically, if redeemed during the 12-month period commencing on January 15 of the years set forth below, the redemption price will be that amount, expressed as a percentage of the principal amount of the January 1999 senior notes, set forth below:

Year	Redemption Price
2004	105.625%
2005	103.750%
2006	101.875%
2007	100.000%

In addition, prior to January 15, 2002, we may redeem up to 35% of the originally issued principal amount of the January 1999 senior notes at 111.25% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, through the redemption date, with the net cash proceeds of one or more Public Equity Offerings (as defined in the January 1999 indenture); provided, that at least 65% of the originally issued principal amount of the January 1999 senior notes remains outstanding after such redemption.

Change of Control. Upon the occurrence of a Change of Control (as defined in the January 1999 indenture), each holder of January 1999 senior notes will have the right to require us to repurchase all or any part of such holder's January 1999 senior notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.

Covenants. The January 1999 indenture contains certain covenants that, among other things, limit the ability of Primus and its Restricted Subsidiaries (as defined in the January 1999 indenture) to:

- incur additional indebtedness and issue preferred stock;
- pay dividends or make other distributions;
- repurchase Capital Stock (as defined in the January 1999 indenture) or subordinated indebtedness or make certain other Restricted Payments (as defined in the January 1999 indenture);
- create certain liens;
- enter into certain transactions with affiliates;
- sell assets;
- issue or sell Capital Stock of our Restricted Subsidiaries; or
- enter into certain mergers and consolidations.

These covenants are substantially the same as those contained in the indenture.

Events of Default. The January 1999 indenture contains customary events of default, including:

(i) defaults in the payment of principal, premium or interest;

(ii) defaults in the compliance with covenants contained in the January 1999 indenture;

(iii) cross defaults on more than $10 million of other indebtedness;

(iv) failure to pay more than $10 million of judgments that have not been stayed by appeal or otherwise; and

(v) the bankruptcy of Primus or certain of its subsidiaries.

Registration Rights of January 1999 Additional Notes. The January 1999 indenture provides for the issuance of up to an additional $75 million in principal amount of notes under such indenture (subject to the

debt incurrence provisions thereunder) and we have issued $45.5 million aggregate principal amount of such additional notes to finance, in part, the Telegroup acquisition. A registration statement covering the resale of the notes has been declared effective by the Commission, enabling Telegroup to sell the notes or distribute them to its creditors pursuant to its plan of liquidation as confirmed by the Bankruptcy Court.

DESCRIPTION OF NOTES

Set forth below is a summary of certain provisions of the notes. The term "note" or "notes" includes the initial notes and the new notes. The notes will be issued pursuant to an indenture, dated as of October 15, 1999, between us, as issuer, and First Union National Bank, as trustee. The following summary of certain provisions of the indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the indenture, including the definitions of certain terms therein and those terms made a part thereof by the Trust Indenture Act. Whenever particular sections or defined terms of the indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the form of the indenture are available upon request from us or the trustee.

The form and terms of the new notes will be identical in all material respects to the form and terms of the initial notes, except that:

(i) the new notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof,

(ii) holders of the new notes, except in limited circumstances, will not be entitled to liquidated damages, and

(iii) holders of the new notes will not be, and upon consummation of the exchange offer, holders of the initial notes will no longer be, entitled to certain rights under the Registration Rights Agreement intended for the holders of unregistered securities.

The exchange offer shall be deemed consummated upon the occurrence of the delivery by us to the registrar under the exchange note indenture in the same aggregate principal amount as the aggregate principal amount of initial notes that are validly tendered by holders thereof pursuant to the exchange offer.

General

The notes issued on the closing date will be our senior obligations, limited to $250 million aggregate principal amount, except that the indenture will provide for the issuance of an additional $75 million of additional notes which may be of the same series as, and which may vote as a single class for purposes of the indenture with, the $250 million of notes issued on the closing date. In addition, the notes have the following characteristics:

Maturity..	October 15, 2009
Interest..	12 3/4% per annum
Interest Payable................................	semiannually on April 15 and October 15 of each year, commencing April 15, 2000

Interest on the notes will be payable to the person in whose name the note (or any predecessor note) is registered at the close of business on the preceding April 1 or October 1 as the case may be. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, premium, if any, and interest on the notes will be payable by wire transfer of immediately available funds to the holder of the global note and with respect to the holder of certificated notes at the office or agency of Primus (which initially will be the corporate trust operations office of the trustee at NC 1153, 1125 West W.T. Harris Boulevard, Charlotte, North Carolina 28262); provided that, at our option, payment of interest may be made by check mailed to the address of the holders as such address appears in the note register.

The notes will be issued only in fully registered form, without coupons, in denominations of $1,000 of principal amount at maturity and any integral multiple thereof. No service charge will be made for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Optional Redemption

The notes will be redeemable, at our option, in whole or in part, at any time or from time to time, on or after October 15, 2004 and prior to maturity, upon not less than 30 nor more than 60 days' prior notice mailed by first class mail to each holders' last address as it appears in the note register, at the following redemption prices (expressed in percentages of principal amount thereof), plus accrued and unpaid interest and liquidated damages, if any, thereon to the redemption date (subject to the right of holders of record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date), if redeemed during the 12-month period commencing on October 15 of the years set forth below:

Year	Redemption Price
2004	106.375%
2005	104.250%
2006	102.125%
2007 (and thereafter)	100.000%

Notwithstanding the foregoing, prior to October 15, 2002 we may on any one or more occasions redeem up to 35% of the original principal amount of notes at a redemption price of 112.750% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, thereon to the redemption date, with the Net Cash Proceeds of one or more Public Equity Offerings; provided (i) that at least 65% of the original principal amount of notes remains outstanding immediately after the occurrence of such redemption and (ii) that notice of such redemption is mailed within 60 days of the closing of each such Public Equity Offering. (Section 1101)

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

Ranking

The indebtedness evidenced by the notes will rank senior in right of payment to any of our existing and future obligations that are expressly subordinated in right of payment to the notes and will rank pari passu in right of payment with all other of our existing and future senior unsecured obligations, including trade payables. As of June 30, 1999, after giving pro forma effect to the offering of the notes, we would have had outstanding approximately $915.0 million of indebtedness on a consolidated basis. Because we are a holding company that conducts our business through our subsidiaries, all existing and future indebtedness and other liabilities and commitments of our subsidiaries, including trade payables, will be structurally senior to the notes. As of June 30, 1999, our consolidated subsidiaries had outstanding aggregate liabilities of approximately $336.3 million, which included $46.3 million of indebtedness.

Covenants

Limitation on Indebtedness

(a) We will not, and will not permit any of our Restricted Subsidiaries to, Incur any Indebtedness (other than the notes issued on the Closing Date); provided, however, that we may Incur Indebtedness if immediately thereafter the ratio of:

(i) the aggregate principal amount (or accreted value, as the case may be) of Indebtedness of Primus and its Restricted Subsidiaries on a consolidated basis outstanding as of the Transaction Date to

(ii) the Pro Forma Consolidated Cash Flow for the preceding two full fiscal quarters multiplied by two, determined on a pro forma basis as if any such Indebtedness that had been Incurred and the proceeds thereof had been applied at the beginning of such two fiscal quarters, would be greater than zero and less than 6.0 to 1.

(b) Notwithstanding the foregoing, Primus and (except for Indebtedness under subsections (v), (vii) and (xi) below) any Restricted Subsidiary may Incur each and all of the following:

(i) Indebtedness of Primus or any Restricted Subsidiary under one or more Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of:

(a) $50 million; or

(b) 65% of Eligible Accounts Receivable, subject to any permanent reductions required by any other terms of the indenture;

(ii) Indebtedness (including Guarantees) Incurred by Primus or a Restricted Subsidiary after the Closing Date to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of equipment used in the telecommunications business or ownership rights with respect to indefeasible rights of use or minimum investment units (or similar ownership interests) in domestic or transnational fiber optic cable or other transmission facilities, in each case purchased or leased by Primus or a Restricted Subsidiary after the Closing Date (including acquisitions by way of Capitalized Leases and acquisitions of the Capital Stock of a Person that becomes a Restricted Subsidiary to the extent of the Fair Market Value (as determined in good faith by our board of directors, whose determination shall be conclusive and evidenced by a board resolution) of such equipment, ownership rights or minimum investment units so acquired);

(iii) Indebtedness of any Restricted Subsidiary to Primus or Indebtedness of Primus or any Restricted Subsidiary to any other Restricted Subsidiary; provided that any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness not permitted by this clause (iii) (other than to us or another Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness, and provided further that Indebtedness to a Restricted Subsidiary must be subordinated in right of payment to the notes;

(iv) Indebtedness of Primus or a Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness of Primus or a Restricted Subsidiary, other than Indebtedness Incurred under clauses (i), (iii), (vi), (viii), (ix) and (xii) of this paragraph, and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, and reasonable fees and expenses); provided that such new Indebtedness shall only be permitted under this clause (iv) if

(A) in case the notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made pari passu with, or subordinate in right of payment to, the remaining notes,

(B) in case the Indebtedness to be refinanced is subordinated in right of payment to the notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is made subordinate expressly in right of payment to the notes at least to the extent that the Indebtedness to be refinanced is subordinated to the notes, and

(C) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; and provided further that in no event may our Indebtedness be refinanced by means of any Indebtedness of any Restricted Subsidiary pursuant to this clause (iv);

(v) Indebtedness not to exceed, at any one time outstanding, 2.00 times

(A) the Net Cash Proceeds received by us after May 18, 1998 from the issuance and sale of our Capital Stock (other than Redeemable Stock) to a Person that is not a Subsidiary, to the extent such Net Cash Proceeds have not been used pursuant to clause (C)(2) of the first paragraph or clauses (iii), (iv) or (vii) of the second paragraph of the "Limitation on Restricted Payments" covenant described below to make a Restricted Payment, and

(B) the Fair Market Value (as determined in good faith by our board of directors, whose determination shall be conclusive and evidenced by a board resolution) of property (other than cash and cash equivalents) used in a Permitted Business or common equity interests in a Person (the property and assets of such Person consisting primarily of telecommunications assets) that becomes a Restricted Subsidiary (such Fair Market Value being that of the common equity interests received pursuant to the transaction resulting in such Person becoming a Restricted Subsidiary), and, in each case, received by us after May 18, 1998 from the issuance or sale of our Capital Stock (other than Redeemable Stock) to a Person that is not a Subsidiary to the extent such sale of Capital Stock has not been used pursuant to clauses (iii), (iv) and (vii) of the second paragraph of the "Limitation on Restricted Payments" covenant described below to make a Restricted Payment; provided that such Indebtedness does not mature prior to the Stated Maturity of the notes and the Average Life of such Indebtedness is longer than that of the notes;

(vi) Indebtedness of Primus or any Restricted Subsidiary

(A) in respect of performance, surety or appeal bonds or letters of credit supporting trade payables, in each case provided in the ordinary course of business;

(B) under Currency Agreements and Interest Rate Agreements; provided that such agreements

(a) are designed solely to protect us or any Restricted Subsidiary against fluctuation in foreign currency exchange rates or interest rates, and

(b) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder; and

(C) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any of our obligations or any of our Restricted Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), in a principal amount not to exceed the gross proceeds actually received by us or any Restricted Subsidiary in connection with such disposition;

(vii) Indebtedness of Primus, to the extent that the net proceeds thereof promptly are

(A) used to repurchase notes tendered in a Change of Control Offer, or

(B) deposited to defease all of the notes as described below under "Defeasance or Covenant Defeasance of Indenture";

(viii) Indebtedness of a Restricted Subsidiary represented by a Guarantee of the notes and any other Indebtedness permitted by and made in accordance with the "Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries" covenant;

(ix) Indebtedness of Primus or any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount which, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (ix), does not exceed $200 million at any one time outstanding;

(x) Acquired Indebtedness;

(xi) Strategic Subordinated Indebtedness; and

(xii) Indebtedness of Primus or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within three business days of Incurrence.

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

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

Limitation on Restricted Payments

We will not, and will not permit any Restricted Subsidiary directly or indirectly to:

(i) (A) declare or pay any dividend or make any distribution in respect of our Capital Stock to the holders thereof (other than dividends or distributions payable solely in shares of Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to acquire such shares of Capital Stock), or

(B) declare or pay any dividend or make any distribution in respect of the Capital Stock of any Restricted Subsidiary to any Person other than dividends and distributions payable to Primus or any Restricted Subsidiary or to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis,

(ii) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Person other than a Restricted Subsidiary,

(iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of Subordinated Indebtedness, or

(iv) make any Investment, other than a Permitted Investment, in any Person (such payments or any other actions described in clauses (i) through (iv) being collectively "Restricted Payments") if, at the time of, and after giving effect to, the proposed Restricted Payment:

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

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

(C) the aggregate amount expended for all Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by our board of directors, whose determination shall be conclusive and evidenced by a board resolution) after the date of the indenture shall exceed the sum of

(1) the remainder of

(a) 100% of the aggregate amount of the Consolidated Cash Flow (determined by excluding income resulting from transfers of assets received by Primus or a Restricted Subsidiary from an Unrestricted Subsidiary) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date minus

(1) the product of 1.75 times cumulative Consolidated Fixed Charges accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date plus

(2) the aggregate Net Cash Proceeds received by us after the Closing Date from the issuance and sale of our Capital Stock (other than Redeemable Stock) to a Person who is not a Subsidiary (except to the extent such Net Cash Proceeds are used to incur new Indebtedness outstanding pursuant to clause (v) of the paragraph (b) of the "Limitation on Indebtedness" covenant) plus

(3) the aggregate Net Cash Proceeds received after the Closing Date by us from the issuance or sale of debt securities that have been converted into or exchanged for Capital Stock (other than Redeemable Stock) together with the aggregate cash received by us at the time of such conversion or exchange plus

(4) without duplication of any amount included in the calculation of Consolidated Cash Flow, in the case of repayment of, or return of capital in respect of, any Investment constituting a Restricted Payment made after the Closing Date and reducing the amount of Restricted Payments otherwise permitted under this clause (C), an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case less the cost of the disposition of such Investment.

The foregoing provision shall not be violated by reason of:

(i) the payment of any dividend within 60 days after the date of declaration thereof if, at said date of declaration, such payment would comply with the foregoing paragraph;

(ii) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the notes including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred under clause (iv) of paragraph (b) of the "Limitation on Indebtedness" covenant;

(iii) the repurchase, redemption or other acquisition of Capital Stock in exchange for, or out of the proceeds of a substantially concurrent offering of, shares of Capital Stock (other than Redeemable Stock) (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of the "Limitation on Indebtedness" covenant);

(iv) the acquisition of Indebtedness which is subordinated in right of payment to the notes in exchange for, or out of the proceeds of, a substantially concurrent offering of, shares of Capital Stock (other than Redeemable Stock) (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of the "Limitation on Indebtedness" covenant);

(v) payments or distributions to dissenting stockholders pursuant to applicable law, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of the indenture applicable to mergers, consolidations and transfers of all or substantially all of our property and assets;

(vi) cash payments in lieu of the issuance of fractional shares issued in connection with the exercise of any Common Stock warrants;

(vii) Investments in Permitted Businesses acquired in exchange for Capital Stock (other than Redeemable Stock) or the Net Cash Proceeds from the issuance and sale of such Capital Stock (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of the "Limitation on Indebtedness" covenant);

(viii) the purchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof, together with accrued interest, if any, thereof in the event of a Change of Control in accordance with provisions similar to the "Repurchase of Notes upon a Change of Control" covenant; provided that prior to such purchase we have made the Change of Control offer as provided in such covenant with respect to the notes and have purchased all notes validly tendered for payment in connection with such Change of Control Offer; and

(ix) other Restricted Payments not to exceed $5.0 million; provided that, except in the case of clause (i), no Default or Event of Default shall have occurred and be continuing or occur as a consequence of the actions or payments set forth therein. (Section 1012)

Each Restricted Payment permitted pursuant to the immediately preceding paragraph (other than (1) a Restricted Payment referred to in clause (ii) thereof, (2) an exchange of Capital Stock for Capital Stock or an exchange of Indebtedness for Capital Stock referred to in clauses (iii) or (iv) thereof or (3) an Investment referred to in clause (vii) thereof) and the Net Cash Proceeds from any issuance of Capital Stock referred to in clauses (iii), (iv) and (vii) shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

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

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

So long as any of the notes are outstanding, we will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary owned by us or any other Restricted Subsidiary,

(ii) pay any indebtedness owed to us or any other Restricted Subsidiary,

(iii) make loans or advances to us or any other Restricted Subsidiary, or

(iv) transfer any of its property or assets to us or any other Restricted Subsidiary.

The foregoing provisions shall not restrict any encumbrances or restrictions:

(i) existing on the Closing Date in the indenture or any other agreements in effect on the Closing Date, and any extensions, refinancings, renewals or replacements of such agreements; provided that the

encumbrances and restrictions in any such extensions, refinancings, renewals or replacements are no less favorable in any material respect to the holders of the notes than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(ii) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if the encumbrance or restriction applies only in the event of a payment default or default with respect to a financial covenant contained in such Indebtedness or agreement and such encumbrance or restriction is not materially more disadvantageous to the holders of the notes than is customary in comparable financings (as determined by us) and we determine that any such encumbrance or restriction will not materially affect our ability to make principal or interest payments on the notes;

(iii) existing under or by reason of applicable law;

(iv) existing with respect to any Person or the property or assets of such Person acquired by us or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired;

(v) in the case of clause (iv) of the first paragraph of this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" covenant,

(A) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is, or is subject to, a lease, purchase mortgage obligation, license, conveyance or contract or similar property or asset,

(B) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any of our property or assets or those of any Restricted Subsidiary not otherwise prohibited by the indenture, or

(C) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of our property or assets or those of any Restricted Subsidiary in any manner material to Primus or any Restricted Subsidiary; or

(vi) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary.

Nothing contained in this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" covenant shall prevent us or any Restricted Subsidiary from (1) creating, incurring, assuming or suffering to exist any Liens otherwise permitted in the "Limitation on Liens" covenant or (2) restricting the sale or other disposition of property or assets of Primus or any of its Restricted Subsidiaries that secure Indebtedness of Primus or any of its Restricted Subsidiaries. (Section 1013)

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

We will not sell, transfer, convey or otherwise dispose of and will not permit any Restricted Subsidiary, directly or indirectly, to issue, transfer, convey, sell, lease or otherwise dispose of any shares of Capital Stock (including options, warrants or other rights to purchase shares of such Capital Stock) of such or any other Restricted Subsidiary to any Person except:

(i) to Primus or a Restricted Subsidiary;

(ii) issuances of director's qualifying shares or sales to foreign nationals of shares of Capital Stock of non-U.S. Restricted Subsidiaries to the extent required by law; and

(iii) issuances and sales of Capital Stock of Restricted Subsidiaries if

(A) the Net Cash Proceeds from such issuance, transfer, conveyance, sale, lease or other disposition are applied in accordance with the provisions of the "Limitation on Asset Sales" covenant and

(B) immediately after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition, such Restricted Subsidiary either continues to be a Restricted Subsidiary or, if such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, then any Investment in such Person remaining after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance, transfer, conveyance, sale, lease or other disposition (valued as provided in the definition of "Investment"). Notwithstanding the foregoing, we may sell all of the Capital Stock of a Restricted Subsidiary in compliance with the provisions of the "Limitation on Asset Sales" covenant. (Section 1014)

Limitation on Transactions with Stockholders and Affiliates

We will not, and will not permit any Restricted Subsidiary, directly or indirectly, to enter into, renew or extend any transaction (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock or with any Affiliate or any Restricted Subsidiary, unless

(i) such transaction or series of transactions is on terms no less favorable to us or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with a Person that is not such a holder or an Affiliate,

(ii) if such transaction or series of transactions involves aggregate consideration in excess of $5.0 million, then such transaction or series of transactions is approved by a majority of our board of directors, including the approval of a majority of the independent, disinterested directors, and is evidenced by a resolution of our board of directors, and

(iii) if such transaction or series of transactions involves aggregate consideration in excess of $25.0 million, then we or such Restricted Subsidiary will deliver to the trustee a written opinion as to the fairness to us or such Restricted Subsidiary of such transaction from a financial point of view from a nationally recognized investment banking firm (or, if an investment banking firm is generally not qualified to give such an opinion, by a nationally recognized appraisal firm or accounting firm). Any such transaction or series of transactions shall be conclusively deemed to be on terms no less favorable to us or such Restricted Subsidiary than those that could be obtained in an arm's-length transaction if such transaction or transactions are approved by a majority of our board of directors, including a majority of the independent, disinterested directors, and are evidenced by a resolution of our board of directors.

The foregoing limitation does not limit, and will not apply to:

(i) any transaction between us and any of our Restricted Subsidiaries or between Restricted Subsidiaries;

(ii) the payment of reasonable and customary regular fees to our directors who are not our employees;

(iii) any Restricted Payments not prohibited by the "Limitation on Restricted Payments" covenant;

(iv) transactions provided for in the Employment Agreement as in effect on the Closing Date; and

(v) loans and advances to employees of Primus or any Restricted Subsidiary not exceeding at any one time outstanding $2.0 million in the aggregate, in the ordinary course of business and in accordance with past practice. (Section 1015)

Limitation on Liens

Under the terms of the indenture, we will not, and will not permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any of our assets or properties of any character (including, without limitation, licenses and trademarks), or any shares of Capital Stock or

Indebtedness of any Restricted Subsidiary, without making effective provision for all of the notes and all other amounts due under the indenture to be directly secured equally and ratably with (or prior to) the obligation or liability secured by such Lien. (Section 1016)

Limitation on Asset Sales

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

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

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

We shall commence an Excess Proceeds Offer by mailing a notice to the trustee and each holder stating:

(i) that the Excess Proceeds Offer is being made pursuant to this "Limitation on Asset Sales" covenant and that all notes validly tendered will be accepted for payment on a pro rata basis;

(ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the Excess Proceeds Payment Date);

(iii) that any note not tendered will continue to accrue interest pursuant to its terms;

(iv) that, unless we default in the payment of the Excess Proceeds Payment, any note accepted for payment pursuant to the Excess Proceeds Offer shall cease to accrue interest on and after the Excess Proceeds Payment Date;

(v) that holders electing to have a note purchased pursuant to the Excess Proceeds Offer will be required to surrender the note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the note completed, to the paying agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Excess Proceeds Payment Date;

(vi) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Excess Proceeds Payment Date, a telegram, facsimile transmission or letter setting forth the name of such holder, the principal amount of notes delivered for purchase and a statement that such holder is withdrawing his election to have such notes purchased; and

(vii) that holders whose notes are being purchased only in part will be issued new notes equal in principal amount to the unpurchased portion of the notes surrendered; provided that each note purchased and each new note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On the Excess Proceeds Payment Date, Primus shall

(i) accept for payment on a pro rata basis notes or portions thereof tendered pursuant to the Excess Proceeds Offer up to the Proportionate Share of such Excess Proceeds;

(ii) deposit with the paying agent money sufficient to pay the purchase price of all notes or portions thereof so accepted; and

(iii) deliver, or cause to be delivered, to the trustee all notes or portions thereof so accepted together with an officer's certificate specifying the notes or portions thereof accepted for payment by Primus.

The paying agent promptly shall mail to the holders of notes so accepted payment in an amount equal to the purchase price, and the trustee promptly shall authenticate and mail to such holders a new note equal in principal amount to any unpurchased portion of the note surrendered; provided that each note purchased and each new note issued shall be in a principal amount of $1,000 or integral multiples thereof. We will publicly announce the results of the Excess Proceeds Offer as soon as practicable after the Excess Proceeds Payment Date. For purposes of this "Limitation on Asset Sales" covenant, the trustee shall act as the paying agent.

We will comply with Rule 14e-1 under the Securities Exchange Act of 1934 and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that we receive such Excess Proceeds under this "Limitation on Asset Sales" covenant and we are required to repurchase notes as described above. (Section 1017)

Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries

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

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

Business of the Company

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

Limitation on Investments in Unrestricted Subsidiaries

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

Provision of Financial Statements and Reports

We will file on a timely basis with the Securities Exchange Commission, to the extent such filings are accepted by the Commission and whether or not we have a class of securities registered under the Securities Exchange Act of 1934, the annual reports, quarterly reports and other documents that we would be required to file if we were subject to Section 13 or 15 of the Exchange Act. All such annual reports shall include the geographic segment financial information contemplated by Item 101(d) of Regulation S-K under the Securities Act of 1933 and all such quarterly reports shall provide the same type of interim financial information that, as of the date of the indenture, currently is our practice to provide. We also will be required (a) to file with the trustee, and provide to each holder, without cost to such holder, copies of such reports and documents within 15 days after the date on which we file such reports and documents with the Commission or the date on which we would be required to file such reports and documents if we were so required, and (b) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, to supply at our cost copies of such reports and documents to any prospective holder promptly upon request. (Section 1009)

Repurchase of Notes upon a Change of Control

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

Within 30 days following any Change of Control, we will mail a notice to the trustee and each holder stating:

(i) that a Change of Control has occurred, that the Change of Control Offer is being made pursuant to this "Repurchase of Notes upon a Change of Control" covenant and that all notes validly tendered will be accepted for payment;

(ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date");

(iii) that any note not tendered will continue to accrue interest pursuant to its terms;

(iv) that, unless we default in the payment of the Change of Control Payment, any note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date;

(v) that holders electing to have any note or portion thereof purchased pursuant to the Change of Control Offer will be required to surrender such note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of such note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day immediately preceding the Change of Control Payment Date;

(vi) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of such holder, the principal amount of notes delivered for purchase and a statement that such holder is withdrawing his election to have such notes purchased; and

(vii) that holders whose notes are being purchased only in part will be issued new notes equal in principal amount to the unpurchased portion of the notes surrendered; provided that each note purchased and each new note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On the Change of Control Payment Date, we shall:

(i) accept for payment notes or portions thereof tendered pursuant to the Change of Control Offer;

(ii) deposit with the paying agent money sufficient to pay the purchase price of all notes or portions thereof so accepted; and

(iii) deliver, or cause to be delivered, to the trustee, all notes or portions thereof so accepted together with an officer's certificate specifying the notes or portions thereof accepted for payment by Primus.

The paying agent promptly shall mail, to the holders of notes so accepted, payment in an amount equal to the purchase price, and the trustee promptly shall authenticate and mail to such holders a new note equal in principal amount of any unpurchased portion of the notes surrendered; provided that each note purchased and each new note issued shall be in a principal amount of $1,000 or integral multiples thereof. We will announce publicly the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. For purposes of this "Repurchase of Notes upon a Change of Control" covenant, the trustee shall act as paying agent.

We will comply with Rule 14e-1 under the Securities Exchange Act of 1934 and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in the event that a Change of Control occurs and we are required to repurchase the notes under this "Repurchase of Notes upon a Change of Control" covenant. (Section 1010)

If we are unable to repay all of our indebtedness that would prohibit repurchase of the notes or are unable to obtain the consents of the holders of our indebtedness, if any, outstanding at the time of a Change of Control whose consent would be so required to permit the repurchase of notes, then we will have breached such covenant. Our failure to repurchase notes at the conclusion of the Change of Control Offer will constitute an Event of Default without any waiting period or notice requirements.

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

Consolidation, Merger and Sale of Assets

We will not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of our property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person or permit any Person to merge with or into us and we will not

permit any of our Restricted Subsidiaries to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of our properties and assets or of us and our Restricted Subsidiaries, taken as a whole, to any other Person or Persons, unless:

(i) we will be the continuing Person, or the Person (if other than us) formed by such consolidation or into which we are merged or that acquired or leased such property and assets of us will be a corporation, partnership or trust organized and validly existing under the laws of the United States of America or any jurisdiction thereof and shall expressly assume, by a supplemental indenture, executed and delivered to the trustee, all of our obligations with respect to the notes and under the indenture;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction on a pro forma basis we, or any Person becoming the successor obligor of the notes, as the case may be, could Incur at least $1.00 of Indebtedness under paragraph (a) of the "Limitation on Indebtedness" covenant; and

(iv) we deliver to the trustee an officer's certificate (attaching the arithmetic computations to demonstrate compliance with clause (iii)) and opinion of counsel stating that such consolidation, merger or transfer and, if required in connection with such transaction, the related supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; provided, however, that clause (iii) above does not apply if, in the good faith determination of our board of directors, whose determination shall be evidenced by a board resolution, the principal purpose of such transaction is to change our state of incorporation; and provided further that any such transaction shall not have as one of its purposes the evasion of the foregoing limitations. (Section 801)

Events of Default

The following events will be defined as "Events of Default" in the indenture:

(a) default in the payment of interest or liquidated damages, if any, on the notes when due and payable and continuance of such default for a period of 30 days;

(b) default in the payment of principal of (or premium, if any, on) any note at its Stated Maturity, upon acceleration, redemption or otherwise;

(c) default in the payment of principal or interest or liquidated damages, if any, on notes required to be purchased pursuant to an Excess Proceeds Offer as described under "Limitation on Asset Sales" or pursuant to a Change of Control Offer as described under "Repurchase of Notes upon a Change of Control";

(d) failure to perform or comply with the provisions described under "Consolidation, Merger and Sale of Assets";

(e) default in the performance of or breach of any other of our covenants or agreements in the indenture or under the notes (other than a default specified in clause (a), (b), (c) or (d) above) and such default or breach continues for a period of 30 consecutive days after written notice by the trustee or the holders of 25% or more in aggregate principal amount of the notes;

(f) there occurs with respect to any issue or issues of Indebtedness of Primus or any Restricted Subsidiary having an outstanding principal amount of $10.0 million or more in the aggregate for all such issues of all such Persons, whether such Indebtedness now exists or shall hereafter be created,

(I) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled by the earlier of

(x) the expiration of any applicable grace period or

(y) the thirtieth day after such default and/or

(II) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended by the earlier of

(x) the expiration of any applicable grace period or

(y) the thirtieth day after such default;

(g) any final judgment or order (not covered by insurance) for the payment of money in excess of $10.0 million in the aggregate for all such final judgments or orders against all such Persons (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against us or any Restricted Subsidiary and shall not be paid or discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed $10.0 million during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(h) a court having jurisdiction in the premises enters a decree or order for

(A) relief in respect of us or any of our Significant Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect,

(B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of us or any of our Significant Subsidiaries or for all or substantially all of our property and assets or those of our Significant Subsidiaries or

(C) the winding up or liquidation of the affairs of Primus or any of its Significant Subsidiaries and, in each case, such decree or order shall remain unstayed and in effect for a period of 30 consecutive days; or

(i) Primus or any of its Significant Subsidiaries

(A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law,

(B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of us or any of our Significant Subsidiaries or for all or substantially all of the property and assets of Primus or any of its Significant Subsidiaries or

(C) effects any general assignment for the benefit of creditors. (Section 501)

If an Event of Default (other than an Event of Default specified in clause (h) or (i) above) occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes, then outstanding, by written notice to us (and to the trustee if such notice is given by the holders), may, and the trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued but unpaid interest and liquidated damages, if any, on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest and liquidation damages, if any, shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (f) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the Indebtedness that is the subject of such Event of Default has been discharged or the holders thereof have rescinded their declaration of acceleration in respect of such Indebtedness, and written notice of such discharge or rescission, as the case may be, shall have been given to the trustee by us and countersigned by the holders of such Indebtedness or a trustee, fiduciary or agent for such holders, within 60 days after such declaration of acceleration in respect of the notes, and no other Event of

Default has occurred during such 60-day period which has not been cured or waived during such period. If an Event of Default specified in clause (h) or (i) above occurs, the principal of, premium, if any, and accrued interest and liquidated damages, if any, on the notes then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder. The holders of at least a majority in principal amount of the outstanding notes, by written notice to us and to the trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if, among other things, (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and accrued and unpaid interest and liquidated damages, if any, on the notes that have become due solely by such declaration of acceleration, have been cured or waived and (ii) the rescission, in the opinion of counsel, would not conflict with any judgment or decree of a court of competent jurisdiction. (Section 502)

The holders of at least a majority in aggregate principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes. No holder may pursue any remedy with respect to the indenture or the notes unless:

(i) the holder gives the trustee written notice of a continuing Event of Default;

(ii) the holders of at least 25% in aggregate principal amount of outstanding notes make a written request to the trustee to pursue the remedy;

(iii) such holder or holders offer the trustee indemnity satisfactory to the trustee against any costs, liability or expense;

(iv) the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(v) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding notes do not give the trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any holder of a note to receive payment of the principal of, premium, if any, or interest or liquidated damages, if any, on, such note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the notes, which right shall not be impaired or affected without the consent of the holder. (Sections 507, 508 and 512)

The indenture will require certain of our officers to certify, on or before a date not more than 90 days after the end of each fiscal year, that a review has been conducted of our activities and our performance under the indenture and that we have fulfilled all obligations thereunder or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. We also will be obligated to notify the trustee of any default or defaults in the performance of any covenants or agreements under the indenture. (Section 1008)

Defeasance or Covenant Defeasance of Indenture

At our option and at any time, we may elect to have our obligations upon the notes discharged with respect to the outstanding notes ("defeasance"). Such defeasance means that we will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding notes and to have satisfied all our other obligations under such notes and the indenture insofar as such notes are concerned except for

(i) the rights of holders of outstanding notes to receive payments (solely from monies deposited in trust) in respect of the principal of, premium, if any, and interest and liquidated damages, if any, on such notes when such payments are due,

(ii) our obligations to issue temporary notes, register the transfer or exchange of any notes, replace mutilated, destroyed, lost or stolen notes, maintain an office or agency for payments in respect of the notes and segregate and hold such payments in trust,

(iii) the rights, powers, trusts, duties and immunities of the trustee, and

(iv) the defeasance provisions of the indenture.

In addition, at our option and at any time, we may elect to have our obligations released with respect to certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes ("covenant defeasance"). (Sections 1301, 1302, and 1303)

In order to exercise either defeasance or covenant defeasance,

(i) we must deposit or cause to be deposited irrevocably with the trustee, as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the notes, cash in United States dollars, U.S. Government Obligations (as defined in the indenture), or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge the principal of, premium if any, and interest and liquidated damages, if any, on the outstanding notes on the Stated Maturity (or upon redemption, if applicable) of such principal, premium, if any, or installment of interest;

(ii) no Default or Event of Default with respect to the notes will have occurred and be continuing on the date of such deposit or, insofar as an event of bankruptcy under clauses (h) or (i) of "Events of Default" above is concerned, at any time during the period ending on the 123rd day after the date of such deposit;

(iii) such defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the indenture) to which we are a party or by which we are bound;

(iv) in the case of defeasance, we shall have delivered to the trustee an opinion of counsel stating that we have received from, or there has been published by, the Internal Revenue Service a ruling, or since the Closing Date, there has been a change in applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(v) in the case of covenant defeasance, we shall have delivered to the trustee an opinion of counsel to the effect that the holders of the notes outstanding will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(vi) we shall have delivered to the trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to either the defeasance or the covenant defeasance, as the case may be, have been complied with. (Section 1304)

Modification and Waiver

Modifications and amendments of the indenture may be made by us and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding notes; provided, however, that no such modification or amendment may, without the consent of each holder affected thereby,

(i) change the Stated Maturity of the principal of, or any installment of interest on, any note,

(ii) reduce the principal amount of, or premium or liquidated damages, if any, or interest on any note or extend the time for payment of interest on, or alter the redemption provisions of, any note,

(iii) change the currency of payment of principal of, or premium if any, or interest on any note,

(iv) impair the right of any holder of the notes to receive payment of, principal of and interest on such holder's notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the Redemption Date) of any note,

(v) reduce the above-stated percentage of outstanding notes the consent of whose holders is necessary to modify or amend the indenture,

(vi) modify any provision of any Guarantee of the notes in a manner adverse to the holders of the notes,

(vii) waive a default in the payment of principal of, premium, if any, or accrued and unpaid interest or liquidated damages, if any, on the notes, or

(viii) reduce the percentage or aggregate principal amount of outstanding notes the consent of whose holders is necessary for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults.

Governing Law and Submission to Jurisdiction

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

Currency Indemnity

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

Concerning the Trustee

The indenture contains certain limitations on the rights of the trustee, should it become a creditor of us, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim

as security or otherwise. The trustee will be permitted to engage in other transactions; however, if the trustee acquires any conflicting interest, it must eliminate such conflict within 90 days, apply to the Securities Exchange Commission for permission to continue or resign.

The holders of a majority in principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that in case an Event of Default shall occur (which shall not be cured), the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Certain Definitions

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

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

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

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

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

"Asset Sale" is defined to mean any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transactions) in one transaction or a series of related transactions by Primus or any of its Restricted Subsidiaries to any Person other than Primus or any of its Restricted Subsidiaries of (i) all or any of the Capital Stock of any Subsidiary, (ii) all or substantially all of the property and assets of an operating unit or business of Primus or any of its Restricted Subsidiaries or (iii) any other property and assets of Primus or any of its Restricted Subsidiaries outside the ordinary course of business of Primus or such Restricted Subsidiary and, in each case, that is not governed by the provisions of the indenture applicable to mergers, consolidations and sales of assets of Primus and which, in the case of any of clause (i), (ii) or (iii) above, whether in one transaction or a series of related transactions, (a) have a Fair Market Value in excess of $1.0 million or (b) are for net proceeds in excess of $1.0 million; provided that (x) sales or other dispositions

of inventory, receivables and other current assets in the ordinary course of business and (y) sales or other dispositions of assets for consideration at least equal to the Fair Market Value (as determined in good faith by the board of directors, whose determination shall be conclusive and evidenced by a board resolution) of the assets sold or disposed of, to the extent that the consideration received would constitute property or assets of the kind described in clause (i)(B) of the second paragraph of the "Limitation on Asset Sales" covenant, shall not be included within the meaning of "Asset Sale."

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

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York or Richmond, Virginia are authorized or obligated by law or executive order to close.

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

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

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

"Closing Date" is defined to mean October 15, 1999.

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

"Consolidated Cash Flow" is defined to mean, for any period, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) income taxes, to the extent such amount was deducted in calculating Consolidated Net Income (other than income taxes (either positive or negative)

attributable to extraordinary and non-recurring gains or losses or sales of assets), (iv) depreciation expense, to the extent such amount was deducted in calculating Consolidated Net Income, (v) amortization expense, to the extent such amount was deducted in calculating Consolidated Net Income, and (vi) all other non-cash items reducing Consolidated Net Income (excluding any non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period), less all non-cash items increasing Consolidated Net Income, all as determined on a consolidated basis for Primus and its Restricted Subsidiaries in conformity with GAAP.

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

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

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

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

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

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

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

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

"Employment Agreement" is defined to mean the employment agreement between Primus and Mr. K. Paul Singh, dated June 1994.

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

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

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

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

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

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

"Indebtedness" is defined to mean, with respect to any Person at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services, except Trade Payables, (v) all obligations of such Person as lessee under Capitalized Leases, (vi) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination

and (B) the amount of such Indebtedness, (vii) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person, (viii) the maximum fixed redemption or repurchase price of Redeemable Stock of such Person at the time of determination and (ix) to the extent not otherwise included in this definition, obligations under Currency Agreements and Interest Rate Agreements. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, provided (i) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP and (ii) that Indebtedness shall not include any liability for federal, state, local or other taxes.

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

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

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

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

entered into with an Eligible Institution; and (vi) any fund 95% of the assets of which consist of investments of the types described in clauses (i) through (v) above.

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

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

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

"Permitted Liens" is defined to mean (i) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (ii) statutory Liens of landlords and carriers, warehousemen, mechanics,

suppliers, materialmen, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (iv) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money); (v) easements, rights-of-way, municipal and zoning ordinances and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of Primus or any of its Restricted Subsidiaries; (vi) Liens (including extensions and renewals thereof) upon real or personal property purchased or leased after the Closing Date; provided that (a) such Lien is created solely for the purpose of securing indebtedness Incurred in compliance with the "Limitation on Indebtedness" covenant (1) to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of the item of property or assets subject thereto and such Lien is created prior to, at the time of or within six months after the later of the acquisition, the completion of construction or the commencement of full operation of such property or (2) to refinance any Indebtedness previously so secured, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost and (c) any such Lien shall not extend to or cover any property or assets other than such item of property or assets and any improvements on such item; (vii) leases or subleases granted to others that do not materially interfere with the ordinary course of business of Primus and its Restricted Subsidiaries, taken as a whole; (viii) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of Primus or its Restricted Subsidiaries relating to such property or assets; (ix) any interest or title of a lessor in the property subject to any Capitalized Lease or operating lease; (x) Liens arising from filing Uniform Commercial Code financing statements regarding leases; (xi) Liens on property of, or on shares of stock or Indebtedness of, any corporation existing at the time such corporation becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of Primus or any Restricted Subsidiary other than the property or assets acquired and were not created in contemplation of such transaction; (xii) Liens in favor of Primus or any Restricted Subsidiary; (xiii) Liens arising from the rendering of a final judgment or order against Primus or any Restricted Subsidiary of Primus that does not give rise to an Event of Default; (xiv) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof; (xv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (xvi) Liens encumbering customary initial deposits and margin deposits and other Liens that are either within the general parameters customary in the industry or incurred in the ordinary course of business, in each case, securing Indebtedness under Interest Rate Agreements and Currency Agreements; (xvii) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by Primus or any of its Restricted Subsidiaries in the ordinary course of business in accordance with the past practices of Primus and its Restricted Subsidiaries prior to the Closing Date; (xviii) Liens existing on the Closing Date or securing the notes or any Guarantee of the notes; (xix) Liens granted after the Closing Date on any assets or Capital Stock of Primus or its Restricted Subsidiaries created in favor of the holders; (xx) Liens securing Indebtedness which is incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (iv) of paragraph (b) of the "Limitation on Indebtedness" covenant; provided that such Liens do not extend to or cover any property or assets of Primus or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced; (xxi) Liens on the property or assets of a Restricted Subsidiary securing Indebtedness of such Subsidiary which Indebtedness is permitted under the indenture; and (xxii) Liens securing Indebtedness under Credit Facilities incurred in compliance with clauses (i) and (ii) of paragraph (b) of the "Limitation on Indebtedness" covenant.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

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

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

"Proportionate Share" is defined to mean, as of any date of calculation, an amount equal to (i) the outstanding principal amount of notes as of such date, divided by (ii) the sum of the outstanding principal amount of notes as of such date plus the outstanding principal amount as of such date of all other Indebtedness (other than Subordinated Indebtedness) of the Issuer the terms of which obligate the issuer to make a purchase offer in connection with the relevant Excess Proceeds or the Asset Sale giving rise thereto; provided that if the terms of such other Indebtedness do not provide for proration of the amount of such Indebtedness to be purchased with Excess Proceeds, the "Proportionate Share" in respect of the notes may be zero.

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

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

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

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

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

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

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

"Subordinated Indebtedness" is defined to mean Indebtedness of Primus subordinated in right of payment to the notes.

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

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

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

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

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

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

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

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

Book Entry, Delivery and Form

The initial notes were offered and sold to qualified institutional buyers ("Qualified Institutional Buyers") in reliance on Rule 144A and, to certain non-U.S. holders, in reliance on Regulation S under the Securities Act of 1933. The initial notes are represented by one or more permanent global notes in registered, global form without interest coupons (collectively, the "Rule 144A Global Note") and except as set forth below, the new notes will be represented by one or more notes in registered, global form without interest coupons (the "Unrestricted Global Note" and, together with the Rule 144A Global Note, the "Global Note"). The Rule 144A Global Note was and the Unrestricted Global Note will be deposited upon issuance with the trustee as custodian for the Depository Trust Company (the "Depository") in New York, New York, and registered in the name of the Depository or its nominee, in each case for credit to an account of a direct or indirect participant as described below.

The initial notes sold in offshore transactions in reliance on Regulation S under the Securities Act initially are represented by one or more permanent global notes in registered, global form without interest coupons (collectively, the "Regulation S Global Note", the Regulation S Global Note and the Rule 144A Global Note, collectively being called the "Global Notes"). The Regulation S Global Note was registered in the name of the Depository or its nominee for credit to the subscribers' respective accounts at the Euroclear System and Cedel Bank societe anonyme.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to the Depository, a nominee of the Depository or to a successor of the Depository or its nominee. Beneficial interests in the Global Notes may not be exchanged for notes in certificated form except in the limited circumstances described below.

The trustee will act as registrar.

Depository Procedures

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

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

Investors in the Global Note may hold their interests therein directly through the Depository, if they are Participants in such system, or indirectly through organizations (including Euroclear and CEDEL) that are participants in such system. All interests in a Global Note including those held through Euroclear or CEDEL, may be subject to the procedures and requirements of the Depository.

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

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the indenture for any purpose.

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

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

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

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

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

Exchange of Book-Entry Notes for Certificated Notes.

A Global Note is exchangeable for definitive notes in registered certificated form if:

(i) the Depository

(A) notifies us that it is unwilling or unable to continue as depository for the Global Note and we thereupon fail to appoint a successor depository or

(B) has ceased to be a clearing agency registered under the Securities Exchange Act of 1934,

(ii) upon the continuance of an Event of Default, or

(iii) we, at our option, notify the trustee in writing that we elect to cause issuance of the notes in certificated form.

In addition, beneficial interests in a Global Note may be exchanged for certificated notes upon request but only upon at least 20 days' prior written notice given to the trustee by or on behalf of the Depository in accordance with customary procedures. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interest therein will be registered in names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures) and will bear, the restrictive legend referred to in "Notice to Investors," unless we determine otherwise in compliance with applicable law.

Year 2000 Issues.

Management of the Depository is aware that some computer applications, systems, and the like for processing data (Systems) that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." The Depository has informed its Participants and other members of the financial community that it has developed and is implementing a program so that its systems relating to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within the Depository continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, the Depository's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, the Depository's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom the Depository licenses software and hardware, and third party vendors on whom the Depository relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. The Depository has informed the financial community that it is contacting (and will continue to contact) third party vendors from whom the Depository acquires services to: (i) impress upon them the importance of such services being Year 2000 ready and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, the Depository is in the process of developing such contingency plans as it deems appropriate.

According to the Depository, the foregoing information with respect to the Depository has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Same Day Settlement and Payment.

The indenture will require that payments in respect of the notes represented by the Global Note (including principal, premium, if any, interest and liquidated damages, if any) be made by wire transfer of immediately available funds to the accounts specified by the Global Note holder. With respect to certificated notes, we will make all payments of principal, premium, if any, interest and liquidated damages, if any, by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. We expect that secondary trading in the certificated notes will also be settled in immediately available funds.

Exchange Offer and Registration Rights

Primus and certain subsidiaries entered into the registration rights agreement with the initial purchasers, pursuant to which we agreed to file with the Securities and Exchange Commission, subject to the provisions described below, the exchange offer registration statement on an appropriate form permitting registration of new notes to be offered in exchange for Transfer Restricted Securities and to permit resales of new notes held by broker-dealers as contemplated by the registration rights agreement. The registration rights agreement provides that unless the exchange offer would not be permitted by applicable law or Securities and Exchange Commission policy, we will (i) file the exchange offer registration statement with the Commission and use our reasonable best efforts to cause the exchange offer registration statement to be declared effective by the Commission within 150 days after the Closing Date, (ii) (A) file all pre-effective amendments to such registration statement as may be necessary in order to cause such registration statement to become effective, (B) file if applicable, a post-effective amendment to such registration statement pursuant to Rule 430A under the Securities Act of 1933 and (C) cause all necessary filing in connection with the registration and qualifications of the new notes to be made under the blue sky laws of such jurisdictions as are necessary to permit consummation of the exchange offer and (iii) use our reasonable best efforts to cause the exchange offer to be consummated on or prior to 180 days after the Closing Date.

For purposes of the foregoing, "Transfer Restricted Securities" means each note until the earliest to occur of

(i) the date on which such note has been exchanged by a person other than a broker-dealer for new notes in the exchange offer,

(ii) following the exchange by a broker-dealer in the exchange offer of such note for one or more new notes, the date on which such new notes are sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the exchange offer registration statement,

(iii) the date on which such note has been effectively registered under the Securities Act of 1934 and disposed of in accordance with the shelf registration statement or

(iv) the date on which such note is eligible for distribution to the public pursuant to Rule 144 under the Securities Act.

Under existing Securities and Exchange Commission interpretations, the new notes would, in general, be freely transferable after the exchange offer without further registration under the Securities Act; provided, however, that, in the case of broker-dealers participating in the exchange offer, a prospectus meeting the requirements of the Securities Act must be delivered by such broker-dealers in connection with resales of the new notes. We have agreed, for a period of 180 days after consummation of the exchange offer, to make available a prospectus meeting the requirements of the Securities Act to any such broker-dealer for use in connection with any resale of any new notes acquired in the exchange offer. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the registration rights agreement (including certain indemnification rights and obligations).

Holders of notes that desire to exchange such notes for new notes in the exchange offer will be required to make certain representations, including representations that:

(i) any new notes to be received by it will be acquired in the ordinary course of its business,

(ii) it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the new notes, and

(iii) it is not our "affiliate," as defined in Rule 405 of the Securities Act, or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of the new notes. If the holder is a broker-dealer that will receive new notes for its own account in exchange for notes that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such new notes.

We have agreed to pay all expenses incident to the exchange offer and will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act.

If:

(i) we are not permitted to file the exchange offer registration statement or to consummate the exchange offer because the exchange offer is not permitted by applicable law or Securities and Exchange Commission policy,

(ii) any holder of Transfer Restricted Securities that is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) notifies us at least 20 business days prior to the consummation of the exchange offer that

(a) applicable law or Securities and Exchange Commission policy prohibits us from participating in the exchange offer,

(b) such holder may not resell the new notes acquired by it in the exchange offer to the public without delivering a prospectus and the prospectus contained in the exchange offer registration statement is not appropriate or available for such resales by such holder or

(c) such holder is a broker-dealer and holds notes acquired directly from us or an affiliate of ours,

(iii) the exchange offer is not for any other reason consummated by April 12, 2000, or

(iv) the exchange offer has been completed and in the written opinion of counsel for the initial purchasers a registration statement must be filed and a prospectus must be delivered by the initial purchasers in connection with any offering or sale of Transfer Restricted Securities, we will use our reasonable best efforts to:

(A) file a shelf registration statement within 60 days of the earliest to occur of (i) through (iv) above and

(B) cause the shelf registration statement to be declared effective by the Commission on or prior to the 120th day after such obligation arises.

We shall use our reasonable best efforts to keep such shelf registration statement continuously effective, supplemented and amended to ensure that it is available for resales of notes by the holders of Transfer Restricted Securities entitled to this benefit and to ensure that such shelf registration statement conforms and continues to conform with the requirements of the registration rights agreement, the Securities Act and the policies, rules and regulations of the Commission, as announced from time to time, until the second anniversary of the Closing Date; provided, however, that during such two-year period the holders may be prevented or

restricted by us from effecting sales pursuant to the shelf registration statement as more fully described in the registration rights agreement. A holder of notes that sells its notes pursuant to the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification and contribution obligations).

If:

(i) any of such registration statements is not declared effective by the Commission on or prior to the date specified for such effectiveness in the registration rights agreement,

(ii) the exchange offer has not been consummated within 180 days after the Closing Date with respect to the exchange offer registration statement, or

(iii) any registration statement required by the registration rights agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose (in the case of the exchange offer registration statement, at any time after the effectiveness target date and, in the case of any shelf registration statement, at anytime) without being succeeded within five business days by a post-effective amendment to such registration statement that cures such failure and that is itself immediately declared effective (each event referred to in clauses (i) through (iii) above being a registration default),

then additional cash interest liquidated damages shall accrue to each holder of the notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of notes held by such holder. The amount of liquidated damages will increase by an additional .50% per annum of the principal amount of notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of liquidated damages of 1.50% per annum of the principal amount of notes. All accrued liquidated damages will be paid to holders by us in the same manner as interest is paid pursuant to the indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of liquidated damages with respect to such Transfer Restricted Securities will cease.

The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which will be made available to prospective purchasers of the notes upon request to us.

FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain material United States federal income tax consequences of the exchange of the initial notes for the new notes and the ownership and disposition of the new notes for holders who acquired the new notes in exchange for initial notes. This discussion is limited to holders who hold the notes as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended.

This discussion does not address all aspects of United States federal income taxation that may be applicable to investors in light of their particular circumstances, or to investors subject to special treatment under United States federal income tax law (including, without limitation, certain financial institutions, insurance companies, tax-exempt entities, dealers in securities, persons who have acquired notes as part of a straddle, hedge, conversion transaction or other integrated investment or constructive sale or persons whose functional currency is not the United States dollar).

This discussion is based on provisions of the Internal Revenue Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect.

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

As used in this section, the term "U.S. holder" means a beneficial owner of a note that is, for United States federal income tax purposes,

- a citizen or resident of the United States,
- a corporation or partnership created or organized under the laws of the United States or of any political subdivision thereof,
- an estate the income of which is subject to United States federal income taxation regardless of its source, or
- a trust, if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The term "non-U.S. holder" means a beneficial owner of a note other than a U.S. holder.

U.S. Taxation of U.S. Holders

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

We may be required to pay liquidation damages to U.S. holders of the new notes. Although the matter is not free from doubt, we intend to take the position that a U.S. holder of a new note should be required to report the liquidated damages as ordinary income for United States federal income tax purposes when the liquidated damages accrue or are received in accordance with the holder's method of accounting. It is possible, however, that the Internal Revenue Service may take a different position, in which case the timing and amount of income may be different.

Disposition of the Notes. The exchange of the initial notes for the new notes will not be a taxable event for U.S. federal income tax purposes. The holding period of the new note will include the U.S. holder's holding period of the initial note, and the basis of the new note will be the same as the basis in the initial note immediately before the exchange.

On the sale, exchange, redemption, retirement at maturity or other disposition of a new note, a U.S. holder generally will recognize capital gain or loss (except as noted in the next paragraph) equal to the difference between the amount realized and the U.S. holder's adjusted tax basis in the new note. The capital gain or loss will be long-term capital gain or loss if the holding period for the new note (that includes the holding period for the initial note) exceeds one year at the time of the disposition. Generally, the maximum tax rate for individuals on long term capital gain is 20%.

To the extent a portion of the amount realized on the disposition of the new note is attributable to interest, it will be taxed as ordinary income and not as a capital gain. A portion of the amount realized will be attributable to interest if there is accrued but unpaid interest at the time of the disposition, or if the U.S. holder purchased the initial notes (other than at original issuance) at a market discount, as defined in the Internal Revenue Code of 1986, as amended. If a U.S. holder bought an initial note for an amount less than the stated redemption price at maturity, he or she should consult with his or her tax advisor to determine if there is a market discount in the new note, and the impact of the market discount on the taxation of the holding and disposition of the new note.

Bond Premium

If a U.S. holder purchased an initial note for an amount in excess of the amount payable at the maturity date, the U.S. holder may deduct the excess as amortizable bond premium over the aggregate terms of the initial notes and the new notes under a yield to maturity formula. The deduction is available only if an election is made by the U.S. holder, and the election will apply to all obligations owned or acquired by the U.S. holder. The U.S. holder's adjusted basis in the initial notes and the new notes will be reduced to the extent of the amortizable bond premium.

U.S. Taxation of Non-U.S. Holders

Payments of Interest. In general, under current U.S. tax law, payments of interest received by a non-U.S. holder will not be subject to United States withholding tax, provided that the non-U.S. holder

- does not actually or constructively own 10% or more of the total combined voting power of all of our classes of stock entitled to vote,
- is not a bank whose receipt of interest is described in Section 881(c)(3)(A) of the Internal Revenue Code,
- is not a controlled foreign corporation that is related to us actually or constructively through stock ownership, and
- either
  - the beneficial owner of the note provides us or our paying agent with a properly executed certification on IRS form W-8BEN (or suitable substitute form), signed under penalties of perjury, that the beneficial owner is not a "U.S. person" for U.S. federal income tax purposes and that provides the beneficial owner's name and address, or
  - a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its business, holds the note and certifies to us or our agent under penalties of perjury that the IRS form W-8BEN (or a suitable substitute form) has been received from the beneficial owner of the new note or a qualifying intermediary and furnishes the payor a copy thereof.

Payments of interest not exempt from U.S. federal withholding tax as described above, or not exempt because of a change of law effective after the date of the original issuance of the note, will be subject to

withholding tax at the rate of 30%, unless reduced or eliminated under an applicable income tax treaty, and unless the beneficial owner of the new note provides us or our paying agent, as the case may be, with a properly executed

- IRS Form W-8BEN (or successor form) claiming an exemption from or reduction of withholding under the benefit of a tax treaty or

- IRS Form W-8ECI (or successor form) stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States.

It is unclear whether the payment of liquidated damages to a non-U.S. holder will be subject to withholding of U.S. federal income tax, and we may withhold 30% from any such payments made to non-U.S. holders.

Treasury regulations that are to be effective with respect to payments made after December 31, 2001 provide alternative methods for satisfying the certification requirements described in the preceding paragraph. Those regulations also will require, in the case of notes held by a foreign partnership, that the certification described above be provided by each partner.

Disposition of the New Notes.

The exchange of an initial note for a new note under the exchange procedure will not be a taxable event for a non-U.S. holder.

A non-U.S. holder generally will not be subject to U.S. federal income tax (and no tax will be withheld) with respect to gain realized on the sale, exchange or other disposition of a note, unless

- the gain is effectively connected with a U.S. trade or business conducted by the non-U.S. holder or

- the non-U.S. holder is an individual who is present in the United States for 183 or more days during the taxable year of the disposition and certain other conditions are met.

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

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to certain payments of principal, interest and liquidated damages paid on a note and to the proceeds of sale of a note paid to U.S. holders other than certain exempt recipients (such as corporations). U.S. holders also may be subject to backup withholding at a rate of 31% on payments of principal, liquidated damages and interest on, and the proceeds of the sale or exchange of, the new notes. In general, backup withholding will apply to the payments if the U.S. holder

- fails to furnish a taxpayer identification number (TIN) which, for an individual, would be his or her Social Security number,

- furnishes an incorrect TIN, or

- fails to report in full payments of interest or dividends.

Information reporting and backup withholding generally will not apply to payments made to a non-U.S. holder who provides the certification described under "U.S. Taxation of non-U.S. holders--Payments of Interest" or otherwise establishes an exemption from backup withholding, provided that neither we or the paying agent have actual knowledge that the holder is a U.S. person.

PLAN OF DISTRIBUTION

Each broker-dealer that holds initial notes that were acquired for its own account as a result of market making or other trading activities (other than initial notes acquired directly from us), may exchange initial notes for new notes in the exchange offer. However, any such broker-dealer may be deemed to be an "underwriter" within the meaning of such term under the Securities Act and must, therefore, acknowledge that it will deliver a prospectus in connection with any resale of new notes received in the exchange offer. This prospectus delivery requirement may be satisfied by the delivery by such broker-dealer of this prospectus, as it may be amended or supplemented from time to time. We have agreed that, for a period of 180 days after the effective date of this prospectus, we will make this prospectus, as amended or supplemented, available to any broker-dealer who receives new notes in the exchange offer for use in connection with any such sale. We will not receive any proceeds from any sales of new notes by broker-dealers. New notes received by broker-dealers for their own accounts pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of such methods of resale, at market prices at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale of new notes by broker-dealers may be made directly to a purchaser or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such new notes. Any broker-dealer that resells new notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of new notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. We have agreed to pay all expenses incident to the exchange offer other than commissions or concessions of any brokers or dealers and will indemnify holders (including any broker-dealer) against certain liabilities, including liabilities under the Securities Act. By acceptance of the exchange offer, each broker-dealer that receives new notes pursuant to the exchange offer hereby agrees to notify us prior to using the prospectus in connection with the sale or transfer of new notes, and acknowledges and agrees that, upon receipt of notice from us of the happening of any event which makes any statement in the prospectus untrue in any material respect or which requires the making of any changes in the prospectus in order to make the statements herein not misleading (which notice we agree to deliver promptly to such broker-dealer), such broker-dealer will suspend use of the prospectus until we have amended or supplemented the prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented prospectus to such broker-dealer.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

All documents filed with the Commission by us pursuant to sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this prospectus and prior to termination of the offering made hereby are incorporated herein by reference. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement.

LEGAL MATTERS

The validity of the exchange notes offered hereby and certain United States federal income tax matters are being passed upon for us by Pepper Hamilton LLP. Mr. John DePodesta, "of counsel" to Pepper Hamilton LLP, is a director and an Executive Vice President of Primus, and the beneficial owner of 383,403 shares of our common stock.

EXPERTS

The financial statements of Primus Telecommunications Group, Incorporated and subsidiaries as of and for the years ended December 31, 1998 and 1997 included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and schedule of TresCom International, Inc. and its subsidiaries at December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, appearing in this prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The combined financial statements of Telegroup, Inc. and certain subsidiaries as of December 31, 1997 and 1998, and for each of the years in the three-year period ended December 31, 1998, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The report of KPMG LLP covering the December 31, 1998 combined financial statements, contains an explanatory paragraph that states that Telegroup, Inc. has filed for protection under Chapter 11 of the United States Bankruptcy Code due to significant financial and liquidity problems. These circumstances raise substantial doubt about its ability to continue as a going concern. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-4 pursuant to the Securities Act with respect to the new notes. The prospectus, which is part of the registration statement, does not cointain all the information set forth in the registration statement. Statements contained in the prospectus as to the contents of any contract, agreement or other document filed with the registration statement as exhibits are necessarily summaries of such documents, but are complete in all material respects, and are qualified in their entirety by reference to the copy of the applicable document filed as an exhibit to the registration statement. For further information about us and the securities offered in this offering, reference is made to the registration statement and to the financial statements, schedules and exhibits filed as a part of the registration statement.

We are subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith file reports and other information with the Securities and Exchange Commission, which reports include our financial information set forth in full. Such reports and other information filed by us can be inspected and copied at public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, NW, Judiciary Plaza, Washington, D.C. 20549; Seven World Trade Center, 13th Floor, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. For further information concerning the Commission's public reference rooms, the Commission can be reached at 1-800-SEC-0330. The Commission also maintains a Web site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the Commission. The site may be accessed at http://www.sec.gov. Anyone who receives this offering memorandum may obtain a copy of the indenture and registration rights agreement without charge by writing to Primus Telecommunications Group, Incorporated, 1700 Old Meadow Road, McLean, VA 22102, Attention: David Slotkin, Deputy General Counsel.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Primus Telecommunications Group, Incorporated

We have audited the accompanying consolidated balance sheets of Primus Telecommunications Group, Incorporated and subsidiaries (the Company) as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity, comprehensive loss and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Primus Telecommunications Group, Incorporated and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Washington, D.C.

February 10, 1999, except
for paragraph one of Note 16
as to which the date is
March 31, 1999

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share amounts)

	For the Year Ended December 31,		
	1998	1997	1996
Net revenue	$ 421,628	$ 280,197	$ 172,972
Cost of revenue	353,016	252,731	158,845
Gross margin	68,612	27,466	14,127
Operating expenses			
Selling, general and administrative	79,532	50,622	20,114
Depreciation and amortization	24,185	6,733	2,164
Total operating expenses	103,717	57,355	22,278
Loss from operations	(35,105)	(29,889)	(8,151)
Interest expense	(40,047)	(12,914)	(857)
Interest income	11,504	6,238	785
Other income (expense)	--	407	(345)
Loss before income taxes	(63,648)	(36,158)	(8,568)
Income taxes	--	(81)	(196)
Net loss	$ (63,648)	$ (36,239)	$ (8,764)
Basic and diluted net loss per common share	$ (2.61)	$ (1.99)	$ (0.75)
Weighted average number of common shares outstanding	24,432	18,250	11,660

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED BALANCE SHEET
(in thousands, except share amounts)

	December 31, 1998	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 136,196	$115,232
Restricted investments	25,729	22,774
Accounts receivable (net of allowance for doubtful accounts of $14,976 and $5,044)	92,531	58,172
Prepaid expenses and other current assets	13,505	5,152
Total current assets	267,961	201,330
Restricted investments	24,894	50,776
Property and equipment, net	158,873	59,241
Intangibles--Net	205,039	33,164
Other assets	17,196	10,882
Total assets	$ 673,963	$355,393
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 82,520	$ 56,358
Accrued expenses and other current liabilities	42,597	12,468
Accrued interest	12,867	11,016
Deferred income taxes	361	1,814
Current portion of long-term obligations	22,423	1,059
Total current liabilities	160,768	82,715
Long term obligations	397,751	230,152
Other liabilities	527	--
Total liabilities	559,046	312,867
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $.01 par value--authorized 2,455,000 shares; none issued and outstanding	--	--
Common stock, $.01 par value--authorized, 80,000,000 and 40,000,000 shares; issued and outstanding, 28,059,063 and 19,662,233 shares	281	197
Additional paid-in capital	234,549	92,181
Accumulated deficit	(111,653)	(48,005)
Accumulated other comprehensive loss	(8,260)	(1,847)
Total stockholders' equity	114,917	42,526
Total liabilities and stockholders' equity	$ 673,963	$355,393

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Preferred Stock		Common Stock				Accumulated Other	
	Shares	Amount	Shares	Amount	Paid-In Capital	Accumulated Deficit	Comprehensive Loss	Stockholders' Equity
Balance, December 31, 1995	--	$ --	7,064	$ 71	$ 5,496	$ (3,002)	$ (3)	$ 2,562
Common shares sold through private placement, net of transaction costs	--	--	3,148	31	21,837	--	--	21,868
Common shares issued for services performed	--	--	279	3	987	--	--	990
Preferred shares issued for acquisition	455	5	--	--	5,455	--	--	5,460
Common shares sold, net of transaction costs	--	--	5,750	58	54,341	--	--	54,399
Conversion of preferred shares to common shares	(455)	(5)	1,538	15	(10)	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	(75)	(75)
Net loss	--	--	--	--	--	(8,764)	--	(8,764)
Balance, December 31, 1996	--	--	17,779	178	88,106	(11,766)	(78)	76,440
Common shares issued upon exercise of warrants	--	--	1,843	19	1,453	--	--	1,472
Common shares issued for employer 401(k) match	--	--	5	--	45	--	--	45
Common shares issued upon exercise of employee stock options	--	--	35	--	42	--	--	42
Senior note offering--warrants	--	--	--	--	2,535	--	--	2,535
Foreign currency translation adjustment	--	--	--	--	--	--	(1,769)	(1,769)
Net loss	--	--	--	--	--	(36,239)	--	(36,239)
Balance, December 31, 1997	--	--	19,662	197	92,181	(48,005)	(1,847)	42,526
Common shares issued for business acquisitions	--	--	7,864	79	137,547	--	--	137,626
Common shares issued for employer 401(k) match	--	--	9	--	119	--	--	119
Common shares issued upon exercise of employee stock options	--	--	489	5	4,334	--	--	4,339
Common shares issued for employee stock purchase plan	--	--	24	--	263	--	--	263
Common shares issued upon exercise of warrants	--	--	11	--	105	--	--	105
Foreign currency translation adjustment	--	--	--	--	--	--	(6,413)	(6,413)
Net loss	--	--	--	--	--	(63,648)	--	(63,648)
Balance, December 31, 1998	--	$ --	28,059	$281	$234,549	$(111,653)	$(8,260)	$114,917

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net loss	$ (63,648)	$ (36,239)	$ (8,764)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, amortization and accretion	24,547	6,733	2,164
Sales allowance	9,431	6,185	1,960
Foreign currency transaction (gain) loss	--	(407)	345
Stock issuance--401(k) plan employer match	119	45	--
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(20,765)	(34,240)	(19,405)
(Increase) decrease in prepaid expenses and other current assets	(7,027)	(4,080)	(227)
(Increase) decrease in other assets	735	1,147	(1,621)
Increase (decrease) in accounts payable	(8,196)	30,247	11,729
Increase (decrease) in accrued expenses, other current liabilities and other liabilities	(8,073)	5,000	6,032
Increase (decrease) in accrued interest payable	1,581	10,852	847
Net cash provided by (used in) operating activities	(71,296)	(14,757)	(6,940)
Cash flows from investing activities:			
Purchase of property and equipment	(75,983)	(39,465)	(12,745)
(Purchase) sale of short-term investments	--	25,125	(25,125)
(Purchase) sale of restricted investments	22,927	(73,550)	--
Cash used for business acquisitions, net of cash acquired	(1,165)	(16,349)	(1,701)
Net cash provided by (used in) investing activities	(54,221)	(104,239)	(39,571)
Cash flows from financing activities:			
Principal payments on capital leases and long-term obligations	(2,373)	(16,881)	(508)
Proceeds from sale of common stock and exercise of employee stock options	4,707	1,514	77,576
Proceeds from issuance of long-term obligations	150,000	225,000	2,407
Deferred financing costs	(5,500)	(9,500)	--
Net cash provided by (used in) financing activities	146,834	200,133	79,475
Effects of exchange rate changes on cash and cash equivalents	(353)	(1,379)	214
Net change in cash and cash equivalents	20,964	79,758	33,178
Cash and cash equivalents, beginning of year	115,232	35,474	2,296
Cash and cash equivalents, end of year	$ 136,196	$ 115,232	$ 35,474
Supplemental cash flow information			
Cash paid for interest	$ 38,466	$ 2,745	$ 149
Non-cash investing and financing activities:			
Common stock issued for services	$ --	$ --	$ 990
Capital leases for acquisition of equipment	$ 16,958	$ 8,228	$ 388
Notes payable for acquisition of equipment	$ --	$ --	$ 2,826

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(in thousands)

	For the Year Ended December 31,		
	1998	1997	1996
Net Loss	$ (63,648)	$ (36,239)	$ (8,764)
Other Comprehensive Loss--			
Foreign currency translation adjustment	(6,413)	(1,769)	(75)
Comprehensive Loss	$ (70,061)	$ (38,008)	$ (8,839)

See notes to consolidated financial statements.

1. Organization and Business

Primus Telecommunications Group, Incorporated (Primus or the Company) is a facilities-based global telecommunications company that offers international and domestic long distance, Internet and data, and other telecommunications services to business, residential and other telecommunications carrier customers primarily in North America, the Asia-Pacific and Europe. The Company, incorporated in the state of Delaware, operates as a holding company and has wholly-owned operating subsidiaries in the United States, Canada, Mexico, Australia, Japan, the United Kingdom and Germany.

2. Summary of Significant Accounting Policies

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

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

Cost of Revenue--Cost of revenue includes network costs that 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 reflected within accumulated other comprehensive loss in the stockholders' equity section of the balance sheet.

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

Restricted Investments--Restricted investments consist of United States Federal Government-backed obligations which are recorded at amortized cost. These securities are classified as held-to-maturity and are restricted to satisfy certain interest obligations on the Company's 1997 Senior Notes.

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

Intangible Assets--At December 31, 1998 and 1997 intangible assets, net of accumulated amortization, consist of goodwill of $179.9 million and $27.8 million respectively, and customer lists of $25.1 million and $5.3 million respectively. Goodwill is being amortized over 30 years on a straight-line basis and customer lists over the estimated run-off of the customer bases not to exceed five years. Accumulated amortization at December 31, 1998 and 1997, was $4.7 million and $1.2 million related to goodwill and $5.9 million and $1.9 million related to customer lists, respectively. The Company periodically evaluates the realizability of intangible and other long-lived assets. In making such evaluations, the Company compares certain financial

indicators such as expected undiscounted future revenues and cash flows to the carrying amount of the assets. The Company believes that no impairments exist as of December 31, 1998.

Deferred Financing Costs--Deferred financing costs incurred in connection with the 1998 Senior Notes and the 1997 Senior Notes are reflected within other assets and are being amortized over the life of the respective Senior Notes using the straight-line method which does not differ materially from the effective interest method.

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

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

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

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

Net Loss Per Share--The Company has computed basic and diluted net loss per share based on the weighted average number of shares of common stock and potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted net loss per share, would include, where applicable, the effects of dilutive stock options, warrants, and convertible securities, and the effect of such potential common stock would be computed using the treasury stock method or the if-converted method. None of the Company's outstanding options and warrants are considered to be dilutive.

Comprehensive Income (Loss)--In 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 130 (SFAS 130), Reporting Comprehensive Income. As such, a consolidated statement of comprehensive loss reflecting the aggregation of net loss and foreign currency translation adjustments, the Company's principal components of other comprehensive income or loss, has been presented for each of the three years in the period ended December 31, 1998.

Operating Segments--In 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 131 (SFAS 131), Disclosures about Segments of an Enterprise and Related Information (Note 14). SFAS 131 superceded SFAS 14 and its adoption resulted in revised and additional disclosures but had no effect on the financial position, results of operations or liquidity of the Company.

New Accounting Pronouncements--In June 1998, Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities was issued. SFAS 133 established standards for the accounting and reporting of derivative instruments and hedging activities and requires that all derivative financial instruments be measured at fair value and recognized as assets or liabilities in the financial statements. The Statement will be adopted by the Company during fiscal 2000, and the Company is currently evaluating the impact of such adoption.

In April 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SoP) 98-5, Reporting on the Costs of Start-Up Activities. SoP 98-5 provides guidance on the financial reporting of start-up and organizational costs. The effect of adopting SoP 98-5 is not expected to have a material effect on the financial position, results of operation or liquidity of the Company.

Reclassifications--Certain previous year amounts have been reclassified to conform with current year presentation.

3. Acquisitions

On June 9, 1998 the Company acquired TresCom International, Inc. (TresCom), a long distance telecommunications carrier focused on international long distance traffic originating in the United States and terminating in the Caribbean and Central and South America regions. As a result of the acquisition, all of the approximately 12.7 million TresCom common shares outstanding were exchanged for approximately 7.8 million shares of the Company's common stock valued at approximately $138 million. An additional $11.7 million cash purchase obligation associated with a subsidiary of TresCom is expected to be paid during 1999 and has been included in accrued expenses and other current liabilities.

In March 1998 the Company purchased a 60% controlling interest in Hotkey Internet Services Pty., Ltd. (Hotkey), an Australian ISP, for approximately $1.3 million.

Effective March 1, 1998 the Company acquired all of the outstanding stock of Eclipse Telecommunications Pty., Ltd. (Eclipse), a data communications provider in Australia. The Company paid approximately $1.8 million in cash and 27,500 shares of the Company's Common Stock for Eclipse.

On October 20, 1997, the Company acquired the equity and ownership interests in Telepassport L.L.C. (Telepassport) for a purchase price of $6.0 million. Additionally, on October 20, 1997, the Company purchased substantially all of the assets of USFI, Inc. (USFI) for $5.5 million. Telepassport and USFI were under common control and engaged in the business of providing international and domestic telecommunication services, including long distance and reorigination services in Europe, Asia, and South Africa.

On April 8, 1997, the Company acquired the assets of Cam-Net Communications Network, Inc. and its subsidiaries, a Canadian based provider of domestic and international long distance service. The purchase price was approximately $5.0 million in cash.

On March 1, 1996, the Company acquired the outstanding capital stock of Axicorp Pty., Ltd. (subsequently renamed Primus Australia), the fourth largest telecommunications carrier in Australia. The purchase price consisted of cash, Company stock, and seller financing. The Company paid $5.7 million cash, including transaction costs, and issued 455,000 shares of its Series A Convertible Preferred Stock, which were subsequently converted to 1,538,355 common shares. The Company also issued two notes aggregating $8.1 million to the sellers, both of which were repaid in full during 1997.

The Company has accounted for all of these acquisitions using the purchase method. Accordingly, the results of operations of the acquired companies are included in the consolidated results of operations of the Company, as of the date of their respective acquisition.

Unaudited pro forma operating results for the years ended December 31, 1998 and 1997, as if the acquisitions of TresCom, Telepassport and USFI had occurred as of January 1, 1997, are as follows (in thousands, except per share amounts):

	1998	1997
Net revenue	$485,196	$448,929
Net loss	$(75,956)	$(63,426)
Basic and diluted net loss per share	$ (2.73)	$ (2.43)

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the acquisitions been consummated as of the above dates, nor are they necessarily indicative of future operations.

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,	
	1998	1997
Network equipment	$148,413	$48,246
Furniture and equipment	11,987	9,334
Leasehold improvements	2,907	1,845
Construction in progress	16,157	5,147
	179,464	64,572
Less: Accumulated depreciation and amortization	(20,591)	(5,331)
	$158,873	$59,241

Equipment under capital leases totaled $34.5 million and $9.2 million with accumulated depreciation of $4.3 million and $0.8 million at December 31, 1998 and 1997, respectively.

5. Long-Term Obligations

Long-term obligations consist of the following (in thousands):

	December 31,	
	1998	1997
Obligations under capital leases	$ 28,268	$ 8,487
Revolving Credit Agreement	17,819	--
Senior Notes	372,978	222,616
Other long-term obligations	1,109	108
Subtotal	420,174	231,211
Less: Current portion of long-term obligations	(22,423)	(1,059)
	$397,751	$230,152

As a result of the acquisition of TresCom, the Company has a $25 million revolving credit and security agreement (the "Revolving Credit Agreement") with a commercial bank secured by certain of the Company's accounts receivable. In January 1999, the Company voluntarily repaid in full and terminated the Revolving Credit Agreement.

On May 19, 1998 the Company completed the sale of $150 million 9 7/8% Senior Notes (1998 Senior Notes). The 1998 Senior Notes are due May 15, 2008 with early redemption at the option of the Company at any time after May 15, 2003. In addition, prior to May 15, 2001, the Company may redeem up to 25% of the originally issued principal amount of the 1998 Senior Notes at 109.875% of the principal amount thereof, plus accrued and unpaid interest through the redemption date. Interest is payable each May 15th and November 15th.

On August 4, 1997 the Company completed the sale of $225 million 11 3/4% Senior Notes (1997 Senior Notes) and Warrants (the Offering) to purchase 392,654 shares of the Company's common stock. The 1997 Senior Notes are due August 1, 2004 with early redemption at the option of the Company at any time after August 1, 2001, at a premium to par value. Dividends are currently prohibited by the senior notes indenture. Interest payments are due semi-annually on February 1st and August 1st. A portion of the proceeds from the offering of the 1997 Senior Notes have been pledged to secure the first six semi-annual interest payments on the 1997 Senior Notes and are reflected on the balance sheet as restricted investments. A portion of the proceeds of the Offering, $2.535 million, was allocated to the warrants, and the resulting debt discount is being amortized over the life of the debt on the straight-line method which does not differ materially from the effective interest method.

6. Income Taxes

The differences between the tax provision calculated at the statutory federal income tax rate and the actual tax provision for each period is shown in the table below (in thousands):

	For the Year Ended December 31,		
	1998	1997	1996
Tax benefit at federal statutory rate	$ (22,277)	$ (12,294)	$ (2,913)
State income tax, net of federal benefit	(1,387)	(2,100)	(491)
Foreign taxes	--	81	196
Unrecognized benefit of net operating losses	21,506	14,394	3,387
Other	2,158	--	17
Income taxes	$ --	$ 81	$ 196

The significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31, 1998	December 31, 1997
Deferred tax assets (non-current):		
Cash to accrual basis adjustments (U.S.)	$ 269	$ 590
Accrued expenses	5,393	936
Net operating loss carryforwards	32,606	17,856
Valuation allowance	(38,268)	(16,762)
	$ --	$ --
Deferred tax liabilities (current):		
Accrued income	$ --	$ 903
Other	--	385
Depreciation	361	526
	$ 361	$ 1,814

During the year ended December 31, 1998, the valuation allowance increased by approximately $21.5 million primarily due to the acquisition of TresCom and its related net operating losses.

At December 31, 1998, the Company had operating loss carryforwards available to reduce future federal taxable income which expire as follows (in millions):

Year	Primus	TresCom
2009	$ 6.1	$ 5.8
2010	7.1	5.4
2011	6.9	1.9
2012	33.2	10.6
2018	35.6	--
	$88.9	$23.7

Approximately $23.7 million of operating loss carryforwards relate to the acquisition of TresCom. Utilization of these operating losses is limited to the offset of future TresCom operating income. The Company's net operating loss carryforwards for state purposes are not significant and, therefore, have not been recorded as deferred tax assets.

At December 31, 1998, the Company had Australian and United Kingdom net operating loss carryforwards of $18.6 million and $2.1 million (in United States dollars), respectively, that have no expiration periods.

No provision was made in 1998 for U.S. income taxes on the undistributed earnings of the foreign subsidiaries as it is the Company's intention to utilize those earnings in the foreign operations for an indefinite period of time or to repatriate such earnings only when tax effective to do so. It is not practicable to determine the amount of income or withholding tax that would be payable upon the remittance of those earnings.

7. Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, restricted investments, accounts receivable and accounts payable approximate fair value. The estimated fair value of the Company's 1998 and 1997 Senior Notes (carrying value of $373 million), based on quoted market prices, at December 31, 1998 was $375 million. The estimated fair value of the Company's 1997 Senior Notes (carrying value of $223 million), based on quoted market prices, at December 31, 1997 was $242 million.

8. Commitments and Contingencies

Future minimum lease payments under capital lease obligations and non-cancelable operating leases as of December 31, 1998 are as follows (in thousands):

Year Ending December 31,	Capital Leases	Operating Leases
1999	$ 7,219	$ 5,295
2000	7,604	3,502
2001	8,088	3,187
2002	8,045	2,740
2003	4,934	1,754
Thereafter	198	3,058
Total minimum lease payments	36,088	$19,536
Less: Amount representing interest	(7,820)	
	$28,268	

Rent expense under operating leases was $4.8 million, $2.6 million and $1.1 million for the years ended December 31, 1998, 1997 and 1996, respectively.

9. Stockholders' Equity

In December 1998, the Company adopted a Stockholders' Rights Plan (the Rights Plan) under which preferred stock purchase rights have been granted to the Company's common stockholders of record at the close of business on December 31, 1998. The rights will become exercisable if a person or group becomes the beneficial owner of more than 20% of the outstanding common stock of the Company or announces an offer to become the beneficial owner of more than 20% of the outstanding common stock of the Company.

In June 1998, the Company issued 7,836,324 shares of its common stock, valued at $137.6 million, in exchange for all of the outstanding common shares of TresCom. Additionally, the Board amended the Company's Amended and Restated Certificate of Incorporation (the Certificate) to increase the authorized Common Stock to 80,000,000 shares.

In October 1997, the Company issued 1,842,941 shares of its common stock pursuant to the exercise of certain warrants, which had been issued in connection with the Company's $16 million July 1996 private equity sale. In connection with such exercise, the Company received approximately $1.5 million.

In August 1997 the Company completed a Senior Notes and Warrants Offering. Warrants valued at $2,535,000 to purchase 392,654 shares of the Company's common stock at a price of $9.075 per share were issued.

In November 1996, the Company completed an initial public offering of 5,750,000 shares of its Common Stock. The net proceeds to the Company (after deducting underwriter discounts and offering expenses) were $54.4 million.

In connection with the Company's initial public offering, the Board approved a split of all shares of Common Stock at a ratio of 3.381 to one as of November 7, 1996 and amended the Company's Certificate to increase the authorized Common Stock to 40,000,000 shares. All share amounts presented have been restated to give effect to the November 7, 1996 stock split.

In February 1996, the Company's Certificate was amended to authorize 2,455,000 shares of Preferred Stock (nonvoting) with a par value of $0.01 per share. On March 1, 1996, 455,000 shares of Series A Convertible Preferred Stock were issued in connection with the purchase of Primus Australia. The outstanding Preferred Stock was converted to Common Stock prior to the date of the Company's initial public offering.

10. Stock-Based Compensation

In December 1998, the Company established the 1998 Restricted Stock Plan (the Restricted Plan) to facilitate the grant of restricted stock to selected individuals who contribute to the development and success of the Company. The total number of shares of common stock that may be granted under the Restricted Plan is 750,000. As of December 31, 1998, there had not been any grants under the Restricted Plan.

The Company sponsors an Employee Stock Option Plan (the Employee Plan). The total number of shares of common stock authorized for issuance under the Employee Plan is 3,690,500. Under the Employee Plan, awards may be granted to key employees of the Company and its subsidiaries in the form of Incentive Stock Options or Nonqualified Stock Options. The Employee Plan allows the granting of options at an exercise price of not less than 100% of the stock's fair value at the date of grant. The options vest over a period of up to three years, and no option will be exercisable more than ten years from the date it is granted.

The Company sponsors a Director Stock Option Plan (the Director Plan) for non-employee directors. Under the Director Plan, an option is granted to each qualifying non-employee 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 338,100 shares of common stock were reserved for issuance under the Director Plan.

A summary of stock option activity during the three years ended December 31, 1998 is as follows:

	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding--						
Beginning of year......	2,555,360	$ 6.95	1,587,894	$ 3.02	722,015	$2.64
Granted...............	1,298,937	16.07	1,063,750	12.59	913,552	3.35
Exercised.............	(488,835)	7.42	(35,724)	1.19	--	--
Forfeitures...........	(236,896)	17.52	(60,560)	6.27	(47,673)	3.55
Outstanding--						
End of year............	3,128,566	$ 9.87	2,555,360	$ 6.95	1,587,894	$3.02
Eligible for exercise--						
End of year............	1,427,041	$ 6.93	899,170	$ 3.00	511,149	$2.81

The following table summarizes information about stock options outstanding at December 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Option Prices	Total Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Total Exercisable	Weighted Average Exercise Price
$ 0.01 to $ 3.55	1,176,527	2.06	$ 3.07	913,195	$ 2.99
$ 3.56 to $14.00	1,474,017	4.73	$12.24	409,307	$12.59
$14.01 to $23.87	478,022	5.39	$19.28	104,539	$19.13
	3,128,566			1,427,041	

The weighted average fair value at date of grant for options granted during 1998, 1997 and 1996 was $7.38, $5.45 and $1.38 per option, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1998	1997	1996
Expected dividend yield	0%	0%	0%
Expected stock price volatility	97%	80%	49%
Risk-free interest rate	4.6%	5.7%	6.0%
Expected option term	4 years	4 years	4 years

If compensation cost for the Company's grants for stock-based compensation had been recorded consistent with the fair value-based method of accounting per SFAS 123, the Company's pro forma net loss, and pro forma basic and diluted net loss per share for the years ending December 31, would be as follows:

	1998	1997	1996
Net loss (amounts in thousands)			
As reported	$(63,648)	$(36,239)	$(8,764)
Pro forma	$(67,621)	$(37,111)	$(9,242)
Basic and diluted net loss per share			
As reported	$ (2.61)	$ (1.99)	$ (0.75)
Pro forma	$ (2.77)	$ (2.03)	$ (0.79)

11. Employee Benefit Plans

The Company sponsors a 401(k) employee benefit plan (the 401(k) Plan) that covers substantially all United States based employees. Employees may contribute amounts to the 401(k) Plan not to exceed statutory limitations. The 401(k) plan provides an employer matching contribution of 50% of the first 6% of employee annual salary contributions. The employer match is made in common stock of the Company and is subject to 3-year cliff vesting. The Company contributed Primus common stock valued at approximately $119,000 and $45,000 during 1998 and 1997.

Effective January 1, 1998, the Company adopted an Employee Stock Purchase Plan (ESPP). The ESPP allows employees to contribute up to 15% of their compensation to be used toward purchasing the Company's common stock at 85% of the fair market value. An aggregate of 2,000,000 shares of common stock were reserved for issuance under the ESPP.

12. Related Parties

In June 1998, a subsidiary of the Company entered into a $2.1 agreement for the design, manufacture, installation and the provision of training with respect to a satellite earth station in London. A Director of the Company is the Chairman and a stockholder of the company providing such services. During 1998, $1.2 million was paid for the above services.

13. Valuation and Qualifying Accounts

Activity in the Company's allowance accounts for the years ended December 31, 1998, 1997 and 1996 was as follows (in thousands):

Doubtful Accounts

Period	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other (1)	Balance at End of Period
1996	$ 132	$ 1,960	$ (377)	$ 870	$ 2,585
1997	$ 2,585	$ 6,185	$ (4,309)	$ 583	$ 5,044
1998	$ 5,044	$ 9,431	$(12,772)	$13,273	$14,976

Deferred Tax Asset Valuation

Period	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other (1)	Balance at End of Period
1996	$ 1,087	$ 1,641	$ --	$ --	$ 2,728
1997	$ 2,728	$14,034	$ --	$ --	$16,762
1998	$16,762	$21,506	$ --	$ --	$38,268

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(1) Other additions represent the allowances for doubtful accounts, which were recorded in connection with business acquisitions.

14. Operating Segment and Related Information

The Company has three reportable operating segments based on management's organization of the enterprise into geographic areas--North America, Asia-Pacific and Europe. The Company evaluates the performance of its segments and allocates resources to them based upon net revenue and EBITDA. The Company defines EBITDA as net income (loss) before interest expense and interest income, income taxes, depreciation and amortization and other income (expense).

Operations and assets of the North American segment include shared corporate functions and assets which the Company does not allocate to its other geographic segments for management reporting purposes. Summary information with respect to the Company's segments is as follows (in thousands):

	Year Ended December 31,		
	1998	1997	1996
Net Revenue			
North America	$188,008	$ 74,359	$ 16,573
Asia-Pacific	172,757	183,126	151,253
Europe	60,863	22,712	5,146
Total	$421,628	$280,197	$172,972
EBITDA			
North America	$(14,420)	$(14,709)	$ (5,965)
Asia-Pacific	1,482	(5,856)	2,207
Europe	2,018	(2,591)	(2,229)
Total	$(10,920)	$(23,156)	$ (5,987)
Capital Expenditures			
North America	$ 33,431	$ 12,441	$ 7,453
Asia-Pacific	24,589	16,506	4,263
Europe	17,763	10,518	1,029
Total	$ 75,983	$ 39,465	$ 12,745

	December 31,		
	1998	1997	1996
Assets			
North America	$507,356	$249,109	$ 67,575
Asia-Pacific	109,290	83,476	62,823
Europe	57,317	22,808	5,211
Total	$673,963	$355,393	$135,609

The above capital expenditures exclude assets acquired in business combinations and under terms of capital leases.

15. Quarterly Results of Operations (unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1998 and 1997:

	For the quarter ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
	(in thousands)			
Net Revenue	$ 80,051	$ 99,475	$116,047	$126,055
Gross Margin	$ 11,329	$ 15,349	$ 19,490	$ 22,444
Net Loss	$(12,317)	$(14,793)	$(19,035)	$(17,503)

	For the quarter ended			
	March 31, 1997	June 30, 1997	September 30, 1997	December 31, 1997
	(in thousands)			
Net Revenue	$ 59,036	$ 70,045	$ 73,018	$ 78,098
Gross Margin	$ 4,002	$ 5,867	$ 7,752	$ 9,845
Net Loss	$ (4,907)	$ (8,875)	$(10,591)	$(11,866)

16. Subsequent Events

On March 31, 1999, the Company purchased the common stock of London Telecom Network, Inc. and certain related entities that provide long distance telecommunications services in Canada (the LTN Companies), for approximately $36 million in cash (including payments made in exchange for certain non-competition agreements). In addition, on March 31, 1999, the Company entered into an agreement to purchase for $14 million in cash substantially all of the operating assets of Wintel CNC Communications Inc. and Wintel CNT Communications Inc. (the Wintel Companies), which are Canada-based long distance telecommunications providers affiliated with the LTN Companies. The purchase of the assets of the Wintel Companies is expected to close in early May 1999. If the LTN companies and the Wintel Companies collectively achieve certain financial goals during the first half of 1999, the Company has agreed to pay up to an additional $4.6 million in cash.

In February 1999 the Company purchased the remaining 40% of Hotkey, a Melbourne, Australia-based ISP. The remaining 40% was purchased for approximately $1.1 million comprised of $0.3 million in cash and 57,025 shares of the Company's common stock.

On February 5, 1999 the Company acquired all of the outstanding shares in the capital of GlobalServe Communications, Inc., a privately held ISP based in Toronto, Canada. The purchase price of approximately $4.2 million was comprised of $2.1 million in cash and 142,806 shares of the Company's common stock.

On January 29, 1999 the Company completed the sale of $200 million 11 1/4% Senior Notes (1999 Senior Notes) due 2009 with semi-annual interest payments. The $192.5 million in net proceeds of the 1999 Senior Notes will be used to fund capital expenditures to expand and develop the Company's global Network and other corporate purposes.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Six Months Ended June 30,	
	1999	1998
Net revenue	$316,854	$179,526
Cost of revenue	247,456	152,848
Gross margin	69,398	26,678
Operating expenses		
Selling, general and administrative	70,849	34,367
Depreciation and amortization	21,490	7,911
Total operating expenses	92,339	42,278
Loss from operations	(22,941)	(15,600)
Interest expense	(34,293)	(16,780)
Interest income	6,011	5,270
Loss before income taxes	(51,223)	(27,110)
Income taxes	--	--
Net loss	$(51,223)	$(27,110)
Basic and diluted net loss per common share	$ (1.80)	$ (1.30)
Weighted average number of common shares outstanding	28,402	20,779

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED BALANCE SHEET
(in thousands, except share amounts)
(unaudited)

	June 30, 1999
ASSETS	
Current assets:	
Cash and cash equivalents	$ 168,679
Restricted investments	27,825
Accounts receivable (net of allowance for doubtful accounts of $28,410)	146,168
Prepaid expenses and other current assets	45,456
Total current assets	388,128
Restricted investments	10,736
Property and equipment--Net	216,623
Intangibles--Net	384,404
Other assets	28,553
Total assets	$1,028,444
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 122,488
Accrued expenses and other current liabilities	144,677
Accrued interest	22,728
Current portion of long-term obligations	15,055
Total current liabilities	304,948
Long term obligations	649,909
Other liabilities	25
Total liabilities	954,882
Commitments and Contingencies	
Stockholders' Equity:	
Preferred stock, $.01 par value--authorized 2,455,000 shares; none issued and outstanding	--
Common stock, $.01 par value--authorized 80,000,000 shares; issued and outstanding, 28,658,488 shares	287
Additional paid-in capital	242,536
Accumulated deficit	(162,876)
Accumulated other comprehensive loss	(6,385)
Total stockholders' equity	73,562
Total liabilities and stockholders' equity	$1,028,444

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Cash flows from operating activities:		
Net loss	$(51,223)	$(27,110)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion	21,670	8,092
Sales allowance	8,361	4,212
Stock issuance--401(k) plan employer match	118	39
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(23,709)	(20,287)
(Increase) decrease in prepaid expenses and other current assets	(24,241)	(7,671)
(Increase) decrease in other assets	(3,476)	(2,014)
Increase (decrease) in accounts payable	13,354	9,963
Increase (decrease) in accrued expenses, other current liabilities and other liabilities	38,193	1,458
Increase (decrease) in accrued interest payable	9,859	1,601
Net cash provided by (used in) operating activities	(11,094)	(31,717)
Cash flows from investing activities:		
Purchase of property and equipment	(45,395)	(36,029)
(Purchase) sale of restricted investments	12,062	11,196
Cash used for business acquisitions, net of cash acquired	(92,594)	(1,165)
Net cash provided by (used in) investing activities	(125,927)	(25,998)
Cash flows from financing activities:		
Principal payments on capital leases and long-term obligations	(20,419)	(2,129)
Proceeds from sale of common stock and exercise of employee stock options	1,396	1,903
Proceeds from issuance of long-term obligations, net	192,500	145,549
Net cash provided by (used in) financing activities	173,477	145,323
Effects of exchange rate changes on cash and cash equivalents	(3,973)	(147)
Net change in cash and cash equivalents	32,483	87,461
Cash and cash equivalents, beginning of period	136,196	115,232
Cash and cash equivalents, end of period	$168,679	$202,693

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	1999	1998
Net Loss	$(51,223)	$(27,110)
Other Comprehensive Gain (Loss) -		
Foreign currency translation adjustment	1,875	(1,209)
Comprehensive Loss	$(49,348)	$(28,319)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Telegroup, Inc.:

We have audited the accompanying combined balance sheets of Telegroup, Inc. and certain subsidiaries (the Company) as of December 31, 1997 and 1998 and the related combined statements of operations, comprehensive losses, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 1998. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Telegroup, Inc. and certain subsidiaries as of December 31, 1997 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

The accompanying combined financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the combined financial statements, the Company has filed for protection under Chapter 11 of the United States Bankruptcy Code due to significant financial and liquidity problems. These circumstances raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG LLP

July 9, 1999
Lincoln, Nebraska

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED BALANCE SHEETS

December 31, 1997 and 1998

	1997	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 72,763,095	19,101,837
Securities available-for-sale	21,103,030	--
Accounts receivable and unbilled services, less allowance for credit losses of $6,074,795 in 1997 and $4,423,308 in 1998	52,863,679	52,492,330
Income tax recoverable	2,693,679	212,938
Prepaid expenses and other assets	1,274,952	2,981,706
Receivables from shareholders (note 5)	39,376	85,777
Receivables from employees	152,259	54,901
Total current assets	150,890,070	74,929,489
Net property and equipment (note 6)	27,372,572	54,676,104
Other assets:		
Deposits and other assets (note 6)	3,594,072	4,418,531
Goodwill, net of amortization of $142,203 in 1997 and $223,458 in 1998 (note 4)	3,102,707	4,148,679
Capitalized software, net of amortization (note 2)	1,724,758	3,334,549
Debt issuance costs, net of amortization (note 3)	3,648,026	3,513,108
	12,069,563	15,414,867
Total assets	$190,332,205	145,020,460
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable (note 8)	$ 46,754,624	88,602,750
Commissions payable	7,691,401	4,173,700
Accrued expenses (notes 8 and 10)	4,466,320	6,551,162
Notes payable (note 3)	--	24,832,437
Customer deposits	777,847	693,781
Unearned revenue	186,779	153,430
Current portion of capital lease obligations (note 7)	158,706	123,656
Current portion of long-term debt (note 3)	93,788	111,130,591
Total current liabilities	60,129,465	236,261,507
Capital lease obligations, excluding current portion (note 7)	221,179	37,483
Long-term debt, excluding current portion (note 3)	101,450,951	118,677
Minority interest (note 4)	--	--
Common stock, no par or stated value; 150,000,000 shares authorized, 30,889,945 and 33,689,785 issued and outstanding in 1997 and 1998, respectively	--	--
Additional paid-in capital	51,649,660	63,313,048
Retained deficit (note 1)	(23,075,221)	(155,267,829)
Accumulated other comprehensive income (deficit)	(43,829)	557,574
Total shareholders' equity (deficit)	28,530,610	(91,397,207)
Commitments and contingencies (notes 6 and 11)		
Total liabilities and shareholders' equity (deficit)	$190,332,205	145,020,460

See accompanying notes to combined financial statements.

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF OPERATIONS

Years ended December 31, 1996, 1997 and 1998

	1996	1997	1998
Revenues:			
Retail	$179,146,795	220,691,970	234,662,249
Wholesale	34,060,714	112,408,905	125,269,438
Total revenues	213,207,509	333,100,875	359,931,687
Cost of revenues (note 11)	150,536,859	252,054,271	299,650,665
Gross profit	62,670,650	81,046,604	60,281,022
Operating expenses:			
Selling, general and administrative expenses (notes 6, 10 and 13)	59,651,857	87,370,378	106,342,704
Depreciation and amortization	1,881,619	4,959,785	10,939,925
Stock option-based compensation (note 8)	1,032,646	342,380	285,317
Impairment of long-lived assets (notes 4 and 6)	--	--	14,798,830
Total operating expenses	62,566,122	92,672,543	132,366,776
Operating income (loss)	104,528	(11,625,939)	(72,085,754)
Other income (expense):			
Interest expense	(578,500)	(4,208,328)	(11,069,365)
Interest income	377,450	2,014,395	2,406,269
Foreign currency transaction loss	(147,752)	(571,637)	(632,761)
Other	118,504	290,622	84,756
Loss before income taxes and extraordinary item	(125,770)	(14,100,887)	(81,296,855)
Income tax benefit (expense) (note 9)	7,448	576,526	(29,908)
Minority interest in share of loss (note 4)	--	--	--
Loss before extraordinary item	(118,322)	(13,524,361)	(81,326,763)
Extraordinary item, loss on extinguishment of debt, net of income tax benefit of $1,469,486 (note 3)	--	(9,970,815)	--
Net loss	$ (118,322)	(23,495,176)	(81,326,763)

See accompanying notes to combined financial statements.

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF COMPREHENSIVE LOSSES

Years ended December 31, 1996, 1997 and 1998

	1996	1997	1998
Net loss	$(118,322)	(23,495,176)	(81,326,763)
Foreign currency translation adjustment, net of tax	(2,203)	(41,626)	601,403
Comprehensive loss	$(120,525)	(23,536,802)	(80,725,360)

See accompanying notes to combined financial statements.

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

Years ended December 31, 1996, 1997 and 1998

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (deficit)	Total shareholders' equity (deficit)
	Shares	Amount				
Balances at December 31, 1995	24,651,989	$--	4,595	3,142,852	--	3,147,447
Dividends	--	--	--	(425,000)	--	(425,000)
Net loss	--	--	--	(118,322)	--	(118,322)
Issuance of common stock	1,297,473	--	52,366	--	--	52,366
Notes receivable from shareholders for common stock	--	--	(52,366)	--	--	(52,366)
Shares issued in connection with business combinations (note 4)	262,116	--	573,984	--	--	573,984
Compensation expense in connection with stock option plan (notes 3 and 8)	--	--	1,032,646	--	--	1,032,646
Warrants issued in connection with the Private Offering (note 8)	--	--	9,153,951	--	--	9,153,951
Change in foreign currency translation	--	--	--	--	(2,203)	(2,203)
Balances at December 31, 1996	26,211,578	--	10,765,176	2,599,530	(2,203)	13,362,503
Net loss	--	--	--	(23,495,176)	--	(23,495,176)
Carve-out of uncombined subsidiaries (note 1)	--	--	--	(2,179,575)	--	(2,179,575)
Issuance of shares, net of offering expenses (note 8)	4,450,000	--	39,825,343	--	--	39,825,343
Shares issued in connection with business combination (note 4)	40,000	--	470,000	--	--	470,000
Compensation expense in connection with stock option plan (note 8)	--	--	342,380	--	--	342,380
Issuance of shares for options exercised (note 8)	188,367	--	246,761	--	--	246,761
Change in foreign currency translation	--	--	--	--	(41,626)	(41,626)
Balances at December 31, 1997	30,889,945	--	51,649,660	(23,075,221)	(43,829)	28,530,610
Net loss	--	--	--	(81,326,763)	--	(81,326,763)
Carve-out of uncombined subsidiaries (note 1)	--	--	--	(50,865,845)	--	(50,865,845)
Shares issued in connection with business combinations (note 4)	538,232	--	7,066,524	--	--	7,066,524
Compensation expense in connection with stock option plan (note 8)	--	--	285,317	--	--	285,317
Commission expense in connection with independent agent stock option plan (note 8)	--	--	474,241	--	--	474,241
Shares issued in-lieu of future commissions (note 13)	181,737	--	1,592,234	--	--	1,592,234
Payment received on note receivable from shareholders	--	--	52,366	--	--	52,366
Issuance of shares for warrants exercised (note 8)	1,327,333	--	--	--	--	--
Unissued warrants in connection with forbearance agreements (note 8)	--	--	--	--	--	--
Issuance of shares for property purchase	204,035	--	1,466,649	--	--	1,466,649
Warrants issued for property purchase (note 8)	--	--	9,758	--	--	9,758

Issuance of shares for options exercised (note 8)	537,503	--	702,128	--	--	702,128
Issuance of shares for litigation settlement	11,000	--	14,171	--	--	14,171
Change in foreign currency translation	--	--	--	--	601,403	601,403
Balances at December 31, 1998	33,689,785	$--	63,313,048	(155,267,829)	557,574	(91,397,207)

See accompanying notes to combined financial statements.

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 1996, 1997 and 1998

	1996	1997	1998
Cash flows from operating activities:			
Net loss	$ (118,322)	(23,495,176)	(81,326,763)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,881,619	4,959,785	10,939,925
Assets held for disposal	--	--	1,263,991
Deferred income taxes	229,933	635,167	--
Impairment of long-lived assets	--	--	14,798,830
Loss on sale of equipment	--	227,672	114,491
Loss on extinguishment of debt	--	10,040,301	--
Issuance of shares for litigation settlement	--	--	14,171
Provision for credit losses on accounts receivable	5,124,008	8,407,168	9,369,240
Accretion of debt discounts	48,077	1,874,090	8,225,692
Stock option-based compensation expense	1,032,646	342,380	285,317
Stock option-based commission expense	--	--	474,241
Changes in operating assets and liabilities, excluding the effects of business combinations:			
Accounts receivable and unbilled services	(14,199,095)	(28,671,383)	(7,518,222)
Prepaid expenses and other assets	(134,946)	(979,711)	(841,421)
Deposits and other assets	(80,001)	(4,555,603)	(8,963,770)
Accounts payable, commissions payable and accrued expenses	16,292,448	19,091,546	36,462,512
Income taxes	(5,323,692)	(1,064,375)	2,480,741
Unearned revenue	64,276	122,503	(33,349)
Customer deposits	87,506	174,907	(84,066)
Net cash provided by (used in) operating activities	4,904,457	(12,890,729)	(14,338,440)
Cash flows from investing activities:			
Purchases of equipment	(9,067,923)	(20,192,680)	(36,885,963)
Sales (purchases) of securities available-for-sale	--	(21,103,030)	21,103,030
Proceeds from sale of equipment	--	450,000	126,191
Capitalization of software	(1,789,604)	(316,785)	(2,057,012)
Cash paid in business combinations, net of cash acquired	(468,187)	(656,334)	(2,576,145)
Net change in receivables from shareholders and employees	63,334	(91,122)	50,957
Net cash used in investing activities	(11,262,380)	(41,909,951)	(20,238,942)
Cash flows from financing activities:			
Net proceeds (principal payments) from (on) notes payable	(2,000,000)	--	24,832,437
Proceeds from issuance of senior subordinated notes	20,000,000	--	--
Proceeds from issuance of convertible subordinated notes	--	25,000,000	--
Proceeds from issuance of senior discount notes	--	74,932,500	--
Prepayment of senior subordinated notes	--	(20,000,000)	--
Debt issuance costs	(1,450,281)	(3,753,558)	(471,532)
Net proceeds from issuance of stock	--	39,825,343	--
Net proceeds from options exercised	--	246,761	702,128
Dividends paid	(950,000)	--	--
Net proceeds (principal payments) from (on) other long-term borrowings	530,803	(452,762)	1,478,837
Principal payments under capital lease obligations	(180,901)	(168,321)	(143,272)
Proceeds received (borrowings) on note due from shareholders	(25,881)	--	52,366
Net cash provided by financing activities	15,923,740	115,629,963	26,450,964
Exchange rate changes	(2,203)	(41,626)	601,403
Carve-out of uncombined subsidiaries	--	(2,179,575)	(50,865,845)
Shares issued in connection with business combinations of uncombined subsidiaries	--	--	4,729,602
Net increase (decrease) in cash and cash equivalents	9,563,614	58,608,082	(53,661,258)

Cash and cash equivalents at beginning of year	4,591,399	14,155,013	72,763,095
Cash and cash equivalents at end of year	$ 14,155,013	72,763,095	19,101,837
Supplemental disclosures of cash flow information:			
Interest paid	$ 356,270	3,930,558	2,545,501
Income taxes paid	$ 5,164,634	795	82,283
Supplemental disclosures of noncash investing and financing activities:			
Dividends declared	$ 425,000	--	--
Common stock issued in connection with business combinations	$ 573,984	470,000	7,066,524
Common stock issued in consideration for notes receivable	$ 52,366	--	--
Equipment acquired under capital lease	$ --	108,504	--
Common stock issued in-lieu of future commissions	$ --	--	1,592,234
Common stock and warrants issued in connection with property purchase	$ --	--	1,476,407

See accompanying notes to combined financial statements.

(1) BASIS OF PRESENTATION

On February 10, 1999 (the Filing Date), amidst increasing financial and liquidity problems, Telegroup, Inc. filed for protection under Chapter 11 of the United States (U.S.) Bankruptcy Code, as amended (the Bankruptcy Code). Telegroup, Inc. filed a voluntary petition to operate as a Debtor in Possession (DIP) in the U.S. Bankruptcy Court District of New Jersey (the Bankruptcy Court). Telegroup, Inc.'s subsidiary companies have not filed for Chapter 11 protection. Telegroup, Inc.'s equity interests in such subsidiaries represent assets of the bankruptcy estate.

The commencement of a Chapter 11 bankruptcy proceeding results in the imposition of an automatic stay against the commencement or continuation of any judicial, administrative or other proceeding against Telegroup, Inc., against any act to obtain possession of property of or from Telegroup, Inc., and against any act to create, perfect or enforce any lien against property of Telegroup, Inc., subject to certain exceptions permitted under the Bankruptcy Code. Telegroup, Inc.'s creditors, therefore, are generally prohibited from attempting to collect prepetition debts without the consent of the Bankruptcy Court. Any creditor may seek relief from the automatic stay and, if applicable, enforce a lien against its collateral, if authorized by the Bankruptcy Court. There are various other provisions of the Bankruptcy Code which may impose limitations or constraints on Telegroup, Inc.'s operations.

Pursuant to provisions of the Bankruptcy Code, claims arising prior to the filing of the petition under Chapter 11 of the Bankruptcy Code may not be paid outside of a plan of reorganization without prior approval of the Bankruptcy Court. Certain prepetition claims have subsequently been paid or satisfied with approval from the Bankruptcy Court. These claims include payments for commissions and wages, salaries and employee benefits.

Since the Filing Date, Telegroup, Inc. has continued in possession of its properties and as a DIP is authorized to operate and manage its business and to enter into all transactions that it could have entered into in the ordinary course of its business had there been no Chapter 11 filing. Subsequent to the Filing Date, Telegroup, Inc. restructured the terms of many of its relationships with critical telecommunications service carriers and reduced significant portions of its general and administrative costs, in an effort to effectively manage its liquidity problems. In March 1999, the Bankruptcy Court set a date of June 15, 1999 (the Bar Date) as the date for which all pre-Filing Date claims could be filed by creditors against Telegroup, Inc.

During the first quarter of 1999, Telegroup, Inc. continued to operate as a DIP and petitioned the Bankruptcy Court for approval to sell the majority of its assets under Sections 363 and 365 of the Bankruptcy Code. Following the approval of the Bankruptcy Court and a public notice, on May 26, 1999, Primus Telecommunications, Inc. (Primus) emerged as highest bidder at the auction and committed to purchase the majority of Telegroup, Inc.'s assets, including the common stock of Telegroup, Inc.'s subsidiary companies, excluding the subsidiaries located in Australia and New Zealand, which include Telegroup Network Services Australia Pty Limited, Telegroup Network Services New Zealand Pty Limited, and Switch Telecommunications Pty Limited (collectively the Australian and New Zealand Subsidiaries) (the Core Business Assets), for $71,825,000. The sale of the Core Business Assets to Primus, including an additional sale of accounts receivable and other assets less assumed liabilities for approximately $22,190,000, closed on June 30, 1999. The effective date of these transactions was June 1, 1999. The purchase price was paid by Primus in unregistered debt securities of $45,467,000 in the form of 11.25% Senior Notes due 2009 (the Primus Notes), a $4,592,006 promissory note due 60% on July 30, 1999 and 40% on August 31, 1999, and cash.

In addition, the auction resulted in other telecommunications carriers purchasing certain other fixed assets of Telegroup, Inc. for approximately $5,600,000 in cash.

Telegroup, Inc. used the auction proceeds to pay in full its asset-based line of credit and term loan with Foothill Capital Corp. (Foothill) (see note 3). The remaining assets of Telegroup, Inc., consisting primarily of

cash and Primus Notes obtained from the sale of assets from the auction, are being held subject to the review and reconciliation of creditors' proofs of claims that have been filed with the Bankruptcy Court against Telegroup, Inc. as of the Bar Date. Management of Telegroup, Inc. have estimated and accrued known claims it believes are valid relating to products and/or services received prior to December 31, 1998 in the accompanying combined financial statements. However, a number of disputed claims exist which are individually significant in amount and which, together, are materially in excess of the amounts reflected in the accompanying combined financial statements. Disputed claims for products and/or services received prior to December 31, 1998 have been reflected at such amounts, if any, that are estimated will be allowed. Disputed claims could be greater than or less than the amounts reflected in the accompanying financial statements and these differences may be material. It is anticipated that claims will be reconciled in connection with the consummation of a Chapter 11 plan of liquidation. The ultimate amount and classification of claims which will be allowed cannot be estimated at this time.

Pursuant to provisions of the Bankruptcy Code, Telegroup, Inc. has until the confirmation of a plan of reorganization to assume or reject executory contracts and unexpired leases of personal property, subject to the discretion of the Bankruptcy Court, on request of a party to such contract or lease, to require Telegroup, Inc. to determine within a specified time period whether to assume a particular executory contract or unexpired lease of personal property. Generally, a Chapter 11 debtor must assume all leases of nonresidential real property within 60 days of its Chapter 11 filing, or such leases will be deemed rejected, unless the Bankruptcy Court, for cause, within such 60-day period establishes a longer period for assumption decisions. Subject to certain exceptions, by order of the Bankruptcy Court, Telegroup, Inc. obtained an extension of time within which to assume or reject its nonresidential real property leases.

Assumption of an executory contract or unexpired lease under the Bankruptcy Code requires Telegroup, Inc., among other things, to cure all defaults under such executory contract or unexpired lease. Rejection of an executory contract or unexpired lease constitutes a breach of such executory contract or unexpired lease immediately before the date of the filing of the Chapter 11 petition, giving the other party to the contract or unexpired lease the right to assert a general unsecured claim against the bankruptcy estate for damages arising out of the breach. Prior to the filing of Telegroup, Inc.'s plan of liquidation, Telegroup, Inc. anticipates that it will notify the Bankruptcy Court of those contracts and leases that it will assume or reject as of the effective date of the plan of liquidation. Included in Primus's purchase agreement, Primus will assume certain executory contracts and unexpired leases. Telegroup, Inc. will reject all remaining contracts and leases. Primus continues to review Telegroup, Inc.'s contracts and leases to determine which ones they will assume. The Disclosure Statement, which will be filed concurrently with the plan of liquidation, will set forth Telegroup, Inc.'s estimates of the aggregate cure amounts and rejection damage claims to be incurred in connection with assumptions and rejections for only those contracts and leases not already rejected or assumed prior to the filing of the plan of liquidation. Rejection of these executory contracts and unexpired leases could result in additional claims against the estate.

The accompanying combined financial statements have been prepared in order for Primus to comply with certain reporting requirements of the Securities and Exchange Commission. The accompanying combined financial statements represent the accounts of Telegroup, Inc. and certain subsidiaries (the Company). As Primus is not purchasing the Australian and New Zealand Subsidiaries, these subsidiaries, in which Telegroup, Inc. has significant control, are excluded from the combined financial statements. In accordance with the accounting rules prescribed for "carve-out" financial statements, the excess of the purchase price of the Australian and New Zealand Subsidiaries over fair value of their net assets acquired recorded by Telegroup, Inc., the financial position, results of operations, comprehensive losses and cash flows for these

subsidiaries are not included in the combined financial statements. The net effect of the "carve-out" adjustment is reflected in retained deficit in the combined financial statements.

The accompanying combined financial statements have been prepared on a going concern basis which assumes continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. As discussed herein, there are significant uncertainties relating to the ability of the Company to continue as a going concern. The combined financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary as a result of the outcome of the uncertainties discussed herein.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is an alternative provider of domestic and international telecommunications services. The Company's revenues are derived from the sale of telecommunications to retail customers, typically residential users and small- to medium-sized business and wholesale customers, typically telecommunications carriers. The Company's customers are principally located in the United States, Europe and the Pacific Rim. In both the retail and wholesale aspects of its business, the Company extends credit to customers on an unsecured basis with the risk of loss limited to outstanding amounts.

The Company markets its services through a worldwide network of independent agents and supervisory "country coordinators". The Company extends credit to its sales representatives and country coordinators on an unsecured basis with the risk of loss limited to outstanding amounts, less commissions payable to the representatives and coordinators.

A summary of the Company's significant accounting policies follows:

Cash Equivalents and Securities Available-for-Sale

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 1997, cash equivalents consisted of money market instruments, U.S. Government securities, and commercial paper totaling $70,133,492. There were no cash equivalents at December 31, 1998. Securities available-for-sale represent U.S. Government securities with maturities greater than three months. Securities available-for-sale are recorded at the lower of amortized cost or market value. At December 31, 1997, amortized cost approximated market value.

Property and Equipment

Property and equipment are stated at cost. Equipment held under capital leases are stated at the lower of the fair value of the asset or the net present value of the minimum lease payments at the inception of the lease. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets. Equipment held under capital leases and leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset. Amortization of assets held under capital leases and leasehold improvements are included with depreciation expense.

Capitalized Software Development Costs

The Company capitalizes software costs incurred in the development of its telecommunications switching software, billing systems and other support platforms. The Company capitalizes external direct costs of materials and services consumed, internal direct payroll and payroll related costs incurred and estimated costs of debt funds used in the development of internal use software. Capitalization begins upon the completion of the preliminary project stage and ends when the software is substantially complete and ready for its intended use. Amortization of capitalized software is provided using the straight-line method over the software's estimated useful life, which ranges from one to five years. For the years ended December 31, 1997 and 1998, amortization of software development costs totaled $498,682 and $447,221, respectively. There was no amortization during 1996 as the software had not yet been complete and ready for its intended use.

Stock Option Plan

The Company accounts for its stock option plan using the intrinsic value based method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. On January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB No. 25 and provide pro forma net income disclosures as if the fair-value method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Fair value is determined using valuation techniques such as quoted market prices or the discounted present value of expected future cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Goodwill

Goodwill results from the application of the purchase method of accounting for business combinations and represents the excess of purchase price over fair value of net assets acquired. Amortization is provided using the straight-line method over a maximum of fifteen years. For business combinations relating to the purchase of an entity's customers, goodwill is amortized using an accelerated method over the estimated life of the customers purchased or three years, whichever is shorter. Impairment is determined pursuant to the methodology used for other long-lived assets.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes (SFAS No. 109). Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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 revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Business and Credit Concentration

Financial instruments which potentially expose the Company to a concentration of credit risk, as defined by SFAS No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk (SFAS No. 105), consist primarily of accounts receivable. At December 31, 1998, the Company's accounts receivable balance from customers in countries outside of the U.S. was approximately $31,400,000 with an associated reserve for credit losses of approximately $2,400,000. The Company estimates an allowance for doubtful accounts based on the credit worthiness of its customers as well as general economic conditions. Consequently, an adverse change in those factors could effect the Company's estimate of its bad debts.

Foreign Currency Contracts

The Company uses foreign currency contracts to hedge foreign currency risk associated with its international accounts receivable balances. Gains or losses pursuant to these foreign currency contracts are reflected as an adjustment of the carrying value of the hedged accounts receivable. At December 31, 1997 and 1998, the Company had no material deferred hedging gains or losses.

Revenues, Cost of Revenues and Commissions Expense

Revenues from retail telecommunications services are recognized when customer calls are completed. Revenues from wholesale telecommunications services are recognized when the wholesale carrier's customers' calls are completed. Cost of retail and wholesale revenues are based primarily on the direct costs associated with owned and leased transmission capacity and the cost of transmitting and terminating traffic on other carriers' facilities. The Company does not differentiate between the cost of providing transmission services on a retail or wholesale basis. Commissions paid to acquire customer call traffic are expensed in the period when associated call revenues are recognized.

Prepaid Phone Cards

Substantially all the prepaid phone cards sold by the Company have an expiration date of twenty-four months after issuance or six months after last use. The Company records the net sales price as deferred revenue

when cards are sold and recognizes revenue as the ultimate consumer utilizes calling time. Deferred revenue relating to unused calling time remaining at each card's expiration is recognized as revenue upon the expiration of such card.

Comprehensive Income

On January 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income (SFAS No. 130). SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of the Company's net losses and foreign currency translation adjustments and is presented in the combined statements of comprehensive losses. SFAS No. 130 requires only additional disclosures in the combined financial statements; it does not affect the Company's financial position or results of operations.

Foreign Currency Translation

The functional currency of the Company is the U.S. dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for the foreign subsidiary. Assets and liabilities of its foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the combined statements of operations and the Company's share of the results of operations of its foreign subsidiaries are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment is recorded as a separate component of equity and is included in other comprehensive income (deficit).

Fair Value of Financial Instruments

The fair values of cash and cash equivalents and receivables are estimated to approximate carrying value due to the short-term maturities of these financial instruments. The carrying value of accounts payable, commissions payable, lease obligations, notes payable and long-term debt cannot be reasonably estimated at December 31, 1998 due to the Company's financial and liquidity problems and uncertainties surrounding the bankruptcy proceedings (see note 1).

Valuation of Common Stock Issuances

The Company issues shares of common stock for consideration on certain transactions. The Company values the shares issued based on the fair-market value of the securities issued.

Segment Reporting

On January 1, 1998, the Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS No. 131). SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments. The basis for determining an enterprise's operating segments is the manner in which management operates the business.

New Accounting Pronouncements

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998. This statement provides new accounting and reporting standards for the use of derivative instruments. Adoption of this statement is required by the Company effective January 1, 2001. Management believes that the impact of such adoption will not be material to the financial statements.

(3) Debt

Long-term debt at December 31, 1997 and 1998 is shown below:

	1997	1998
8.00% convertible subordinated notes, due April 15, 2005, unsecured	$ 25,000,000	25,000,000
10.50% senior discount notes, net of discount, due November 1, 2004, unsecured	76,442,135	84,667,827
8.50% note payable, paid in April 1998	11,082	--
10.80% note payable, paid in November 1998	80,955	--
8.75% note payable, due monthly through February 1999, balloon payment due March 1999, secured by building	--	578,584
15.00% note payable, due monthly through June 1999, secured by building	--	450,512
2.50% above prime note payable, due monthly through fiscal 2002, secured by office unit, London	--	105,118
8.00% note payable, due monthly through July 1999, unsecured	--	360,575
10.35% note payable, due monthly through 2001, secured by vehicle	--	20,061
8.25% note payable, due monthly through 2001, secured by vehicle	--	23,963
9.28% note payable, due monthly through 2001, secured by vehicle	--	38,793
6.85% note payable, due monthly through 1999, unsecured	8,204	3,835
8.00% note payable, paid in April 1998	2,363	--
Total long-term debt	101,544,739	111,249,268
Less current installments	(93,788)	(111,130,591)
Long-term debt, excluding current installments	$101,450,951	118,677

Senior Subordinated Notes

On November 27, 1996, the Company completed a private placement (Private Offering) of 12% senior subordinated notes (the Subordinated Notes) for gross proceeds of $20,000,000 which was due and payable on November 27, 2003. Net proceeds from the Private Offering, after issuance costs of $1,450,281, were $18,549,719. In connection with the Private Offering, the Company issued 20,000 warrants to purchase 1,160,107 shares of the Company's common stock (see note 8).

The Subordinated Notes were originally recorded at $10,846,049 (a yield of 26.8%), which represents the $20,000,000 in proceeds less the $9,153,951 value assigned to the detachable warrants, which is included in additional paid-in capital. The value assigned to the warrants was being accreted to the debt using the interest method over seven years. The accretion of the value assigned to the warrants is included in interest expense in the accompanying combined financial statements.

On September 5, 1997, the Company prepaid in full all of the outstanding Subordinated Notes. The Company paid $21,400,000, which included $20,000,000 in principal and $1,400,000 for a prepayment penalty. In addition, the Company recognized a loss of $8,741,419 and $1,298,882 for the write-off of the unamortized original issue discount and debt issuance costs, respectively. The early extinguishment of the Subordinated Notes is reflected on the combined statement of operations as an extraordinary item, net of income taxes.

Convertible Subordinated Notes

On September 30, 1997, the Company issued $25,000,000 in aggregate principal amount of convertible subordinated notes due April 15, 2005. Net proceeds from the convertible notes, after issuance costs of $890,475, were $24,109,525.

The convertible notes bear interest at 8% per annum, payable on each April 15 and October 15. The convertible notes are convertible into shares of common stock of the Company at any time before April 15, 2005, at a conversion price of $12.00 per share, subject to adjustment upon the occurrence of certain events.

The convertible notes are redeemable, in whole or in part, at the option of the Company, at any time on or after October 15, 2000 at redemption prices (expressed as a percentage of the principal amount) declining annually from 104% beginning October 15, 2000 to 100% beginning October 15, 2003 and thereafter, together with accrued interest to the redemption date and subject to certain conditions.

The convertible notes are unsecured obligations of the Company and are subordinated to all existing and future senior indebtedness of the Company.

Senior Discount Notes

On October 23, 1997, the Company issued $97,000,000 in aggregate principal amount of 10.5% senior discount notes due November 1, 2004. Net proceeds from the senior discount notes, after issuance costs of $2,863,083, were $72,069,417. The discount of $22,067,500 recorded on the senior discount notes is being accreted to the debt through May 1, 2000 using the interest method, resulting in an effective interest rate of 10.5%. The accreted value of the notes will equal the following on their semi-annual accrual dates.

Semi-annual date	Accreted value
May 1, 1999	$87,576,365
November 1, 1999	92,167,906
May 1, 2000	97,000,000

Interest on the senior discount notes will neither accrue nor be payable prior to May 1, 2000 and are payable on each May 1 and November 1 thereafter. The notes are redeemable, in whole or in part, at the option of the Company, at any time on or after November 1, 2001 at redemption prices (expressed as a percentage of the principal amount) declining annually from 105.25% beginning November 1, 2001 to 100% beginning November 1, 2004 and thereafter, together with accrued interest to the redemption date and subject to certain conditions.

The senior discount notes are unsecured obligations of the Company and are subordinated to all existing and future indebtedness of the Company, with the exception of the convertible subordinated notes.

The convertible subordinated note and senior discount note indentures place certain restrictions on the ability of the Company and its subsidiaries to (i) incur additional indebtedness, (ii) make restricted payments (dividends, redemptions and certain other payments), (iii) incur liens, (iv) enter into mergers, consolidations or acquisitions, (v) sell or otherwise dispose of property, business or assets, (vi) issue and sell preferred stock of a subsidiary, and (vii) engage in transactions with affiliates.

Subsequent to December 31, 1998, the Company defaulted on the convertible subordinated note and senior discount note indentures by filing for protection under Chapter 11 of the U.S. Bankruptcy Code (see note 1). As a result, these notes are due and payable upon the request of the note holders. At December 31, 1998, these notes are presented as current liabilities in the combined financial statements.

Line of Credit

At December 31, 1998, the Company had a $15,000,000 asset-based line of credit and a $10,000,000 term loan with Foothill which provided for up to $25,000,000 in committed credit. Aggregate borrowings under the line of credit and term loan were $24,832,437 at December 31, 1998. Interest was payable at Norwest Bank's most recently announced base rate (Reference Rate) plus 2% (9.75% at December 31, 1998) and 12% per annum, respectively. Subsequent to December 31, 1998, these rates increased due to an event of default. The default rates were the Reference Rate plus 6% and 16% per annum, respectively. The credit line and term loan were collateralized by the Company's accounts receivable and substantially all other Company assets. The line of credit and term loan were paid by the Company with the proceeds received from the sale of the Company's assets on June 30, 1999 (see note 1).

(4) Business Combinations

During 1996, 1997 and 1998, the Company acquired assets and/or common stock of various companies providing products or services in the telecommunications industry. Each acquisition was accounted for using the purchase method of accounting and, accordingly, the net assets and results of operations are included in the combined financial statements from the date of acquisition.

On August 21, 1996, the Company purchased TeleContinent, S.A. for $200,000. Also on August 21, 1996, the Company purchased Telegroup South Europe, Inc. Consideration for the purchase of Telegroup South Europe, Inc. was $1,031,547 and 262,116 shares of common stock of the Company valued at $573,984, for total consideration of $1,605,531. The value of the common stock was determined by management based on information obtained from the Company's independent financial advisors. The aggregate purchase price of the acquisitions was allocated based on estimated fair values as follows:

Current assets	$ 794,452
Property and equipment	54,571
Goodwill	1,024,609
Current liabilities	(68,101)
Total	$1,805,531

During the fourth quarter of 1998, the Company recognized an impairment loss of $1,221,729 for unamortized goodwill and other long-term intangible assets relating to these subsidiaries.

Pro forma operating results of the Company, assuming the 1996 acquisitions were consummated on January 1, 1996, do not significantly differ from reported amounts.

On August 14, 1997, the Company acquired 60% of the common stock of, and controlling interest in, PCS Telecom, Inc. (PCS). Consideration for the purchase was $1,340,000 and 40,000 shares of unregistered common stock of the Company valued at $470,000, for total consideration of $1,810,000. PCS is a developer

and manufacturer of calling card platforms used by the Company and other companies. The aggregate purchase price of the acquisition was allocated based on estimated fair values as follows:

Current assets	$ 1,279,971
Property and equipment	534,600
Other assets	1,855
Goodwill	2,041,258
Current liabilities	(2,047,684)
Total	$ 1,810,000

The minority interest deficit of 40% was included in the calculation of the Company's goodwill due to the Company recognizing 100% of PCS's net earnings or losses until the historical shareholder's equity of PCS becomes positive. No minority interest relating to PCS is reflected in the accompanying financial statements, as PCS's net assets remained at a deficit since its acquisition.

During the third quarter of 1998, the Company decided to significantly scale back the development and assembly of calling card platforms at PCS. This decision significantly reduced the Company's estimated future cash flows for this subsidiary. As a result of the Company's estimated shortfalls of cash flows, the Company recognized an impairment loss of $1,888,064 for unamortized goodwill relating to this subsidiary. During the fourth quarter of 1998, the Company abandoned the remaining operations of PCS. This resulted in an impairment loss on the remaining long-lived assets of $552,996.

Pro forma operating results of the Company, assuming the PCS acquisition was consummated on January 1, 1996, do not significantly differ from reported amounts.

On January 15, 1998, the Company acquired the operations of its Australian country coordinator. Consideration for the Australian country coordinator was $107,584 and 107,036 shares of unregistered common stock of the Company valued at $1,422,382, for total consideration of $1,529,966.

The agreement also contained provisions which called for additional consideration if certain financial measures of the acquired operations were met subsequent to the date of acquisition. On June 5, 1998, the Company issued an additional 39,600 shares of unregistered common stock valued at $426,639 to the Australian coordinator to cancel such contingent consideration provisions in the original purchase agreement.

The aggregate purchase price of the acquisition was allocated based on estimated fair values as follows:

Property and equipment	$ 18,104
Goodwill	1,938,501
Total	$1,956,605

The excess of the purchase price over fair value, financial position, results of operations, comprehensive losses, and cash flows for the Australian country coordinator is not included in the combined financial statements (see note 1).

Also on January 15, 1998, the Company acquired the operations of its New Zealand country coordinator. Consideration for the New Zealand country coordinator was $105,649 and 160,554 shares of unregistered common stock of the Company valued at $2,135,368, for total consideration of $2,241,017.

The agreement also contained provisions which called for additional consideration if certain financial measures of the acquired operations were met subsequent to the date of acquisition. On June 5, 1998, the Company issued an additional 59,400 shares of unregistered common stock valued at $639,959 to the New Zealand country coordinator to cancel such contingent consideration provisions in the original purchase agreement.

The aggregate purchase price of the acquisition was allocated based on estimated fair values as follows:

Property and equipment	$ 18,122
Goodwill	2,862,854
Total	$2,880,976

The excess of the purchase price over fair value, financial position, results of operations, comprehensive losses, and cash flows for the New Zealand country coordinator is not included in the combined financial statements (see note 1).

On January 21, 1998, the Company acquired the telephone portion of the operations of its Japan country coordinator. Consideration for the Japan country coordinator was $472,500. The aggregate purchase price for this acquisition was allocated based on estimated fair values as follows:

Current assets	$ 22,241
Property and equipment	10,115
Goodwill	440,144
Total	$472,500

During the fourth quarter of 1998, the Company recognized an impairment loss of $475,061 for unamortized goodwill and other long-term intangible assets relating to this subsidiary.

On February 3, 1998, the Company acquired a 9.9% interest in Newsnet ITN Limited (Newsnet), an Australian-based provider of international and long-distance facsimile services, for $880,770. On May 31, 1998, the Company acquired the remaining 90.1% of Newsnet for an additional $8,909,565 bringing the total consideration paid to $9,790,335. The aggregate purchase price for this acquisition was allocated based on estimated fair values as follows:

Current assets	$ 6,504,055
Property and equipment	682,398
Goodwill	8,719,794
Current liabilities	(5,747,820)
Non-current liabilities	(368,092)
Total	$ 9,790,335

The excess of the purchase price over fair value, financial position, results of operations, comprehensive losses, and cash flows for Newsnet is not included in the combined financial statements (see note 1).

On February 27, 1998, the Company acquired 60% of the common stock of, and controlling interest in, Redicall Pty Limited (Redicall) for $531,751 and 7,179 shares of unregistered common stock valued at $105,254, for total consideration of $637,005. Redicall is an Australian-based entity engaged in the wholesale

distribution of prepaid telephone calling cards. The aggregate purchase price for this acquisition was allocated based on estimated fair values as follows:

Current assets	$ 156,337
Property and equipment	1,672
Deposits	8,207
Goodwill	760,110
Current liabilities	(147,532)
Non-current liabilities	(141,789)
Total	$ 637,005

The minority interest deficit of 40% was included in the calculation of the Company's goodwill due to the Company recognizing 100% of Redicall's net earnings or losses until the historical shareholder's equity of Redicall becomes positive.

The excess of the purchase price over fair value, financial position, results of operations, comprehensive losses, and cash flows of Redicall is not included in the combined financial statements (see note 1).

On April 20, 1998, the Company purchased South East Telecom Limited, Phone Centre Communications Limited, and Corporate Networks Limited (collectively Corporate Networks). Corporate Networks is engaged in the supply, installation, and maintenance of telecommunications equipment. Consideration for the purchase was $261,600 and 164,463 shares of unregistered common stock of the Company valued at $2,336,922, for total consideration of $2,598,522. The agreement also contained provisions which called for additional consideration based on monthly usage of telephone related services by customers over a predetermined length of time as specified in the agreement. The aggregate purchase price for this acquisition was allocated based on estimated fair values as follows:

Current assets	$ 2,171,640
Property and equipment	501,673
Goodwill	3,877,964
Current liabilities	(3,952,755)
Total	$ 2,598,522

On February 10, 1999, the Company entered into an agreement that outlined the final consideration to be paid by the Company relating to the Corporate Networks acquisition. Additional consideration of $519,027 and 323,966 shares of unregistered common stock of the Company valued at $207,338 was paid and issued by Telegroup, respectively. The $519,027 was paid by Telegroup by relieving a note receivable due from the seller of Corporate Networks. At December 31, 1998, this note receivable is included in non-current other assets in the combined financial statements.

On June 5, 1998, the Company purchased approximately 2,500 long distance customer accounts of Mediacom Telefacilities Limited (Mediacom). Mediacom provides national and international long distance services to corporate customers throughout the United Kingdom. In accordance with the purchase agreement, the Company paid consideration of $576,100. The agreement also contained provisions which called for additional consideration based on average monthly usage of the acquired customer accounts from April 1, 1998

through October 31, 1998. As a result of this contingent consideration, the Company paid an additional $1,317,698 in the fourth quarter of 1998. The aggregate purchase price of $1,893,798 was allocated to goodwill and will be amortized using an accelerated method over the estimated life of the acquired customers or three years, whichever is shorter.

During the fourth quarter of 1998, the Company recognized an impairment loss of $1,485,327 for a portion of the carrying value of goodwill relating to the purchase of the Mediacom customers.

On August 7, 1998, the Company purchased Switch Telecom Pty Ltd (Switch Telecom). Switch Telecom is a full service telecommunications provider serving medium-sized businesses throughout Australia. Consideration for Switch Telecom was $12,952,500. The purchase price for Switch Telecom was allocated based on estimated fair values as follows:

Current assets	$ 6,441,499
Property and equipment	2,195,538
Goodwill	16,932,383
Current liabilities	(12,616,920)
Total	$ 12,952,500

The Company, through its subsidiary Switch Telecom, purchased all the assets of Frame Relay Pty Ltd (Frame Relay). Frame Relay owns an extensive data network throughout Australia and the Pacific Rim. Consideration for Frame Relay was $3,333,000. The purchase price for Frame Relay was allocated based on estimated fair values as follows:

Current assets	$ 486,716
Property and equipment	2,862,597
Goodwill	657,177
Current liabilities	(673,490)
Total	$3,333,000

The excess of the purchase price over fair value, financial position, results of operations, comprehensive losses, and cash flows of Switch Telecom and Frame Relay are not included in the combined financial statements (see note 1).

Pro forma operating results of the Company, assuming the 1998 acquisitions were consummated on January 1, 1997 do not differ significantly from reported amounts.

(5) Related Parties

During 1996, the Company had a management agreement with an affiliate owned by certain shareholders of the Company whereby it paid a management fee, determined annually, plus an incentive fee based upon performance. Amounts paid under this agreement totaled $415,000. The management agreement was terminated on May 15, 1996.

In August of 1998, the Company advanced $441,000 and $1,361,000 to the Company's Chairman of the Board of Directors and Chief Executive Officer, respectively. These advances were repaid to the Company in September 1998 with the exception of $85,777. This remaining unpaid balance is reflected as a receivable from shareholder at December 31, 1998. No interest was earned by the Company on these advances.

(6) Property and Equipment

Property and equipment, including network equipment owned under capital leases of $720,782 and $669,261 in 1997 and 1998, respectively, is comprised of the following:

	December 31 1997	December 31 1998	Useful lives
Network equipment not in-service	$ --	2,118,158	--
Land	155,707	155,707	--
Building and leasehold improvements	900,660	4,439,150	2-20
Furniture, fixtures and office equipment	816,085	1,540,702	5-7
Computer equipment	10,692,148	17,646,176	5
Network equipment	20,997,896	32,394,701	5
Indefeasible right of use agreements	--	11,156,410	25
Automobiles	193,426	196,362	5
	33,755,922	69,647,366	
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases of $315,805 in 1997 and $533,241 in 1998	6,383,350	14,971,262	
Net property and equipment	$27,372,572	54,676,104	

On April 23, 1998, the Company entered into a 25-year indefeasible right of use (IRU) agreement with Cable and Wireless Communications Services Limited (Cable and Wireless) for the right to use network capacity in an under-sea fiber cable system. The Company paid $975,000 upon execution of the agreement and $8,775,000 on June 15, 1998, the date of activation. The cost of the IRU will be amortized over the life of the 25 year agreement. In addition, the Company will be responsible for its pro rata share of the cost and fees in relation to the operation and maintenance of the cable system.

On May 21, 1998, the Company entered into an IRU agreement with Southern Cross Cable Network (Southern Cross) for the right to use network capacity in an under-sea fiber cable system. The Company paid $2,520,000 upon execution of the agreement. The IRU is scheduled to be ready for service by December 1999. Provided that the cable system is ready for service by this date, the Company will owe an additional $17,480,000, payable $2,480,000 in December 1999, and in three annual installments of $5,000,000 thereafter. Until such time as the cable system is ready for service, the Company is accounting for the initial payment of $2,520,000 as a deposit. In addition, the Company will be responsible for its pro rata share of the cost and fees in relation to the operation and maintenance of the cable system. As a result of the Company's financial and liquidity problems (see note 1), the Company does not intend to make the scheduled payments on the Southern Cross IRU. The Company is attempting to sell its interests in this IRU. The Company recorded an impairment loss of $2,020,000 in 1998 on the Southern Cross deposit.

In October 1998, the Company developed a restructuring plan (see note 10). As part of this restructuring plan, management of the Company committed to a plan to stop providing wholesale services to customers. Certain network equipment assets and leasehold improvements were identified by the Company that supported the wholesale business exclusively. These assets are reported on the combined financial statements at the lower of net carrying value or estimated fair value less costs to sell. The net carrying value of these assets at December 31, 1998 is $1,254,354 and is included in network equipment. Upon recording these assets at the lower of net carrying value or estimated fair value, the Company recognized a loss of $1,263,991. This loss is

included in selling, general, and administrative expenses on the combined financial statements. No further depreciation is being recorded on these assets. The majority of these assets were sold in June 1999. All remaining assets are expected to be sold by December 1999.

As a result of the Company's financial and liquidity problems (see note 1), management of the Company decided not to complete their Saville Systems Convergent Billing Platform. Capitalized costs of $6,414,878 relating to this billing system were recognized by the Company as an impairment loss in the fourth quarter of 1998.

Also in the fourth quarter of 1998, the Company recognized an impairment loss of $740,775 relating to certain network equipment assets. Management concluded that the future cash flows expected from these assets were less than their net carrying value.

(7) Leases

The Company leases certain network equipment under capital leases and certain network equipment and office space under operating leases. Future minimum lease payments under these lease agreements are summarized as follows:

	Capital leases	Operating leases
Year ending December 31:		
1999	$138,805	519,461
2000	39,327	273,495
2001	--	134,483
Total minimum lease payments	178,132	$927,439
Less amount representing interest	(16,993)	
	$161,139	

Rent expense under operating leases totaled $682,630, $1,423,104 and $1,896,844 for the years ended December 31, 1996, 1997 and 1998, respectively.

(8) Shareholders' Equity

Initial Public Offering (IPO)

On July 14, 1997, the Company consummated an IPO. The Company sold 4,000,000 shares of common stock at a price to the public of $10 per share for net proceeds of $35,640,343. On August 12, 1997, the underwriters exercised their over-allotment option and purchased an additional 450,000 shares at $10 per share which yielded net proceeds to the Company of $4,185,000.

Stock Option Plan

The Company has a stock option plan (the Plan) pursuant to which the Company's Board of Directors may grant nonqualified and performance-based options to employees. The Plan authorizes grants of option to purchase up to 4,750,000 shares of authorized but unissued common stock. All options subsequent to September 30, 1996 have been granted with an exercise price equal to the stock's fair market value at the date

of grant. All stock options have a three or ten-year term and become fully exercisable on the date of grant or in increments over a three-year vesting period. At December 31, 1998, there were 825,077 shares available for grant under the Plan.

Stock option activity during the periods indicated is summarized below:

	Shares reserved for options	Options outstanding	Weighted average exercise price	Options exercis-able	Weighted average exercise price
Outstanding at January 1, 1996	4,000,000	--	$ --		
Granted	2,368,969	1,631,031	1.31		
Exercised	--	--	--		
Canceled	2,373,079	(4,110)	1.31		
Outstanding at December 31, 1996	2,373,079	1,626,921	1.31	513,888	$1.31
Granted	1,889,640	483,439	10.06		
Exercised	--	(188,367)	1.31		
Canceled	1,915,055	(25,415)	1.39		
Outstanding at December 31, 1997	1,915,055	1,896,578	3.54	1,036,544	$2.21
Additional shares authorized	2,665,055	--	--		
Granted	378,168	2,286,887	12.84		
Exercised	--	(537,503)	1.31		
Canceled	825,077	(446,909)	11.82		
Outstanding at December 31, 1998	825,077	3,199,053	$ 9.40	1,477,270	$6.25

On May 19, 1998, the Company increased the number of shares available for grant under the stock option plan from 4,000,000 to 4,750,000.

Options outstanding at December 31, 1998				Options exercisable at December 31, 1998	
Range of exercise prices	Number outstanding at December 31, 1998	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 1998	Weighted average exercise price
$ 1.31	800,184	7.26	$ 1.31	702,324	$ 1.31
1.31 - 2.00	138,600	9.80	1.34	25,000	1.34
2.09 - 9.00	258,200	3.82	7.55	170,000	8.51
10.00	427,288	8.44	10.00	308,702	10.00
10.06 - 14.47	583,110	8.95	13.43	217,244	13.34
14.50	10,000	9.35	14.50	10,000	14.50
14.81	600,000	9.11	14.81	--	--
15.00	347,671	9.33	15.00	12,000	15.00
15.25	4,000	9.34	15.25	2,000	15.25
16.27 - 16.28	30,000	9.18	16.28	30,000	16.28
$ 1.31 - 16.28	3,199,053	8.16	$ 9.40	1,477,270	$ 6.25

The Company applies the intrinsic value method prescribed by APB No. 25 in accounting for the Plan and, accordingly, compensation costs of $1,032,646, $342,380 and $285,317 have been recognized for its stock

options in the combined financial statements for the years ended December 31, 1996, 1997 and 1998, respectively. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net loss would have been:

	December 31, 1996		December 31, 1997		December 31, 1998	
	As reported	Pro forma	As reported	Pro forma	As reported	Pro forma
Loss before extraordinary item.....	$118,322	79,767	13,524,361	14,296,982	81,326,763	88,620,000
Net loss...............	$118,322	79,767	23,495,176	24,267,797	81,326,763	88,620,000

The pro forma impact on income assumes no options will be forfeited. The pro forma effects are not representative of the effects on reported net income for future years, as most of the Company's employee stock option grants vest in increments over a period of three years.

Under SFAS No. 123, the per-share minimum value of stock options granted in 1996 was $0.61. For the year ended December 31, 1996, the minimum value, estimated as of the grant date, does not take into account the expected volatility of the underlying stock as prescribed by SFAS No. 123 for privately held companies. The input variables used to calculate the per-share minimum value included a weighted-average risk-free interest rate of 6.43%, no expected dividend yields, and an estimated option life of three years.

The per-share weighted-average fair value of stock options granted during 1997 and 1998 was $4.79 and $9.57, respectively. For the years ended December 31, 1997 and 1998, the fair value was estimated as of the grant date using the Black-Scholes option pricing model. Input variables used in the model for 1997 and 1998 included a weighted-average risk-free interest rate of 5.33% and 4.70%, respectively, no expected dividend yields, an expected volatility factor of 65% and 120%, respectively and an estimated option life of 3.05 and 3.00 years, respectively.

Options granted during 1996 included performance based options. The compensation expense recorded for these performance based options under APB No. 25 was greater than the expense recorded if the Company had determined compensation cost under SFAS No. 123.

Independent Agent Stock Option Plan

During 1998, the Company adopted an incentive program for independent agents that allows these non-employees to obtain stock options for certain contributions made to the Company. Total options granted to agents were 321,400. The Company recognized commission expense of $474,241 as a result of granting these options. The weighted-average grant-date fair value of these options was approximately $1.48.

Warrants--Private Offering

In connection with the Private Offering, the Company issued warrants to purchase 1,160,107 shares of the Company's common stock which, at the time of closing of the Private Offering, represented 4% of the Company's fully diluted common stock. On July 2, 1997, in accordance with the provisions of the Private Offering Agreement, the warrants increased in value by 167,393 shares to represent 4.5% of the Company's fully diluted common stock. During 1998, these warrants were exercised in a cashless transaction. Total warrants exercised were 1,327,333, which represented the total warrants outstanding of 1,327,500 less 167 warrants which were canceled. The canceled warrants represent the value of the consideration (exercise price) due from the warrant holder at the time of exercise.

Warrants -- Forbearance Agreements

During November and December 1998, the Company entered into forbearance agreements with certain telecommunications carriers and vendors. The forbearance agreements include terms of repayment to satisfy a portion of the amount the Company owed the carrier or vendor at a date agreed to in the agreement. At December 31, 1998, the Company owed $31,324,381 to carriers and vendors under the terms of these agreements. The amounts owed by the Company subject to the forbearance agreements is included in accounts payable in the combined financial statements. The Company is to pay the carrier or vendor the amount included in the forbearance agreement in equal installments over a three to six month period. Interest on the forbearance agreements range from 7.75% to 12.00%. At December 31, 1998, accrued interest of $381,505 relating to these agreements is included in accrued expenses on the combined financial statements. Certain forbearance agreements provide for the Company to issue warrants to the carrier or vendor upon the last monthly payment made under the agreement. The number of warrants to be issued by the Company is equal to a certain percent, ranging from 2% to 5% of the amount included in the forbearance agreement. The total number of warrants to be issued by the Company under these forbearance agreements at December 31, 1998 is 924,567. The warrants are exercisable at any time after issuance and have an exercise price of $1.00. Each warrant can be exercised for one common share of the Company's common stock. The weighted-average grant-date fair value of these warrants was $1.30.

The Company entered into forbearance agreements with other telecommunications carriers subsequent to December 31, 1998 totaling $579,482. The total number of warrants to be issued under these forbearance agreements is 5,500, which can be exercised for one common share of the Company's common stock.

Warrants -- Building Purchase

During December 1998, the Company issued 11,010 warrants for partial payment on a building purchase. These warrants are exercisable through December 2001 at an exercise price of $1.00. The weighted-average grant-date fair value of these warrants was approximately $0.89. Each warrant can be exercised for one common share of the Company's common stock.

(9) Income Tax Matters

Income tax expense (benefit) for the years ended December 31 is comprised of the following:

	1996	1997	1998
Current:			
Federal	$(172,478)	(1,309,398)	--
State	(64,903)	(42,202)	--
Foreign	--	139,907	29,908
	(237,381)	(1,211,693)	29,908
Deferred:			
Federal	167,066	552,571	--
State	62,867	82,596	--
Foreign	--	--	--
	229,933	635,167	--
	$ (7,448)	(576,526)	29,908

Income tax expense (benefit) differs from the amount computed by applying the federal income tax rate of 34% to losses before taxes, as follows:

	1996	1997	1998
Expected federal income tax (benefit)	$(42,762)	(4,872,309)	(27,640,931)
State income tax (benefit), net of federal effect	(1,344)	26,660	--
Increase in valuation allowance, net of amount allocated to extraordinary item	--	3,695,829	21,354,691
Foreign and unconsolidated subsidiary, net operating losses	--	853,407	7,636,991
Stock options exercised	--	(416,960)	(2,438,767)
Nondeductible goodwill	--	3,537	747,464
Other nondeductible expenses, net	36,658	133,310	370,460
	$ (7,448)	(576,526)	29,908

The tax effect of significant temporary differences giving rise to deferred income tax assets and liabilities as of December 31 are shown below:

	1997	1998
Deferred income tax liabilities:		
Property and equipment, principally depreciation adjustments	$ 1,404,074	1,898,908
Capitalized software	605,321	1,133,747
Unearned foreign exchange difference	323	13,483
Total gross deferred tax liabilities	2,009,718	3,046,138
Deferred income tax assets:		
Allowance for credit losses	2,115,503	1,061,404
Accrued compensation	603,001	631,116
Net operating loss carryforward	4,986,678	28,092,567
Charitable contribution carryforward	--	151,339
Unearned revenue	65,552	9,062
Amortization of goodwill	--	246,251
Tax credit carryforward	248,985	249,150
Other	106,044	75,985
Total gross deferred tax assets	8,125,763	30,516,874
Less valuation allowance	(6,116,045)	(27,470,736)
Net deferred tax assets	2,009,718	3,046,138
Net deferred tax asset (liability)	$ --	--

The valuation allowance for deferred tax assets as of December 31, 1997 and 1998 was $6,116,045 and $27,470,736, respectively. The net change in the total valuation allowance for the years ended December 31, 1997 and 1998 was an increase of $6,116,045 and $21,354,691, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset,

the Company will need to generate future taxable income of approximately $80,000,000 prior to the expiration of the net operating loss carryforwards in 2018. Taxable loss for the years ended December 31, 1997 and 1998 was approximately $22,000,000 and $68,500,000, respectively. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, a valuation allowance has been established for the Company's net deferred tax assets as of December 31, 1997 and 1998.

At December 31, 1998, the Company has net operating loss carryforwards for federal income tax purposes of approximately $82,600,000, which are available to offset future federal taxable income, if any, through 2018. In addition, the Company has alternative minimum tax credit carryforwards of approximately $249,000 which are available to reduce future federal regular income taxes, if any, over an indefinite period.

(10) Restructuring Plan

In the fourth quarter of 1998, the Company recorded provisions of $2,060,770 for restructuring expenses. These expenses are included in selling, general, and administrative expenses in the combined financial statements. Included in this charge are severance and other costs of $1,938,501 and costs related to losses on contractual obligations of $122,269. The Company's restructuring plan commitments in 1998, which are expected to be fully completed in 1999, included initiatives to cease all activities related to the strategy to create a multi-service network, including terminating all employees assigned specifically to this task and abandoning all contractual obligations. The restructuring plan also committed to terminate and pay severance to certain personnel. As part of the restructuring initiative, 130 employees have been eliminated from the Company as of December 31, 1998. The remaining restructuring accrual of $1,256,628 at December 31, 1998 is included with accrued expenses in the combined financial statements.

(11) Commitments and Contingencies

Commitments with Telecommunications Companies

The Company has a $3,000,000 usage commitment with MFS/WorldCom in Frankfurt, Germany, to use MFS/WorldCom's fiber-optic network in its delivery of telecommunications services. This agreement began on September 5, 1997 and extended through June 30, 1999. A charge to cost of revenues of $2,150,496 was recognized by the Company for a shortfall in the usage commitment during December 1998.

The Company also has a two-year minimum usage commitment of $55,000,000 with WorldCom which began on May 1, 1998.

The Company has an agreement with Epoch Networks, Inc. for internet services, with a minimum usage commitment of $875,000 over the next two years. This agreement began June 1, 1998. A charge to cost of revenues of $875,000 was recognized by the Company for a shortfall in the usage commitment during December 1998.

Shortfalls in usage commitments, if any, are recorded as cost of revenues in the period identified.

Letters of Credit

The Company has outstanding irrevocable letters of credit in the amount of $418,520 as of December 31, 1998 with certain lessors and carriers. These letters of credit, which have expiration dates from March 15, 1999 through June 15, 1999, collateralize the Company's obligations for lease commitments and network usage on

the carriers' networks. The fair value of these letters of credit is estimated to be the same as the contract values based on the nature of the arrangement with the issuing banks.

Retirement Plan

Effective January 1, 1996, the Company adopted the Telegroup, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan). The 401(k) Plan is a defined contribution plan covering all employees of the Company who have one year of service and have attained the age of twenty-one. Participants may contribute up to 15% of their base pay in pretax dollars. The Company will match employee contributions on a discretionary basis. Vesting in Company contributions is 100% after five years in the 401(k) Plan. The Company made no contributions to the 401(k) Plan in 1996, 1997 and 1998.

Litigation

The Company is a party to certain litigation which has arisen in the ordinary course of business. The most significant of these is described below.

Subsequent to December 31, 1998, the Company was contacted by Cygnus Telecommunications Technology (Cygnus) asserting that the Company has infringed upon its patent rights. Cygnus is currently seeking relief from the automatic stay provision of the Bankruptcy Code (see note 1) to proceed with the infringement suit asserting an administrative claim of $1,200,000 against the Company. While it is not possible to predict with certainty the outcome of the litigation pending against the Company, it is the opinion of management that the ultimate disposition of these matters will not have a material adverse effect on the financial statements of the Company.

Other Commitments

On August 3, 1998, the Company entered into a Construction and Maintenance Agreement (C&MA) to build the Japan-U.S. Cable Network, an under-sea cable system that will connect Japan and the U.S. by mid-year 2000. Under the C&MA, the Company is committed to pay approximately $2,200,000 for ownership of its 0.17% share of this trans-Pacific cable over the next two years. The Company does not intend to make any future payments on this agreement.

(12) Business Segment and Significant Customer

The Company operates in a single industry segment. The geographic origin of revenue is as follows:

	Year ended December 31,		
	1996	1997	1998
United States	$ 60,360,882	124,195,135	164,413,294
Europe	81,137,404	96,725,712	107,308,784
Pacific Rim	42,185,403	81,248,379	56,473,521
Other	29,523,820	30,931,649	31,736,088
	$213,207,509	333,100,875	359,931,687

All revenue was derived from unaffiliated customers. For the years ended December 31, 1996 and 1997, approximately 12% and 13%, respectively, of the Company's total revenues were derived from a single customer. There were no customers representing over 10% of total revenues during 1998.

(13) Consideration Given In-Lieu of Future Commissions

On January 15, 1998, the Company prepaid sales commissions owed to certain independent sales agents. Total consideration was $700,000 and 40,000 shares of unregistered common stock valued at $565,000.

On April 30, 1998, the Company prepaid sales commissions owed to an independent sales agent. Total consideration was $210,000.

On May 31, 1998, the Company prepaid sales commissions owed to its Latin American coordinator. Consideration was 25,294 shares of unregistered common stock valued at $337,193.

On June 30, 1998, the Company entered into an agreement to prepay commissions owed to an independent sales agent. Total consideration paid on June 30, 1998 was $1,100,000. Per the agreement, common stock valued at $1,000,000 was to be issued. On August 29, 1998, the agreement was amended. Instead of common stock valued at $1,000,000, the Company agreed to issue 85,179 shares of registered common stock valued at $574,671 and a promissory note for $500,000. The promissory note bears interest at 8.0% per annum. At December 31, 1998, $360,575 remains outstanding on this note and is included in long-term debt on the financial statements.

On September 18, 1998, the Company prepaid sales commissions owed to a country coordinator. Total consideration was 31,264 shares of unregistered common stock valued at $115,370.

The consideration given by the Company for the prepayment of these commissions is being amortized to selling, general and administrative expenses using an accelerated method over the estimated life of the agent or coordinator's customers or three years, whichever is shorter.

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED BALANCE SHEETS
December 31, 1998 and March 31, 1999

	December 31, 1998	March 31, 1999
	(audited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 19,101,837	14,118,503
Accounts receivable and unbilled services, less allowance for credit losses of $4,423,308 at December 31, 1998 and $5,582,388 at March 31, 1999	52,492,330	40,623,867
Prepaid expenses and other assets	3,194,644	11,562,433
Receivables from shareholders	85,777	--
Receivables from employees	54,901	44,633
Total current assets	74,929,489	66,349,436
Net property and equipment	54,676,104	51,881,283
Other assets:		
Deposits and other assets	4,418,531	3,583,161
Goodwill, net of amortization of $223,458 at December 31, 1998 and $355,080 at March 31, 1999	4,148,679	4,610,327
Capitalized software, net of amortization	3,334,549	2,350,056
Debt issuance costs, net of amortization	3,513,108	3,365,482
	15,414,867	13,909,026
Total assets	$ 145,020,460	$ 132,139,745
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 88,602,750	81,537,529
Commissions payable	4,173,700	3,054,966
Accrued expenses	6,551,162	8,757,396
Notes payable	24,832,437	25,234,421
Customer deposits	693,781	639,691
Unearned revenue	153,430	115,215
Current portion of capital lease obligations	123,656	124,195
Current portion of long-term debt	111,130,591	113,130,460
Total current liabilities	236,261,507	232,593,873
Capital lease obligations, excluding current portion	37,483	30,564
Long-term debt, excluding current portion	118,677	107,194
Common stock, no par or stated value; 150,000,000 shares authorized, 33,689,785 and 33,851,728 issued and outstanding at December 31, 1998 and March 31, 1999, respectively	--	--
Additional paid-in capital	63,313,048	63,521,300
Retained deficit	(155,267,829)	(164,224,629)
Accumulated other comprehensive income	557,574	111,443
Total shareholders' equity (deficit)	(91,397,207)	(100,591,886)
Commitments and contingencies		
Total liabilities and shareholders' equity (deficit)	$ 145,020,460	132,139,745

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF OPERATIONS
Three months ended March 31, 1998 and 1999
(unaudited)

	1998	1999
Revenues:		
Retail	$ 54,644,211	59,607,224
Wholesale	28,846,014	4,947,228
Total revenues	83,490,225	64,554,452
Cost of revenues	66,940,491	43,448,399
Gross profit	16,549,734	21,106,053
Operating expenses:		
Selling, general and administrative expenses	23,464,359	21,227,910
Depreciation and amortization	2,098,760	3,499,058
Stock option-based compensation	85,595	--
Total operating expenses	25,648,714	24,726,968
Operating loss	(9,098,980)	(3,620,915)
Other income (expense):		
Interest expense	(2,490,005)	(3,910,386)
Interest income	1,123,819	145,213
Foreign currency transaction gain (loss)	(135,306)	149,587
Other	42,565	65,436
Loss before income taxes	(10,557,907)	(7,171,065)
Income tax expense	(87,880)	(117,331)
Net loss	$(10,645,787)	(7,288,396)

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF COMPREHENSIVE LOSSES
Three months ended March 31, 1998 and 1999
(unaudited)

	1998	1999
Net loss	$(10,645,787)	(7,288,396)
Foreign currency translation adjustment, net of tax	(162,913)	(446,131)
Comprehensive loss	$(10,808,700)	(7,734,527)

TELEGROUP, INC. AND CERTAIN SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS
Three months ended March 31, 1998 and 1999
(unaudited)

	1998	1999
Cash flows from operating activities:		
Net loss	$(10,645,787)	(7,288,396)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,098,760	3,499,058
Loss on sale of equipment	378	131,675
Provision for credit losses on accounts receivable	1,369,658	2,652,876
Accretion of debt discounts	1,969,473	2,181,402
Stock option-based compensation expense	85,595	--
Changes in operating assets and liabilities, excluding the effects of business combinations:		
Accounts receivable and unbilled services	5,070,133	9,215,587
Prepaid expenses and other assets	1,015,181	(8,367,789)
Deposits and other assets	(2,539,503)	835,370
Accounts payable, commissions payable and accrued expenses	(776,218)	(5,977,721)
Unearned revenue	(90,953)	(38,215)
Customer deposits	301,786	(54,090)
Net cash used in operating activities	(2,141,497)	(3,210,243)
Cash flows from investing activities:		
Purchases of equipment	(5,708,070)	(151,344)
Sales of securities available-for-sale	9,208,572	--
Proceeds from sale of equipment	250	194,155
Capitalization of software	(394,068)	--
Cash paid in business combinations, net of cash acquired	(424,050)	--
Net change in receivables from shareholders and employees	41,999	96,045
Net cash provided by investing activities	2,724,633	138,856
Cash flows from financing activities:		
Net proceeds from notes payable	--	401,984
Debt issuance costs	(164,194)	--
Net proceeds from options exercised	579,489	--
Net principal payments on other long-term borrowings	(22,099)	(193,016)
Principal payments under capital lease obligations	(40,054)	(6,380)
Proceeds received on note due from shareholders	31,420	--
Net cash provided by financing activities	384,562	202,588
Exchange rate changes	(162,913)	(446,131)
Carve-out of uncombined subsidiaries	(5,100,079)	(1,668,404)
Shares issued in connection with business combinations of uncombined subsidiaries	4,056,504	--
Net decrease in cash and cash equivalents	(238,790)	(4,983,334)
Cash and cash equivalents at beginning of year	72,763,095	19,101,837
Cash and cash equivalents at end of year	$ 72,524,305	14,118,503
Supplemental disclosures of cash flow information:		
Interest paid	$ 20,532	718,592
Income taxes paid	$ 10,370	--
Supplemental disclosures of noncash investing and financing activities:		
Common stock issued in connection with business combinations	$ 4,056,504	208,252
Common stock issued in-lieu of future sales commissions	$ 565,000	--

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
TresCom International, Inc.

We have audited the accompanying consolidated balance sheets of TresCom International, Inc. and its subsidiaries (TresCom) as of December 31, 1997 and 1996 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of TresCom's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TresCom International, Inc. and subsidiaries at December 31, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Atlanta, Georgia
February 27, 1998

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 1997	December 31, 1996
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,481	$ 6,020
Accounts receivable, net of allowance for doubtful accounts of $8,149 and $7,588, respectively	31,743	29,063
Other current assets	2,406	3,441
Total current assets	35,630	38,524
Property and equipment, at cost:		
Transmission and communications equipment	29,720	24,691
Furniture, fixtures and other	9,620	5,600
	39,340	30,291
Less accumulated depreciation and amortization	(9,668)	(5,755)
	29,672	24,536
Other assets:		
Customer bases, net of accumulated amortization of $2,385 and $1,358, respectively	3,274	3,806
Excess of cost over net assets of businesses acquired, net of accumulated amortization of $3,508 and $2,368, respectively	38,826	34,260
Other	1,027	484
Total assets	$108,429	$101,610
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,237	$ 2,758
Accrued network costs	19,497	19,546
Other accrued expenses	6,365	5,395
Long-term obligations due within one year	1,098	817
Deferred revenue and other current liabilities	1,689	1,807
Total current liabilities	29,886	30,323
Long-term obligations (Notes 3 and 4)	19,593	3,965
Shareholders' equity:		
Preferred stock, $.01 par value per share; 1,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock, $.0419 par value per share; 50,000,000 shares authorized; 12,104,960 and 11,804,675 shares issued and outstanding, respectively	505	493
Deferred compensation	(551)	(808)
Additional paid-in capital	108,354	106,140
Accumulated deficit	(49,358)	(38,503)
Total shareholders' equity	58,950	67,322
Total liabilities and shareholders' equity	$108,429	$101,610

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Twelve Months Ended December 31,		
	1997	1996	1995
	(In thousands, except share and per share data)		
Revenues	$ 157,641	$ 139,621	$ 102,641
Cost of services	124,365	106,928	74,679
Gross profit	33,276	32,693	27,962
Selling, general and administrative (Notes 2, 9 and 12)	36,386	30,808	32,437
Depreciation and amortization	6,599	4,928	3,961
Operating loss	(9,709)	(3,043)	(8,436)
Interest and other expenses, net	1,146	578	3,191
Loss before extraordinary item	(10,855)	(3,621)	(11,627)
Extraordinary loss on early extinguishment of debt	--	1,956	--
Net loss	$ (10,855)	$ (5,577)	$ (11,627)
Net loss applicable to common stock	$ (10,855)	$ (6,267)	$ (16,504)
Basic and diluted per share data:			
Loss before extraordinary item	$ (.91)	$ (.41)	$ (5.29)
Extraordinary item	--	(.18)	--
Net loss per share of common stock	$ (.91)	$ (.59)	$ (5.29)
Weighted average number of shares of common stock outstanding	11,890,047	10,671,096	3,119,590

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock				Common Stock				
	Shares	Amount	Accrued Undeclared Dividends	Stock Subscriptions	Shares	Amount	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
	(In thousands, except share data)								
Balance at December 31, 1994	283,594	$ 28,359	$ 1,652	$ 511	202,864	$ 9	$ 76	$ --	$(15,732)
Issuance of Common Stock	--	--	--	--	2,183,799	91	824	--	--
Issuance of Preferred Stock:									
Series A	1,467	147	--	--	--	--	--	--	--
Series C	151,421	15,142	--	(511)	--	--	--	--	--
Accrued dividends on Preferred Stock	--	--	4,877	--	--	--	--	--	(4,877)
Grant of stock options	--	--	--	--	--	--	796	(796)	--
Non-cash compensation	--	--	--	--	--	--	--	139	--
Issuance of Common Stock Warrants	--	--	--	--	--	--	2,428	--	--
Net loss	--	--	--	--	--	--	--	--	(11,627)
Balance at December 31, 1995	436,482	43,648	6,529	--	2,386,663	100	4,124	(657)	(32,236)
Conversion of Preferred Stock to Common Stock and accrued dividends	(436,482)	(43,648)	(7,219)	--	4,558,155	191	50,676	--	--
Accrued dividends on Preferred Stock	--	--	690	--	--	--	--	--	(690)
Initial public offering of Common Stock	--	--	--	--	4,545,455	190	50,537	--	--
Costs associated with initial public offering of Common Stock	--	--	--	--	--	--	(2,160)	--	--
Grant of stock options	--	--	--	--	--	--	1,701	(1,701)	--
Non-cash compensation expense	--	--	--	--	--	--	--	1,264	--
Exercise of stock options	--	--	--	--	141,988	6	54	--	--
Forfeiture of stock options	--	--	--	--	--	--	(286)	286	--
Net loss	--	--	--	--	--	--	--	--	(5,577)
Common Stock issued in connection with acquisitions	--	--	--	--	172,414	6	1,494	--	--
Balance at December 31, 1996	--	--	--	--	11,804,675	493	106,140	(808)	(38,503)
Non-cash compensation expense	--	--	--	--	--	--	--	257	--
Exercise of stock options	--	--	--	--	16,769	1	6	--	--
Common stock issued in connection with acquisitions	--	--	--	--	283,516	11	2,208	--	--
Net loss	--	--	--	--	--	--	--	--	(10,855)
Balance at December 31, 1997	--	$ --	$ --	$ --	12,104,960	$505	$108,354	$ (551)	$(49,358)

	Total Shareholders' Equity
Balance at	

December 31, 1994...........	$ 14,875
Issuance of Common Stock....	915
Issuance of Preferred Stock:	
Series A........	147
Series C........	14,631
Accrued dividends on Preferred Stock...........	--
Grant of stock options.........	--
Non-cash compensation....	139
Issuance of Common Stock Warrants........	2,428
Net loss.........	(11,627)
Balance at December 31, 1995...........	21,508
Conversion of Preferred Stock to Common Stock and accrued dividends.......	--
Accrued dividends on Preferred Stock...........	--
Initial public offering of Common Stock....	50,727
Costs associated with initial public offering of Common Stock...........	(2,160)
Grant of stock options.........	--
Non-cash compensation expense.........	1,264
Exercise of stock options.........	60
Forfeiture of stock options...	--
Net loss.........	(5,577)
Common Stock issued in connection with acquisitions....	1,500
Balance at December 31, 1996...........	67,322
Non-cash compensation expense.........	257
Exercise of stock options.........	7
Common stock issued in connection with acquisitions....	2,219
Net loss.........	(10,855)
Balance at December 31, 1997...........	$ 58,950

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended December 31,		
	1997	1996	1995
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before extraordinary item	$(10,855)	$ (3,621)	$(11,627)
Extraordinary loss on early extinguishment of debt	--	(1,956)	--
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,599	4,928	3,961
Non-cash interest expense	--	431	607
Non-cash interest expense on note to shareholder	--	297	--
Non-cash compensation	257	1,264	139
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(2,118)	(11,770)	(5,511)
Other current assets	1,045	(2,139)	(943)
Accounts payable	(2,805)	564	(2,307)
Accrued network costs	(49)	7,911	1,180
Other accrued expenses	(772)	754	(1,942)
Deferred revenue and other current liabilities	(1,427)	1,513	--
Net cash used in operating activities	(10,125)	(1,824)	(16,443)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(6,914)	(8,086)	(5,637)
Expenditures for line installations	(577)	(144)	(418)
Cash paid for purchases of businesses, net	(1,201)	(522)	--
Net cash used in investing activities	(8,692)	(8,752)	(6,055)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of common stock	--	50,727	915
Costs relating to initial public offering	--	(2,160)	--
Proceeds from the issuance of preferred stock	--	--	14,778
Proceeds from debt	--	--	7,572
Proceeds from issuance of warrants associated with debt	--	--	2,428
Proceeds from revolving credit agreement, net	15,645	--	--
Payment of loan acquisition costs	(482)	(86)	(533)
Repayment of cash overdraft	--	--	(382)
Repayment of revolving credit facility	--	(24,173)	--
Repayment of sellers' note	--	(1,000)	--
Repayment of notes payable to stockholder	--	(8,476)	--
Repayment of debt	(15)	(18)	(27)
Proceeds from stock option exercise	7	60	--
Principal payments on capital lease obligations	(877)	(330)	(201)
Net cash provided by financing activities	14,278	14,544	24,550
Net change in cash and cash equivalents	(4,539)	3,968	2,052
Cash and cash equivalents at beginning of period	6,020	2,052	--
Cash and cash equivalents at end of period	$ 1,481	$ 6,020	$ 2,052
Interest paid	$ 806	$ 1,352	$ 2,257
Capital lease obligations incurred	$ 1,156	$ 4,310	$ --

See accompanying notes.

TRESCOM INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Share and Per Share Data)

1. BUSINESS

Organization and Basis of Presentation

TresCom International, Inc. (TresCom) was incorporated in Florida on December 8, 1993 as TeraCom Communications, Inc. Effective June 30, 1994, TresCom changed its name to TresCom International, Inc.

TresCom is a facilities-based long-distance telecommunications carrier focused on international long- distance traffic. TresCom offers telecommunications services, including direct dial "1 plus" and toll-free long distance, calling and debit cards, international toll-free service, 24-hour bilingual operator services, intra-island local service in Puerto Rico, private lines, frame relay, international inbound service, international country to country calling services and international callthrough from selected markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TresCom and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

TresCom considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair market value.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Transmission and communications equipment	3 to 20 years
Furniture, fixtures and other	3 to 7 years

The costs of software and software upgrades purchased for internal use are capitalized. Significant capital projects are constantly being initiated as TresCom continues to expand its network. Beginning in 1996, a substantial amount of employee time was required to properly plan, install, test and certify the equipment associated with these projects. In connection with these projects, TresCom capitalized $1,229 and $1,450 in direct and indirect employee costs during 1997 and 1996, respectively.

Change in Accounting Estimate

During the first quarter of 1997, TresCom changed the estimated useful life of fiber optic undersea cables from 10 to 20 years to conform to the predominant industry standard. The change in depreciation expense associated with the revised estimated useful life of fiber optic undersea cables was approximately $120 for 1997.

Advertising

Pursuant to American Institute of Certified Public Accountants (AICPA) Statement of Position No. 93-7, "Reporting on Advertising Costs," TresCom expenses advertising costs as incurred except for direct-response

advertising costs, which are capitalized and amortized over the expected period of future benefit. Direct-response advertising programs were implemented during 1996 and consist of fees paid to various telemarketing entities and internal costs of performing telemarketing activities. The capitalized costs are amortized over a nine month period beginning in the month revenues associated with those costs are first generated.

At December 31, 1997 and 1996, advertising costs totaling $770 and $1,390, respectively, were recorded as other current assets. Advertising expense for the years ended December 31, 1997, 1996 and 1995 were $4,865, $2,047 and $1,359, respectively.

Other Assets

The excess of cost over net assets of businesses acquired represents the excess of the consideration paid over the fair value of the net assets acquired and is amortized on a straight-line basis over 35 years. Customer bases are recorded based on the estimated value of the customer bases acquired in the acquisition of businesses and are amortized on a straight-line basis over periods ranging from three to seven years.

Other assets are periodically reviewed by TresCom for impairments where the fair value is less than the carrying value.

Legal expenses and other direct costs incurred in connection with obtaining financing agreements are deferred and amortized over the life of the financing agreements. Such capitalized costs amounted to $482 and $86 during the years ended December 31, 1997 and 1996, respectively. Accumulated amortization of deferred financing costs was $133 and $10 at December 31, 1997 and 1996, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenues

Revenues are derived primarily from the provision of long-distance telecommunications services and are recognized when the services are provided. In 1997, TresCom recognized $543 of revenue from the sale of excess Indefeasible Rights of Use (IRU) on undersea digital fiber optic transmission cables.

Cost of Services

Cost of services include payments to local exchange carriers (LECs), interexchange carriers, post, telegraph and telephone organizations (PTTs) and telecommunications administrations (TAs) primarily for access and transport charges.

Concentrations of Credit Risk and Major Customers

TresCom derives a majority of its operating revenues from wholesale customers as well as commercial customers in Florida, New York, St. Thomas and Puerto Rico. Financial instruments which potentially subject TresCom to concentrations of credit risk consist principally of accounts receivable. TresCom's allowance for doubtful accounts is based upon management's estimates and historical experience. In situations where TresCom deems appropriate, prepayment and/or cash deposits or letters of credit are required for the provision of services.

Income Taxes

TresCom accounts for income taxes under the liability method. Under the liability method, deferred income taxes are recorded to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

New Accounting Pronouncements

In 1996, TresCom adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121). The adoption of SFAS 121 did not have any effect on the financial statements. In 1996, TresCom also adopted the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) (See Note 5).

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" (see Note 13). Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement No. 128 requirements.

Comparative net loss per share data have been restated for prior periods. In connection therewith, common stock, options and warrants issued within one year prior to the original filing of TresCom's initial public offering (the IPO) at prices below the IPO price, which had previously been considered outstanding for all periods presented even though antidilutive, have been reflected in the computations of basic and diluted net loss per share in accordance with Statement of Financial Accounting Standards No. 128 and Securities and Exchange Commission Staff Accounting Bulletin No. 98, issued February 3, 1998. Such common stock has been treated as outstanding only since issuance, and options and warrants have been excluded from the computations as they are considered antidilutive.

In June of 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income" and Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information" which are both effective for fiscal years beginning after December 15, 1997. Management believes that the adoption of SFAS 130 and SFAS 131 will not have a material adverse effect on TresCom's consolidated financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

3. LONG-TERM OBLIGATIONS

A summary of long-term obligations is as follows:

	December 31, 1997	December 31, 1996
Revolving Credit Agreement Interest payable monthly at rates based upon the lender's commercial lending rate plus .50% (8.75% at December 31, 1997), maturing in July 2002	$15,645	$ --
Loans payable to the Small Business Administration, bearing interest at 4%, due in monthly principal and interest payments of $3 through February 2015, collateralized by a security agreement covering certain assets	401	416
Capital leases bearing interest at rates ranging from 9% to 11% and payable in monthly installments totaling $129	4,645	4,366
	20,691	4,782
Less amounts due within one year	1,098	817
	$19,593	$3,965

In November 1994, a wholly-owned subsidiary of TresCom obtained from a bank a revolving credit facility (the Bank Facility) with an aggregate commitment of $27,000, which expired on June 30, 1996. On February 16, 1996, TresCom repaid all outstanding amounts borrowed under the Bank Facility. Extraordinary expense of $432 was recognized to write-off the remaining deferred financing costs associated with the Bank Facility.

Under the terms of the Bank Facility, TresCom was required to maintain at least 50% of its debt on a fixed rate basis and, as a result, entered into an interest rate swap agreement and interest rate cap agreement (the Instruments) with the lending bank to convert variable interest rate payments to fixed payments. The estimated fair value (i.e., the net present value of the amount TresCom was required to pay the counterpart over the remaining term of the agreement) of the Instruments, based upon the quoted market price provided by the financial institution was $562 at December 31, 1995. On September 18, 1996, when the net settlement value was $302, the Instruments were paid off in full.

In October and November 1995, TresCom borrowed $7,000 and $3,000, respectively, under one-year notes bearing interest at 12% compounded quarterly from a major shareholder of TresCom. In connection with these notes, TresCom issued a warrant to purchase 358,034 shares of Common Stock at an exercise price of $0.42 per share. The warrants are exercisable immediately and expire on October 2, 2007. Of the $10,000 in borrowings, approximately $2,400 has been allocated to the value of the warrants. On February 14, 1996, TresCom repaid the entire balance relating to the notes. Accordingly, extraordinary interest expense in the amount of $1,524 was recognized in the first quarter of 1996.

During the third quarter of 1996, TresCom established a relationship with a commercial bank to provide asset financing. TresCom utilized approximately $4,310 in the fourth quarter of 1996 for capital projects. An additional $1,156 was utilized in the second quarter of 1997.

During the fourth quarter of 1996, TresCom established a $5,000 line of credit with a commercial bank (the Credit Facility) secured by certain accounts receivable. The Credit Facility, as amended on March 27,

1997, contained standard debt covenants relating to financial position and performance, as well as restrictions on the declaration and payment of dividends. Through July 31, 1997, TresCom was either in compliance or received waivers with respect to all covenants under the Credit Facility.

On July 31, 1997, TresCom entered into a Revolving Credit Agreement (the Revolving Credit Agreement) secured by TresCom's accounts receivable and certain intangible assets. The maximum borrowing under this agreement is $25,000; however, the amount available to be borrowed is based upon TresCom's pledged accounts receivable and intangible assets.

On July 31, 1997, all borrowings under the Credit Facility were repaid in full with borrowings under the Revolving Credit Agreement and the Credit Facility was terminated. As of December 31, 1997, availability under the Revolving Credit Agreement was approximately $19,702, of which $15,645 (including approximately $600 of letters of credit) had been utilized. At December 31, 1997, TresCom was in compliance with all covenants under the Revolving Credit Agreement.

Principal payments on all debt obligations are:

1998	$ 17
1999	17
2000	18
2001	19
2002	20
Thereafter	310
Revolving Credit Agreement	15,645
Total	$16,046

4. LEASE OBLIGATIONS

TresCom occupies office facilities and leases certain equipment and software under noncancelable operating leases. Rental expense for the years ended December 31, 1997, 1996 and 1995 was $1,703, $1,421 and $1,341, respectively.

During the years ended December 31, 1997 and 1996, TresCom acquired communication equipment of approximately $1,156 and $4,310, respectively, under capital lease obligations. Asset balances for property acquired under capital leases consist of:

	December 31,	
	1997	1996
Transmission and communication equipment	$5,871	$4,715
Furniture, fixtures and other	213	270
	6,084	4,985
Accumulated depreciation	(916)	(311)
	$5,168	$4,674

Depreciation expense associated with assets acquired under capital leases is included with depreciation and amortization expense on the Statements of Operations. The present value of minimum capital lease payments

are included in the balance sheet as a part of long-term obligations. Future minimum lease payments for all noncancelable leases at December 31, 1997 are:

	Capital Leases	Operating Leases	Total
1998	$1,637	$1,168	$2,805
1999	1,471	915	2,386
2000	1,419	731	2,150
2001	1,073	566	1,639
2002	90	507	597
Thereafter	--	138	138
Total future minimum lease payments	5,690	$4,025	$9,715
Less amounts representing interest	1,045		
Present value of net minimum lease payments	$4,645		

5. CAPITALIZATION

Preferred Stock

The Board of Directors of TresCom is authorized to issue up to one million shares of preferred stock, par value $.01 per share, in one or more series and to fix the powers, voting rights, designations and preferences of each series.

Common Stock

On February 13, 1996, TresCom sold 4,545,455 shares of its Common Stock at $12 per share in its IPO. The net proceeds of this sale were approximately $48,600. The net proceeds were used to retire debt and accrued interest of approximately $35,800.

Stock Option Plan

TresCom has a Stock Option Plan under which 936,432 options to purchase shares of common stock may be granted to officers, key employees, consultants and directors. The plan allows the granting of incentive stock options, which may not have an exercise price below the greater of par value or the market value on the date of grant, and non-qualified stock options, which may not have an exercise price below par value. All options must be exercised no later than 10 years from the date of grant. No option may be granted under the plan after February 22, 2004.

Options generally vest as to 20% on the first anniversary of the vesting commencement date or grant date and as to an additional 20% on each anniversary thereafter. All options expire on the tenth anniversary of the grant date, unless sooner terminated under the terms of the stock option plan. In the event of certain changes in control of TresCom, all options become fully vested.

The following table summarizes all options activity for the years ended December 31, 1995, 1996 and 1997:

	Number of Options Granted	Exercisable Options	Weighted Average Exercise Price
Outstanding as of December 31, 1994	110,840		$0.42
Canceled	110,840		0.42
Granted	484,955		0.42
Forfeited	12,749		0.42
Outstanding as of December 31, 1995	472,206	19,826	0.42
Canceled	220,622		0.42
Granted	534,119		12.53
Forfeited	147,452		10.82
Exercised	141,988		0.42
Outstanding as of December 31, 1996	496,263	23,713	10.37
Canceled	2,000		7.50
Granted	447,000		7.76
Forfeited	61,790		9.48
Exercised	16,769		0.42
Outstanding as of December 31, 1997	862,704	103,733	$9.28

The following table summarizes options at December 31, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise price	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Number of Options	Weighted Average Exercise Price
$0.42	75,585	$ 0.42	7.66	24,309	$ 0.42
12.00--17.63	372,119	12.76	8.26	74,424	12.00
7.50--12.00	415,000	7.76	9.13	5,000	12.00

Non-cash compensation expense was recorded over the vesting period of the options. Accordingly, $257, $1,264 and $139 of non-cash compensation expense was recorded in the years ended December 31, 1997, 1996 and 1995, respectively.

TresCom follows the requirements of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" to account for its stock option plan and, accordingly, compensation cost is recognized in the consolidated statements of operations for the stock option plan to the extent the options are granted at prices below fair market value. TresCom adopted SFAS 123, which requires certain disclosures about stock-based employee compensation arrangements. SFAS 123 requires pro forma disclosure of the impact on net income and earnings per share if the fair value method defined in SFAS 123 had been used. The fair value for these options was estimated at the date of grant using a minimum value option valuation method for options granted prior to the IPO and a Black-Scholes option valuation model for options granted after the IPO with the following weighted-average assumptions: a risk-free interest rate of 6.1%; a dividend yield of 0%; a volatility factor of the expected market price of the TresCom Common Stock of 1.207 for options granted during 1997 and .729 for options granted during 1996 and 1995, and an expected life of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because TresCom's stock options have characteristics significantly different from those of traded options, and because change in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The weighted average grant date fair value of options granted in 1997, 1996 and 1995 is $6.46, $7.88 and $10.50 per share, respectively. The options granted during 1995 had exercise prices below market value and the options granted during 1997 and 1996 had exercise prices at or above fair market value.

For purposes of pro-forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the options. The SFAS 123 pro-forma information is as follows:

	1997	1996	1995
Pro forma net loss	$(12,583)	$(5,713)	$(11,627)
Pro forma basic and diluted loss per share	(1.06)	(0.60)	(5.29)

6. INCOME TAXES

The significant components of TresCom's deferred tax assets and liabilities are:

	December 31,		
	1997	1996	1995
Deferred tax assets			
Allowance for bad debts	$ 3,251	$ 2,975	$ 1,139
Net operating loss carry-forward	12,256	6,229	6,311
Accruals	218	566	279
Depreciation and amortization	--	101	873
Other	15	11	270
Valuation allowance	(14,053)	(8,479)	(8,793)
	1,687	1,403	79
Deferred tax liabilities			
Depreciation and amortization	(1,558)	--	--
Acquisition basis differences	(129)	(1,403)	(79)
	$ --	$ --	$ --

The net change in TresCom's valuation allowance was $5,574, $(314) and $3,056 for the years ended December 31, 1997, 1996 and 1995, respectively.

On July 17, 1989, the Industrial Development Commission of the U.S. Virgin Islands (U.S.V.I.) granted STSJ tax benefits to cover long-distance telecommunications services in the U.S. Virgin Islands. These benefits include a 90% exemption from income taxes for a ten-year period effective January 1, 1989.

The reconciliation of income tax attributable to operations computed at the U.S. federal statutory rates to income tax expense is:

	December 31,		
	1997	1996	1995
Tax at U.S. statutory rate	(34.0)%	(34.0)%	(34.0)%
State taxes, net of federal benefit	(3.6)	(2.0)	(2.0)
Amortization of excess of cost over net assets of businesses acquired	3.8	6.5	2.7
Foreign tax rate differences	2.0	7.1	3.7
Unrecognized benefit of net operating loss	31.8	22.4	29.6
	--	--	--

At December 31, 1997, TresCom has U.S. and foreign net operating loss carryforwards for tax purposes of $24,335 and $12,354, respectively. These net operating loss carryforwards expire in the years 1997 through 2012.

7. RETIREMENT PLAN

TresCom maintains the TresCom 401(k) Savings and Retirement Plan for all U.S. and U.S.V.I. subsidiaries and the TresCom 165(e) Savings and Retirement Plan for the Puerto Rican subsidiary. Employees age 21 or older are eligible to participate six months after their date of hire and to elect to defer a percentage of his/her salary. TresCom has the discretion to make contributions to the TresCom 401(k) Savings and Retirement Plan and TresCom 165(e) Saving and Retirement Plan. In 1996, 25,000 shares of stock in TresCom were authorized as retirement plan contributions. In 1997 and 1996, 4,439 and 2,065 shares, respectively, were allocated to the TresCom 401(k) Savings and Retirement Plan and the TresCom 165(e) Savings and Retirement Plan for aggregate amounts of approximately $31 and $16, respectively.

8. COMMITMENTS AND CONTINGENCIES

TresCom is involved in various claims and is subject to possible actions arising out of the normal course of its business. Although the ultimate outcome of these claims cannot be ascertained at this time, it is the opinion of TresCom's management, based on knowledge of the facts and advice of counsel, that the resolution of such claims and actions will not have a material adverse effect on TresCom's financial condition or results of operations.

TresCom has commitments under various types of agreements for the purchase of property and equipment to continue expansion of its network. Portions of such agreements not completed at year end are not reflected in the consolidated financial statements. These commitments were approximately $1,000 at year end 1997.

9. SETTLEMENTS

In the past, TresCom incurred some significant charges as a result of disputes with carriers. These charges amounted to $4,100 and $900 in the first and second quarter of 1995, respectively. In addition, significant losses resulting from settlements with customers totaled $4,069 during the first quarter of 1995.

10. FINANCIAL INSTRUMENTS

The carrying amounts reflected in the consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate the respective fair values due to the short-term nature of these items. The fair values for long-term obligations at December 31, are as follows:

	1997		1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans payable to the Small Business Administration	$401	$323	$416	$335

The fair values of all other long-term obligations approximate the carrying values and are therefore not disclosed.

11. RELATED PARTY TRANSACTIONS

During 1996, an affiliate of a major shareholder of TresCom owned approximately 20% of LCI International, Inc. (LCI). TresCom buys network services from and provides network services to LCI. At December 31, 1996, the net amount due to LCI was $1,935. During 1996, $7,140 of services were provided and $5,453 were used. During 1997, the affiliate of TresCom's major shareholder reduced their ownership stake to an insignificant percentage.

In December 1996, TresCom acquired 100% of the common stock of Intex Telecommunications, Inc. from LCI. The purchase price consideration was 394,095 shares of TresCom Common Stock.

12. NATURAL DISASTER

On September 16, 1995, Hurricane Marilyn damaged the island of St. Thomas where TresCom has significant operations. TresCom's Property and Business Interruption Insurance covered a significant portion of the damages to equipment and certain losses from operations. At September 30, 1995, TresCom estimated its exposure relating to the hurricane to be $2,500. Based on visits to the affected area, review of accounts receivable and actual settlements with customers, management revised its estimate of losses resulting from the hurricane to $1,717. Accordingly, the net loss for the quarter ended December 31, 1996 included this change in estimate of $783.

13. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1997	1996	1995
Numerator:			
Loss before extraordinary item	$ (10,855)	$ (3,621)	$ (11,627)
Extraordinary loss on early extinguishment of debt	--	1,956	--
Net loss	(10,855)	(5,577)	(11,627)
Preferred stock dividends	--	690	4,877
Numerator for basic and diluted earnings per share--net loss applicable to common stock	$ (10,855)	$ (6,267)	$ (16,504)
Denominator:			
Denominator for basic and diluted earnings per share--weighted average shares	11,890,047	10,671,096	3,119,590
Basic and diluted per share data:			
Loss before extraordinary item	$ (0.91)	$ (0.41)	$ (5.29)
Extraordinary item	--	(0.18)	--
Net loss per share of common stock	$ (0.91)	$ (0.59)	$ (5.29)

The earnings per share amounts in the above table have been calculated in compliance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." For further information regarding earnings per share and capitalization of TresCom, see Notes 2 and 5.

14. SUBSEQUENT EVENTS

In February 1998, TresCom entered into a definitive Agreement and Plan of Merger with Primus Telecommunications Group, Inc. (Primus) and Taurus Acquisition Corporation, a wholly-owned subsidiary of Primus (Taurus). Pursuant to the terms of the Agreement and Plan of Merger, it is contemplated that Taurus will merge with and into TresCom, that TresCom will be the surviving corporation and that Primus will acquire 100% of the issued and outstanding shares of TresCom Common Stock. The transaction is expected to be completed during the second quarter of 1998 and is subject to, among other things, the approval of both Primus's and TresCom's shareholders and certain regulatory authorities.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
TresCom International, Inc.

We have audited the consolidated financial statements of TresCom International, Inc. and its subsidiaries (TresCom) as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, and have issued our report thereon dated February 27, 1998. Our audit also included the accompanying financial statement schedule of TresCom. This schedule is the responsibility of TresCom's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Atlanta, Georgia
February 27, 1998

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

TRESCOM INTERNATIONAL, INC.

(In Thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 31, 1997:					
Reserve and allowance deducted from asset accounts:					
Allowance for doubtful accounts.............	$7,588	$4,159	$500(1)	$4,098(3)	$ 8,149
Valuation allowance for deferred taxes...	8,479	5,574	--	--	14,053
Year ended December 31, 1996:					
Reserve and allowance deducted from asset accounts:					
Allowance for doubtful accounts.............	4,140	5,036	--	1,588(3)	7,588
Valuation allowance for deferred taxes...	8,793	--	--	314(2)	8,479
Year ended December 31, 1995:					
Reserve and allowance deducted from asset accounts:					
Allowance for doubtful accounts.............	3,761	1,791	700(4)	2,112(3)	4,140
Valuation allowance for deferred taxes...	5,737	3,056	--	--	8,793

- --------
(1) In connection with acquisitions.
(2) Change in deferred taxes.
(3) Write-off of uncollectible accounts.
(4) Uncollectible accounts in U.S. Virgin Islands resulting from Hurricane Marilyn.

OFFER TO EXCHANGE ALL OUTSTANDING

12 3/4% SENIOR NOTES DUE 2009

($250,000,000 PRINCIPAL AMOUNT)

FOR 12 3/4% SENIOR NOTES DUE 2009

Primus Telecommunications Group, Incorporated

PROSPECTUS
November , 1999

All tendered initial unregistered notes, executed letters of transmittal and other related documents should be directed to the exchange agent. Questions and requests for assistance and requests for additional copies of the prospectus, the letter of transmittal and other related documents should be addressed to the exchange agent as follows:

BY MAIL, HAND OR OVERNIGHT DELIVERY:
First Union Customer Information Center
Reorganization Department, 3C3-NC 1153
1525 West W.T. Harris Boulevard
Charlotte, N.C. 28262

FACSIMILE TRANSMISSION:
(704) 590-7628

TO CONFIRM RECEIPT:
(704) 590-7408

(Originals of all documents submitted by facsimile should be sent promptly by hand, overnight courier or registered or certified mail)

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers

Section 145 of the DGCL permits each Delaware business corporation to indemnify its directors, officers, employees and agents against liability for each such person's acts taken in his or her capacity as a director, officer, employee or agent of the corporation if such actions were taken in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action, if he or she had no reasonable cause to believe his or her conduct was unlawful. Article X of our Amended and Restated By-Laws provides that we, to the full extent permitted by Section 145 of the DGCL, shall indemnify all of our past and present directors and may indemnify all of our past or present employees or other agents. To the extent that a director, officer, employee or agent of our's 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 us against actually and reasonably incurred expenses in connection therewith. Such expenses may be paid by us 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 our Amended and Restated Certificate of Incorporation provides that no director shall be liable to us 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 us or our 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 our capital stock or

(iv) for any transaction from which the director derived an improper personal benefit.

We have obtained a policy insuring us and our directors and officers against certain liabilities, including liabilities under the 1933 Act.

Pursuant to Section 5(h) of the TresCom merger agreement, we will provide each individual who served as a director or officer of TresCom at any time prior to the effective time of the TresCom merger with liability insurance for a period of six years after the effective time, having no less favorable coverage than any applicable insurance of TresCom in effect immediately prior to the effective time; provided, however, if the existing liability insurance expires, or is terminated or canceled by the insurance carrier during such six-year period, the company which survived the merger will use its best efforts to obtain as much liability insurance as can be obtained for the remainder of such period for a premium not in excess (on an annualized basis) of 150% of the last annual premium paid prior to the date of the merger agreement.

Item 21. Exhibits

Exhibit Number	Description of Exhibits
2.1	Agreement and Plan of Merger by and among Primus, TresCom and Taurus Acquisition Corp. ("TAC"), dated as of February 3, 1998, and as amended by Amendments No. 1 and 2 to Agreement and Plan of Merger dated as of April 8, 1998 and as of April 16, 1998, respectively; Incorporated by reference to Appendix A to the Joint Proxy Statement/Prospectus on Form S-4, No. 333-51797 dated May 4, 1998.
2.2	Amendment No. 1 to Agreement and Plan of Merger among Primus TresCom and TAC, dated as of April 8, 1998; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated April 10, 1998.

Exhibit Number	Description of Exhibits
2.3	Amendment No. 2 to Agreement and Plan of Merger among Primus, TresCom and TAC, dated as of April 16, 1998; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated April 23, 1998 (the "Form 8-K for Amendments"), as amended by the Primus Current Report on Form 8-K/A dated April 23, 1998.
2.4	Asset Purchase Agreement by and among USFI, Inc. Primus Telecommunications, Inc., Primus and US Cable Corporation dated as of October 20, 1997; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Asset Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
2.5	Equity Purchase Agreement by and among Messrs. James D. Pearson, Stephen E. Myers, Michael C. Anderson, Primus Telecommunications, Inc., and Primus, dated as of October 20, 1997; Incorporated by reference to Exhibit 2.2 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Equity Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
2.6	Asset and Stock Purchase Agreement dated June 30, 1999, by and between Telegroup, Inc. and Primus; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on From 8-K dated July 14, 1999. (The exhibits and schedules listed in the table of contents to the Asset and Stock Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
3.1	Amended and Restated Certificate of Incorporation of Primus; Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-8, No. 333-56557 (the "S-8 Registration Statement").
3.2	Amended and Restated Bylaws of Primus; Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-1, No. 333-10875 (the "IPO Registration Statement").
4.1	Specimen Certificate of Primus Common Stock; Incorporated by reference to Exhibit 4.1 of the IPO Registration Statement.
4.2	Form of Indenture of Primus regarding the 1997 Senior Notes (the "1997 Indenture"); Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-1, No 333-30195 (the "1997 Senior Note Registration Statement").
4.3	Specimen 11 3/4% Senior Note due 2004.*
4.4	Form of Supplemental Indenture of Primus to the 1997 Indenture dated January 20, 1999, between Primus and First Union National Bank; Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-4, No 333-76965 (the "January 1999 Senior Note Registration Statement").
4.5	Form of Warrant Agreement of Primus; Incorporated by reference to Exhibit 4.2 of the 1997 Senior Note Registration Statement.
4.6	Indenture, dated May 19, 1998, between Primus Telecommunications Group, Incorporated and First Union Nation Bank; Incorporated by reference to Exhibit 4.4 of the Registration Statement on Form S-4, No 333-58547 (the "1998 Senior Note Registration Statement").
4.7	Specimen 9 7/8% Senior Note due 2008; Incorporated by reference to Exhibit A included in Exhibit 4.4 of the 1998 Senior Note Registration Statement.
4.8	Indenture, dated January 29, 1999, between Primus and First Union National Bank (the "January 1999 Indenture"); Incorporated by reference to Exhibit 4.7 of the January 1999 Senior Note Registration Statement.
4.9	Specimen 11 1/4% Senior Note due 2009; Incorporated by reference to Exhibit A included in Exhibit 4.7.

Exhibit Number	Description of Exhibits
4.10	First Supplemental Indenture to the January 1999 Indenture, dated as of June 30, 1999, between Primus and First Union National Bank; Incorporated by reference to Exhibit 4.1 of Primus's Current Report on From 8-K dated July 14, 1999.
4.11	Indenture, dated October 15, 1999 between Primus and First Union National Bank (the "October 1999 Indenture").*
4.12	Specimen 12 3/4% Senior Note due 2009. Incorporated by reference to Exhibit A included in Exhibit 4.11.
4.13	Rights Agreement, dated as of December 23, 1998, between Primus and StockTrans, Inc., including the Form of Rights Certificate (Exhibit A), the Certificate of Designation (Exhibit B) and the Form of Summary of Rights (Exhibit C); Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, No 000-29092 filed with the Commission on December 30, 1998.
4.14	Form of legend on certificates representing shares of Common Stock regarding Series B Junior Participating Preferred Stock Purchase Rights; Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form 8-A, No 000-29092 filed with the Commission on December 30, 1998.
5.1	Opinion of Pepper Hamilton LLP regarding the validity of the securities being registered.*
10.1	Stockholder Agreement among Warburg, Pincus, K. Paul Singh and Primus, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.1 of the Primus Current Report on Form 8-K dated February 6, 1998 (the "Form 8-K").
10.2	Voting Agreement between Primus and Wesley T. O'Brien, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.4 of the Form 8-K.
10.3	Voting Agreement between Primus and Rudy McGlashan, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.5 of the Form 8-K.
10.4	Voting Agreement between TresCom and K. Paul Singh, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.2 of the Form 8-K.
10.5	Voting Agreement between TresCom and John F. DePodesta, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.3 of the Form 8-K.
10.6	Amendment No. 1 to Stockholder Agreement among Warburg, Pincus, K. Paul Singh, Primus, and TresCom, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.1 of the Form 8-K for Amendments.
10.7	Amendment No. 1 to Voting Agreement between Wesley T. O'Brien and Primus, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.2 of the Form 8-K for Amendments.
10.8	Amendment No. 1 to Voting Agreement between Rudolph McGlashan and Primus, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.3 of the Form 8-K for Amendments.
10.9	Switched Transit Agreement, dated June 5, 1995, between Teleglobe USA, Inc. and Primus for the provision of services to India; Incorporated by reference to Exhibit 10.2 of the IPO Registration Statement.
10.10	Hardpatch Transit Agreement, dated February 29, 1996, between Teleglobe USA; Incorporated by reference to Exhibit 10.3 of the IPO Registration Statement.
10.11	Agreement for Billing and Related Services, dated February 23, 1995, between Primus and Electronic Data System Inc.; Incorporated by reference to Exhibit 10.4 of the IPO Registration Statement.
10.12	Employment Agreement, dated June 1, 1994, between Primus and K. Paul Singh, Inc.; Incorporated by reference to Exhibit 10.5 of the IPO Registration Statement.**
10.13	Primus 1995 Stock Option Plan; Incorporated by reference to Exhibit 10.6 of the IPO Registration Statement.**
10.14	Amendment 1999-1 to the Primus Telecommunications Group, Incorporated Stock Option Plan.**

Exhibit Number	Description of Exhibits
10.15	Primus 1995 Director Stock Option Plan; Incorporated by reference to Exhibit 10.7 of the IPO Registration Statement.**
10.16	Registration Rights Agreement, dated July 31, 1996, among Primus, Quantum Industrial Partners LDC, S-C Phoenix Holdings, L.L.C., Winston Partners II LDC and Winston Partners LLC; Incorporated by reference to Exhibit 10.11 of the IPO Registration Statement.
10.17	Service Provider Agreement between Telstra Corporation Limited and Axicorp Pty., Ltd., dated May 3, 1995; Incorporated by reference to Exhibit 10.12 of the IPO Registration Statement.
10.18	Dealer Agreement between Telstra Corporation Limited and Axicorp Pty., Ltd. dated January 8, 1996; Incorporated by reference to Exhibit 10.13 of the IPO Registration Statement.
10.19	Hardpatch Transit Agreement dated October 5, 1995 between Teleglobe USA, Inc. and Primus the provision of services to India; Incorporated by reference to Exhibit 10.14 of the IPO Registration Statement.
10.20	Master Lease Agreement dated as of November 21, 1997 between NTFC Capital Corporation and Primus Telecommunications, Inc.; Incorporated by reference to Exhibit 10.17 of Primus's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 10-K"), as amended on Form 10-K/A dated April 30, 1998.
10.21	Primus Employee Stock Purchase Plan; Incorporated by reference to Exhibit 10.15 of the 1997 Senior Note Registration Statement.**
10.22	Primus 401(k) Plan; Incorporated by reference to Exhibit 4.4 of the Primus Registration Statement on Form S-8 (No. 333-35005).**
10.24	Registration Rights Agreement, dated May 19, 1998, among Primus Telecommunications Group, Incorporated, Primus Telecommunications, Incorporated, Primus Telecommunications Pty. Ltd. and Lehman Brothers, Inc.; Incorporated by reference to Exhibit 10.23 of the 1998 Senior Note Registration Statement.
10.25	Primus Telecommunications Group, Incorporated-TresCom International Stock Option Plan; Incorporated by reference to Exhibit 4.1 of the S-8 Registration Statement.**
10.30	Warrant Agreement between the Company and Warburg, Pincus Investors, L.P; Incorporated by reference to the TresCom Registration Statement on Form S-1, No. 33-99738, filed on November 22, 1995 (the "TresCom Form S-1").
10.31	Form of Indemnification Agreement between the Company and its directors and executive officers; Incorporated by reference to Exhibit 10.23 to the TresCom Form S-1.
10.32	Revolving Credit and Security Agreement, among TresCom International, Inc., TresCom U.S.A., Inc., Intex Telecommunications, Inc., The St. Thomas and San Juan Telephone Company, Inc., STSJ Overseas Telephone Company, Inc., PNC Bank, National Association (as lender and as agent) and the other lenders a party thereto (the "Loan Agreement"). Incorporated by reference to Exhibit 10.22 to the TresCom Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
10.33	Revolving Credit Note, dated July 31, 1997, payable to PNC Bank, National Association and the other lenders a party to the Loan Agreement; Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
10.34	Registration Rights Agreement, dated January 29, 1999, among Primus Telecommunications Group, Incorporated, Primus Telecommunications, Inc., Primus Telecommunications (Australia) Pty. Ltd., Primus Telecommunications Pty. Ltd. and Lehman Brothers, Inc.*
10.35	Registration Rights Agreement, dated October 15, 1999, among Primus Telecommunications Group, Incorporated, Primus Telecommunications, Inc., Primus Telecommunications (Australia) Pty. Ltd., Primus Telecommunications Pty. Ltd. and Lehman Brothers, Inc.*

Exhibit Number	Description of Exhibits
21.1	Subsidiaries of the Registrant; Incorporated by reference to Exhibit 21.1 of the January 1999 Senior Note Registration Statement.
23.1	Consent of Deloitte & Touche LLP (included on page II-7 of this Registration Statement).
23.2	Consent of Ernst & Young LLP (included on page II-8 of this Registration Statement).
23.3	Consent of Pepper Hamilton LLP (included in Exhibit 5.1).*
23.4	Consent of KPMG LLP (included on page II-9 of this Registration Statement).
24.1	Power of Attorney (included on page II-10 of this Registration Statement).
25	Form T-1.*
99.1	Form of Letter of Transmittal.*
99.2	Form of Notice of Guaranteed Delivery.*

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 * Filed herewith.
** Compensatory Benefit Plan.

(B) Financial Statement Schedules.

All schedules have been omitted because they are not applicable, not required, or the required information is included in the Financial Statements or the notes thereto.

Item 22. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the 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 counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes: (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; (2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Primus Telecommunications Group, Incorporated on Form S-4 of our report dated February 10, 1999, except for paragraph one of Note 16 as to which the date is March 31, 1999, appearing in the Prospectus, which is a part of such Registration Statement. We also consent to the reference to us under the headings "Selected Financial Data" and "Experts" in such Prospectus.

Deloitte & Touche LLP

McLean, Virginia

October 29, 1999

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated February 27, 1998, with respect to the consolidated financial statements and schedule of TresCom International, Inc. included in the Registration Statement (Form S-4 No.   ) and related Prospectus of Primus Telecommunications Group, Incorporated for the Exchange Offer of its 12 3/4% Senior Notes due 2009.

Ernst & Young LLP

Atlanta, Georgia

October 27, 1999

ACCOUNTANTS' CONSENT

The Board of Directors
Telegroup, Inc.

We consent to the use of our report on the combined financial statements of Telegroup, Inc. and certain subsidiaries included herein and to the reference to our firm under the heading "Experts" in this Registration Statement.

Our report dated July 9, 1999, contains an explanatory paragraph that states that Telegroup, Inc. has filed for protection under Chapter 11 of the United States Bankruptcy Code due to significant financial and liquidity problems. These circumstances raise substantial doubt about its ability to continue as a going concern. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG LLP

Lincoln, Nebraska

October 29, 1999

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in McLean, Virginia on November 1, 1999.

Primus Telecommunications Group, Incorporated

By: /s/ K. Paul Singh

K. Paul Singh
President, Chairman and Chief Executive Officer

KNOW THAT ALL MEN BY THESE PRESENTS that each person whose signature appears below on this Registration Statement hereby constitutes and appoints K. Paul Singh and Neil L. Hazard and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities (until revoked in writing), to sign any and all amendments (including post-effective amendments thereto) to this Form S-4 Registration Statement of Primus Telecommunications Group, Incorporated and to file the same, with all Exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he might or could do in person thereby ratifying and confirming all the said attorney-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ K. Paul Singh K. Paul Singh	Chairman, President and Chief Executive Officer (principal executive officer) and Director	November 1, 1999
/s/ Neil L. Hazard Neil L. Hazard	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	November 1, 1999
/s/ John F. Depodesta John F. Depodesta	Executive Vice President and Director	November 1, 1999
/s/ Herman Fialkov Herman Fialkov	Director	November 1, 1999

Signature	Title	Date
/s/ David E. Hershberg David E. Hershberg	Director	November 1, 1999
/s/ John Puente John Puente	Director	November 1, 1999
Douglas M. Karp	Director	November , 1999

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Agreement and Plan of Merger by and among Primus, TresCom and Taurus Acquisition Corp. ("TAC"), dated as of February 3, 1998, and as amended by Amendments No. 1 and 2 to Agreement and Plan of Merger dated as of April 8, 1998 and as of April 16, 1998, respectively; Incorporated by reference to Appendix A to the Joint Proxy Statement/Prospectus on Form S-4, No. 333-51797 dated May 4, 1998.
2.2	Amendment No. 1 to Agreement and Plan of Merger among Primus TresCom and TAC, dated as of April 8, 1998; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated April 10, 1998.
2.3	Amendment No. 2 to Agreement and Plan of Merger among Primus, TresCom and TAC, dated as of April 16, 1998; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated April 23, 1998 (the "Form 8-K for Amendments"), as amended by the Primus Current Report on Form 8-K/A dated April 23, 1998.
2.4	Asset Purchase Agreement by and among USFI, Inc. Primus Telecommunications, Inc., Primus and US Cable Corporation dated as of October 20, 1997; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Asset Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
2.5	Equity Purchase Agreement by and among Messrs. James D. Pearson, Stephen E. Myers, Michael C. Anderson, Primus Telecommunications, Inc., and Primus, dated as of October 20, 1997; Incorporated by reference to Exhibit 2.2 of Primus's Current Report on Form 8-K dated November 3, 1997. (The exhibits and schedules listed in the table of contents to the Equity Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
2.6	Asset and Stock Purchase Agreement dated June 30, 1999, by and between Telegroup, Inc. and Primus; Incorporated by reference to Exhibit 2.1 of Primus's Current Report on From 8-K dated July 14, 1999. (The exhibits and schedules listed in the table of contents to the Asset and Stock Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of such exhibits and schedules shall be furnished supplementally to the Commission upon request.)
3.1	Amended and Restated Certificate of Incorporation of Primus; Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-8, No. 333-56557 (the "S-8 Registration Statement").
3.2	Amended and Restated Bylaws of Primus; Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-1, No. 333-10875 (the "IPO Registration Statement").
4.1	Specimen Certificate of Primus Common Stock; Incorporated by reference to Exhibit 4.1 of the IPO Registration Statement.
4.2	Form of Indenture of Primus regarding the 1997 Senior Notes (the "1997 Indenture"); Incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-1, No 333-30195 (the "1997 Senior Note Registration Statement").
4.3	Specimen 11 3/4% Senior Note due 2004.*
4.4	Form of Supplemental Indenture of Primus to the 1997 Indenture dated January 20, 1999, between Primus and First Union National Bank; Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-4, No 333-76965 (the "January 1999 Senior Note Registration Statement").
4.5	Form of Warrant Agreement of Primus; Incorporated by reference to Exhibit 4.2 of the 1997 Senior Note Registration Statement.

Exhibit Number	Description of Exhibits
4.6	Indenture, dated May 19, 1998, between Primus Telecommunications Group, Incorporated and First Union Nation Bank; Incorporated by reference to Exhibit 4.4 of the Registration Statement on Form S- 4, No 333-58547 (the "1998 Senior Note Registration Statement").
4.7	Specimen 9 7/8% Senior Note due 2008; Incorporated by reference to Exhibit A included in Exhibit 4.4 of the 1998 Senior Note Registration Statement.
4.8	Indenture, dated January 29, 1999, between Primus and First Union National Bank (the "January 1999 Indenture"); Incorporated by reference to Exhibit 4.7 of the January 1999 Senior Note Registration Statement.
4.9	Specimen 11 1/4% Senior Note due 2009; Incorporated by reference to Exhibit A included in Exhibit 4.7.
4.10	First Supplemental Indenture to the January 1999 Indenture, dated as of June 30, 1999, between Primus and First Union National Bank; Incorporated by reference to Exhibit 4.1 of Primus's Current Report on From 8-K dated July 14, 1999.
4.11	Indenture, dated October 15, 1999 between Primus and First Union National Bank (the "October 1999 Indenture").*
4.12	Specimen 12 3/4% Senior Note due 2009. Incorporated by reference to Exhibit A included in Exhibit 4.11.
4.13	Rights Agreement, dated as of December 23, 1998, between Primus and StockTrans, Inc., including the Form of Rights Certificate (Exhibit A), the Certificate of Designation (Exhibit B) and the Form of Summary of Rights (Exhibit C); Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, No 000-29092 filed with the Commission on December 30, 1998.
4.14	Form of legend on certificates representing shares of Common Stock regarding Series B Junior Participating Preferred Stock Purchase Rights; Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form 8-A, No 000-29092 filed with the Commission on December 30, 1998.
5.1	Opinion of Pepper Hamilton LLP regarding the validity of the securities being registered.*
10.1	Stockholder Agreement among Warburg, Pincus, K. Paul Singh and Primus, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.1 of the Primus Current Report on Form 8-K dated February 6, 1998 (the "Form 8-K").
10.2	Voting Agreement between Primus and Wesley T. O'Brien, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.4 of the Form 8-K.
10.3	Voting Agreement between Primus and Rudy McGlashan, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.5 of the Form 8-K.
10.4	Voting Agreement between TresCom and K. Paul Singh, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.2 of the Form 8-K.
10.5	Voting Agreement between TresCom and John F. DePodesta, dated as of February 3, 1998; Incorporated by reference to Exhibit 10.3 of the Form 8-K.
10.6	Amendment No. 1 to Stockholder Agreement among Warburg, Pincus, K. Paul Singh, Primus, and TresCom, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.1 of the Form 8-K for Amendments.
10.7	Amendment No. 1 to Voting Agreement between Wesley T. O'Brien and Primus, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.2 of the Form 8-K for Amendments.
10.8	Amendment No. 1 to Voting Agreement between Rudolph McGlashan and Primus, dated as of April 16, 1998; Incorporated by reference to Exhibit 10.3 of the Form 8-K for Amendments.

Exhibit Number	Description of Exhibits
10.9	Switched Transit Agreement, dated June 5, 1995, between Teleglobe USA, Inc. and Primus for the provision of services to India; Incorporated by reference to Exhibit 10.2 of the IPO Registration Statement.
10.10	Hardpatch Transit Agreement, dated February 29, 1996, between Teleglobe USA; Incorporated by reference to Exhibit 10.3 of the IPO Registration Statement.
10.11	Agreement for Billing and Related Services, dated February 23, 1995, between Primus and Electronic Data System Inc.; Incorporated by reference to Exhibit 10.4 of the IPO Registration Statement.
10.12	Employment Agreement, dated June 1, 1994, between Primus and K. Paul Singh, Inc.; Incorporated by reference to Exhibit 10.5 of the IPO Registration Statement.**
10.13	Primus 1995 Stock Option Plan; Incorporated by reference to Exhibit 10.6 of the IPO Registration Statement.**
10.14	Amendment 1999-1 to the Primus Telecommunications Group, Incorporated Stock Option Plan.**
10.15	Primus 1995 Director Stock Option Plan; Incorporated by reference to Exhibit 10.7 of the IPO Registration Statement.**
10.16	Registration Rights Agreement, dated July 31, 1996, among Primus, Quantum Industrial Partners LDC, S-C Phoenix Holdings, L.L.C., Winston Partners II LDC and Winston Partners LLC; Incorporated by reference to Exhibit 10.11 of the IPO Registration Statement.
10.17	Service Provider Agreement between Telstra Corporation Limited and Axicorp Pty., Ltd., dated May 3, 1995; Incorporated by reference to Exhibit 10.12 of the IPO Registration Statement.
10.18	Dealer Agreement between Telstra Corporation Limited and Axicorp Pty., Ltd. dated January 8, 1996; Incorporated by reference to Exhibit 10.13 of the IPO Registration Statement.
10.19	Hardpatch Transit Agreement dated October 5, 1995 between Teleglobe USA, Inc. and Primus the provision of services to India; Incorporated by reference to Exhibit 10.14 of the IPO Registration Statement.
10.20	Master Lease Agreement dated as of November 21, 1997 between NTFC Capital Corporation and Primus Telecommunications, Inc.; Incorporated by reference to Exhibit 10.17 of Primus's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 10-K"), as amended on Form 10-K/A dated April 30, 1998.
10.21	Primus Employee Stock Purchase Plan; Incorporated by reference to Exhibit 10.15 of the 1997 Senior Note Registration Statement.**
10.22	Primus 401(k) Plan; Incorporated by reference to Exhibit 4.4 of the Primus Registration Statement on Form S-8 (No. 333-35005).**
10.24	Registration Rights Agreement, dated May 19, 1998, among Primus Telecommunications Group, Incorporated, Primus Telecommunications, Incorporated, Primus Telecommunications Pty. Ltd. and Lehman Brothers, Inc.; Incorporated by reference to Exhibit 10.23 of the 1998 Senior Note Registration Statement.
10.25	Primus Telecommunications Group, Incorporated-TresCom International Stock Option Plan; Incorporated by reference to Exhibit 4.1 of the S-8 Registration Statement.**
10.30	Warrant Agreement between the Company and Warburg, Pincus Investors, L.P; Incorporated by reference to the TresCom Registration Statement on Form S-1, No. 33-99738, filed on November 22, 1995 (the "TresCom Form S-1").

Exhibit Number	Description of Exhibits
10.31	Form of Indemnification Agreement between the Company and its directors and executive officers; Incorporated by reference to Exhibit 10.23 to the TresCom Form S-1.
10.32	Revolving Credit and Security Agreement, among TresCom International, Inc., TresCom U.S.A., Inc., Intex Telecommunications, Inc., The St. Thomas and San Juan Telephone Company, Inc., STSJ Overseas Telephone Company, Inc., PNC Bank, National Association (as lender and as agent) and the other lenders a party thereto (the "Loan Agreement"). Incorporated by reference to Exhibit 10.22 to the TresCom Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
10.33	Revolving Credit Note, dated July 31, 1997, payable to PNC Bank, National Association and the other lenders a party to the Loan Agreement; Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
10.34	Registration Rights Agreement, dated January 29, 1999, among Primus Telecommunications Group, Incorporated, Primus Telecommunications, Inc., Primus Telecommunications (Australia) Pty. Ltd., Primus Telecommunications Pty. Ltd. and Lehman Brothers, Inc.*
10.35	Registration Rights Agreement, dated October 15, 1999, among Primus Telecommunications Group, Incorporated, Primus Telecommunications, Inc., Primus Telecommunications (Australia) Pty. Ltd., Primus Telecommunications Pty. Ltd. and Lehman Brothers, Inc.*
21.1	Subsidiaries of the Registrant; Incorporated by reference to Exhibit 21.1 of the January 1999 Senior Note Registration Statement.
23.1	Consent of Deloitte & Touche LLP (included on page II-7 of this Registration Statement).
23.2	Consent of Ernst & Young LLP (included on page II-8 of this Registration Statement).
23.3	Consent of Pepper Hamilton LLP (included in Exhibit 5.1).*
23.4	Consent of KPMG LLP (included on page II-9 of this Registration Statement).
24.1	Power of Attorney (included on page II-10 of this Registration Statement).
25	Form T-1.*
99.1	Form of Letter of Transmittal.*
99.2	Form of Notice of Guaranteed Delivery.*

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* Filed herewith.

** Compensatory Benefit Plan.

Exhibit 4.3

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

11.75% SENIOR NOTES DUE 2004

THE NOTES EVIDENCED BY THE CERTIFICATE ARE INITIALLY ISSUED AS PART OF AN ISSUANCE OF UNITS, EACH OF WHICH CONSISTS OF ONE NOTE WITH A PRINCIPAL AMOUNT AT MATURITY OF $1,000 AND ONE WARRANT INITIALLY ENTITLING THE HOLDER THEREOF TO PURCHASE 1.74513 SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE, OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, (THE "COMMON STOCK"). PRIOR TO THE CLOSE OF BUSINESS UPON THE EARLIEST TO OCCUR OF (i) FEBRUARY 1, 1998 (ii) SUCH DATE AS LEHMAN BROHTER INC. MAY IN ITS DISCRETION DEEM APPROPRIATE AND IS IDENTIFIED IN A WRITTEN NOTICE TO THE TRUSTEE OR (iii) UPON AN EXERCISE EVENT, THE NOTES EVIDENCED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED OR EXCHANGED SPEARATELY FROM, BUT MAY BE TRANSFERRED OR EXCHANGED ONLY TOGETHER WITH THE WARRANTS.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YOURK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC). ANY TRANSER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
$200,000,000 PRINCIPAL AMOUNT 11.75% SENIOR NOTE DUE 2004

CUSIP

No. 1

Primus Telecommunications Group, Incorporated, a Delaware corporation (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & Co. or its registered assigns, the principal sum of Two Hundred Million United States Dollars (U.S.$200,000,000) on August 1, 2004, at the office or agency of the Company referred to below, and to pay interest thereon on February 1, 1998 and semi-annually thereafter, on February 1 and August 1 in each year, from August 1, 1998 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 11.75% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 15 and July 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such defaulted interest, and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal of (and premium, if any, on) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company (i) by check mailed to the address of the Person entitled thereto as such address shall appear on the Note Register or (ii) by transfer to an account maintained by the payee located in the United States.

Reference is hereby made to the further provisions in this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed manually or by facsimile by its duly authorized officer.

Dated: PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: ---------------------------------

Name:

Title:

Attest:

By: ---------------------------------

Name:

Title:

This is one of the 11 3/4% Senior Notes due 2004 described in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK
as Trustee

By: ----------------------------------

Name: Dante M. Monakil

Title: Vice President

[REVERSE SIDE OF NOTE]

This Note is one of a duly authorized issue of securities of the Company designated as its 11.75% Senior Notes Due 2004 (herein called the "Notes"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to $225,000,000, which may be issued under an indenture (herein called the "Indenture") dated as of August 4, 1997 between the Company and First Union National Bank, trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

The Notes are subject to redemption upon not less than 30 nor more than 60 days notice, at any time after August 1, 2001, as a whole or in part, at the election of the Company, at a Redemption Price equal to the percentage of the principal amount set forth below if redeemed during the 12-month period beginning August 1, of the years indicated:

Year	Redemption Price
2001	105.875%
2002	102.938%
2003	100.00%

and thereafter at 100% of the principal amount, together in the case of any such redemption with accrued interest, if any, to the Redemption Date, all as provided in the Indenture.

Notwithstanding the foregoing, during the first 36 months after the date of the Indenture, the Company may on any one or more occasions redeem up to 35% of the originally issued principal amount of Notes at a redemption price of 111.75% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, with the Net Cash Proceeds of one or more Public Equity Offerings; provided that at least 65% of the originally issued principal amount of Notes remains outstanding immediately after the occurrence of such redemption; and provided further that notice of such redemption shall be given within 60 days of the closing of such Public Equity Offerings of common stock of the Company.

Upon the occurrence of a Change of Control, the Holder of this Note may require the Company, subject to certain limitations provided in the Indenture, to repurchase this Note at a purchase price in cash in an amount equal to 101% of the principal amount thereof plus accrued and unpaid interest.

In the case of any redemption of Notes, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Note and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herewith or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable on the Note Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for such purpose. The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered on the Note Register as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Exhibit 4.11

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED,

Issuer

to

FIRST UNION NATIONAL BANK,

Trustee

Indenture

Dated as of October 15, 1999

12-3/4% Senior Notes Due 2009

12-3/4% Series B Senior Notes Due 2009

INDENTURE, dated as of October 15, 1999, between PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 1700 Old Meadow Road, McLean, Virginia 22102, and FIRST UNION NATIONAL BANK, a national banking association, duly organized and existing under the laws of the United States, as Trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of 12 3/4% Senior Notes Due 2009 (the "Initial Notes") and 12 3/4% Series B Senior Notes Due 2009 (the "Exchange Notes" and, together with the Initial Notes, the "Notes"), of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture. Except as otherwise provided for herein, the Notes shall be limited to $325,000,000 in aggregate principal amount outstanding, of which $250,000,000 in aggregate principal amount of Initial Notes will be issued on the date hereof (the "Original Notes"). Subject to the conditions set forth herein, the Company may issue up to $75,000,000 aggregate principal amount of additional Notes subsequent to the Closing Date (as defined herein).

Upon the issuance of the Exchange Notes, if any, or the effectiveness of the Shelf Registration Statement (as defined herein), this Indenture will be subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions. All things necessary have been done to make the Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company and to make this Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meaning assigned to them in this Article, and include the plural as well as the singular;

(b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein, and the terms "cash transaction" and "self-liquidating paper", as used in TIA Section 311, shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

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

"Act", when used with respect to any Holder, has the meaning specified in Section 105.

"Additional Notes" means up to $75,000,000 aggregate principal amount of Notes issued subsequent to the Closing Date (other than Exchange Notes issued in exchange for Initial Notes) in accordance with the terms of this Indenture, including Section 301, Section 303 and Section 1011.

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

"Agent Member" has the meaning specified in Section 306.

"Asset Acquisition" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries or (ii) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

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

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transactions) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person other than the Company or any of its Restricted Subsidiaries of (i) all or any of the Capital Stock of any Subsidiary, (ii) all or substantially all of the property and assets of an operating unit or business of the Company or any of its Restricted Subsidiaries or (iii) any other property and assets of the Company or any of its Restricted Subsidiaries outside the ordinary course of business of the Company or such Restricted Subsidiary and, in each case, that is not governed by the provisions of this Indenture applicable to mergers, consolidations and sales of assets of the Company and which, in the case of any of clause (i), (ii) or (iii) above, whether in one transaction or a series of related transactions, (a) have a Fair Market Value in excess of $1.0 million or (b) are for net proceeds in excess of $1.0 million; *provided* that (x) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business and (y) sales or other dispositions of assets for consideration at least equal to the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of the assets sold or disposed of, to the extent that the consideration received would constitute property or assets of the kind described in clause (i)(B) of the second paragraph of Section 1017, shall not be included within the meaning of "Asset Sale."

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

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York or Richmond, Virginia are authorized or obligated by law or executive order to close.

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

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

"Change of Control" means such time as (i) a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the ultimate "beneficial owner" (as defined in Rule l3d-3 under the Exchange Act) of more than 50% of the total voting power of the then outstanding Voting Stock of the Company on a fully diluted basis; (ii) individuals who at the beginning of any period of two consecutive calendar years constituted the Board of Directors (together with any directors who are members of the Board of Directors on the date hereof and any new directors whose election by the Board of Directors or whose nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the members of the Board of Directors then still in office who either were members of the Board of Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of such board of directors then in office; (iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any such "person" or "group" (other than to the Company or a Restricted Subsidiary); (iv) the merger or consolidation of the Company with or into another corporation or the merger of another corporation with or into the Company with the effect that immediately after such transaction any such "person" or "group" of persons or entities shall have become the beneficial owner of securities of the surviving corporation of such merger or consolidation representing a majority of the total voting power of the then outstanding Voting Stock of the surviving corporation; or (v) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Offer" has the meaning specified in Section 1010.

"Change of Control Payment" has the meaning specified in Section 1010.

"Change of Control Payment Date" has the meaning specified in Section 1010.

"Closing Date" means October 15, 1999.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

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

"Company" means the Person named as the "Company" in the first paragraph of this Indenture, until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman, its President, any Vice President, its Treasurer or an Assistant Treasurer, and delivered to the Trustee.

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

"Consolidated Fixed Charges" means, for any period, Consolidated Interest Expense plus dividends declared and payable on Preferred Stock.

"Consolidated Interest Expense" means, for any period, the aggregate amount of interest in respect of Indebtedness (including capitalized interest, amortization of original issue discount on any Indebtedness and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method of accounting; all commissions, discounts and other

fees and charges owed with respect to letters of credit and bankers' acceptance financing; the net costs associated with Interest Rate Agreements; and interest on Indebtedness that is Guaranteed or secured by the Company or any of its Restricted Subsidiaries) and all but the principal component of rentals in respect of Capitalized Lease Obligations paid, accrued or scheduled to be paid or to be accrued by the Company and its Restricted Subsidiaries during such period.

"Consolidated Net Income" means, for any period, the aggregate consolidated net income (or loss) of the Company and its Restricted Subsidiaries for such period determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication): (i) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (C) of the first paragraph of Section 1012, the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries; (ii) any gains or losses (on an after-tax basis) attributable to Asset Sales; (iii) except for purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (C) of the first paragraph of Section 1012, any amount paid or accrued as dividends on Preferred Stock of the Company or Preferred Stock of any Restricted Subsidiary owned by Persons other than the Company and any of its Restricted Subsidiaries; (iv) all extraordinary gains and extraordinary losses; and (v) the net income (or loss) of any Person (other than net income (or loss) attributable to a Restricted Subsidiary) in which any Person (other than the Company or any of its Restricted Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of its Restricted Subsidiaries by such other Person during such period.

"Corporate Trust Office" means the principal corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this Indenture is located at 800 East Main Street, Richmond, Virginia 23219, Attention: Corporate Trust, except that with respect to presentation of Notes for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate agency business shall be conducted.

"corporation" includes corporations, associations, companies and business trusts.

"covenant defeasance" has the meaning specified in Section 1303.

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

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

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

"Defaulted Interest" has the meaning specified in Section 309.

"defeasance" has the meaning specified in Section 1302.

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

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

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

"Employment Agreement" means the employment agreement between the Company and Mr. K. Paul Singh, dated June 1994.

"Event of Default" has the meaning specified in Section 501.

"Excess Proceeds" has the meaning specified in Section 1017.

"Excess Proceeds Offer" has the meaning specified in Section 1017.

"Excess Proceeds Payment" has the meaning specified in Section 1017.

"Excess Proceeds Payment Date" has the meaning specified in Section 1017.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Notes" has the meaning stated in the first recital of this Indenture and refers to any Exchange Notes containing terms substantially identical to the Initial Notes (except that such Exchange Notes shall be registered under the Securities Act and will not contain (i) transfer restrictions or (ii) certain provisions relating to the increase in the interest rate of such Exchange Notes) that are issued and exchanged for Initial Notes pursuant to the Registration Rights Agreement and this Indenture.

"Exchange Offer" means the offer by the Company to the Holders of Initial Notes to exchange Initial Notes for Exchange Notes, as provided in the Registration Rights Agreement.

"Exchange Offer Registration Statement" means the Exchange Offer Registration Statement as defined in the Registration Rights Agreement.

"Existing Indebtedness" means Indebtedness outstanding on the date of the Indenture.

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

"Federal Bankruptcy Code" means the Bankruptcy Act of Title 11 of the United States Code, as amended from time to time.

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

"Global Notes" has the meaning set forth in Section 201.

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

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for

purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means a Person in whose name a Note is registered in the Note Register.

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

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

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Initial Notes" has the meaning stated in the first recital of this Indenture.

"Initial Purchasers" means Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and CIBC World Markets Corp.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes.

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

"Investment" in any Person means any direct or indirect advance, loan or other extension of credit (including, without limitation, by way of Guarantee or similar arrangement; but excluding advances to customers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable on the balance sheet of the Company or its Restricted Subsidiaries) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other similar instruments issued by, such Person. For purposes of the definition of "Unrestricted Subsidiary" and Sections 1012 and 1014, (i) "Investment" shall include (a) the Fair Market Value of the assets (net of liabilities) of any Restricted Subsidiary of the Company at the time that such Restricted Subsidiary of the Company is designated an Unrestricted Subsidiary and shall exclude the Fair Market Value of the assets (net of liabilities) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company and (b) the Fair Market Value, in the case of a sale of Capital Stock in accordance with Section 1014 such that a Person no longer constitutes a Restricted Subsidiary, of the remaining assets (net of liabilities) of such Person after such sale, and shall exclude the Fair Market Value of the assets (net of liabilities) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined by the Board of Directors in good faith. The amount of any Investment "outstanding" at any time shall be deemed to be equal to the amount of such Investment on the date made, less return of capital, repayment of loans, and release of Guarantees, in each case of or to the Company and its Restricted Subsidiaries with respect to such Investment (up to the amount of such Investment on the date made).

"Issuance Date" means, with respect to any Initial Notes, the date on which such Initial Notes are originally issued, which in the case of the Original Notes shall be the Closing Date and which in the case of any Additional Notes shall occur after the Closing Date.

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

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

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

"Maturity", when used with respect to any Notes, means the date on which the principal of such Notes or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, notice of redemption or otherwise.

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

the Company or any Restricted Subsidiary of the Company) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorney's fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Registration Opinion and Supporting Evidence" has the meaning specified in Section 307.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 305.

"Notes" has the meaning stated in the first recital of this Indenture and more particularly means any Notes authenticated and delivered under this Indenture, including Additional Notes. For all purposes of this Indenture, the term "Notes" shall include any Exchange Notes to be issued and exchanged for any Initial Notes pursuant to the Registration Rights Agreement and this Indenture and, for purposes of this Indenture, (A) all Initial Notes and Exchange Notes (including, to the extent provided in clause (B), Additional Notes) shall vote together as one series of Notes under this Indenture and (B) all Additional Notes that are of the same series as the other Notes and bear the same CUSIP numbers as the other Notes shall vote together with such other Notes as one series of Notes under this Indenture.

"Officer's Certificate" means a certificate signed by the Chairman, the President, a Vice President, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Offshore Global Notes" has the meaning set forth in Section 201.

"Offshore Notes Exchange Date" has the meaning set forth in Section 202.

"Offshore Physical Notes" has the meaning set forth in Section 201.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, including an employee of the Company, and who shall be acceptable to the Trustee.

"Original Notes" has the meaning stated in the first recital of the Indenture.

"Outstanding", when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes, except to the extent provided in Sections 1302 and 1303, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Thirteen; and

(iv) Notes which have been paid pursuant to Section 308 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands the Notes are valid obligations of the Company whose determination shall be conclusive and evidenced by a Board Resolution.

provided, *however*, that in determining whether the Holders of the requisite principal amount of Outstanding Notes have given any request, demand, authorization, direction, consent, notice or waiver hereunder, and for the purpose of making the calculations required by TIA Section 313, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of (and premium, if any) or interest on any Notes on behalf of the Company.

"Payment Account" has the meaning set forth in Section 402.

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

in good faith by the Board of Directors of the Company whose determination shall be conclusive and evidenced by a Board Resolution.

"Permitted Investment" means (i) an Investment in a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary; (ii) any Investment in Marketable Securities; (iii) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP; (iv) loans or advances to employees made in the ordinary course of business in accordance with past practice of the Company or its Restricted Subsidiaries and that do not in the aggregate exceed $1.0 million at any time outstanding; (v) stock, obligations or securities received in satisfaction of judgments; (vi) Investments in any Person received as consideration for Asset Sales to the extent permitted under Section 1017; and (vii) Investments in any Person at any one time outstanding (measured on the date each such Investment was made without giving effect to subsequent changes in value) in an aggregate amount not to exceed 10.0% of the Company's total consolidated assets.

"Permitted Liens" means (i) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (ii) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; (iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (iv) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money); (v) easements, rights-of-way, municipal and zoning ordinances and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of the Company or any of its Restricted Subsidiaries; (vi) Liens (including extensions and renewals thereof) upon real or personal property purchased or leased after the Closing Date; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness Incurred in compliance with Section 1011 (1) to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of the item of property or assets subject thereto and such Lien is created prior to, at the time of or within six months after the later of the acquisition, the completion of construction or the commencement of full operation of such property or (2) to refinance any Indebtedness previously so secured, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost and (c) any such Lien shall not extend to or cover any property or assets other than such item of property or assets and any improvements on

such item; (vii) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole; (viii) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets; (ix) any interest or title of a lessor in the property subject to any Capitalized Lease or operating lease; (x) Liens arising from filing Uniform Commercial Code financing statements regarding leases; (xi) Liens on property of, or on shares of stock or Indebtedness of, any corporation existing at the time such corporation becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the
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Company or any Restricted Subsidiary other than the property or assets acquired and were not created in contemplation of such transaction; (xii) Liens in favor of the Company or any Restricted Subsidiary; (xiii) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary of the Company that does not give rise to an Event of Default; (xiv) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof; (xv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (xvi) Liens encumbering customary initial deposits and margin deposits and other Liens that are either within the general parameters customary in the industry or incurred in the ordinary course of business, in each case, securing Indebtedness under Interest Rate Agreements and Currency Agreements; (xvii) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business in accordance with the past practices of the Company and its Restricted Subsidiaries prior to the Closing Date; (xviii) Liens existing on the Closing Date or securing the Notes or any Guarantee of the Notes; (xix) Liens granted after the Closing Date on any assets or Capital Stock of the Company or its Restricted Subsidiaries created in favor of the Holders; (xx) Liens securing Indebtedness which is incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (iv) of paragraph (b) of Section 1011; provided that such Liens do not extend to or cover any property or assets of the
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Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced; (xxi) Liens on the property or assets of a Restricted Subsidiary securing Indebtedness of such Subsidiary which Indebtedness is permitted under this Indenture; and (xxii) Liens securing Indebtedness under Credit Facilities incurred in compliance with clauses (i) and (ii) of paragraph (b) of Section 1011.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust unincorporated organization or government or any agency or political subdivision thereof.

"Physical Notes" has the meaning set forth in Section 201.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 308 in exchange for a mutilated

security or in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

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

"Private Placement Legend" has the meaning specified in Section 202.

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

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

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

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

"Qualified Institutional Buyers" or "QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Stock.

"Redeemable Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (i) required to be redeemed prior to the Stated Maturity of the Notes, (ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Redeemable Stock but for

provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in Sections 1017 and 1010 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to Section 1017 and Section 1010.

"Redemption Date", when used with respect to any Note to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Note to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registration Rights Agreement" means (i) the Registration Rights Agreement between the Company, Primus Telecommunications Incorporated, Primus Telecommunications (Australia) Pty. Ltd., Primus Telecommunications Pty. Ltd. and the Initial Purchasers dated as of October 15, 1999, concerning the registration and exchange of the Original Notes and (ii) any other similar Registration Rights Agreement relating to any Additional Notes.

"Registration Statement" means a Registration Statement as defined in the Registration Rights Agreement.

"Regular Record Date" for the interest payable on any Interest Payment Date means the April 1 or October 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act and any successor provision.

"Resale Restriction Termination Date" has the meaning specified in Section 202.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers and having direct responsibility for the administration of this Indenture, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Payments" has the meaning specified in Section 1012. Any Restricted Payments made other than in cash shall be valued at Fair Market Value.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Rule 144A" means Rule 144A under the Securities Act and any successor provision.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration Statement" means a Shelf Registration Statement as defined in the Registration Rights Agreement.

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

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 309.

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

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

"Subordinated Indebtedness" means Indebtedness of the Company subordinated in right of payment to the Notes.

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

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

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

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was executed, except as provided in Section 905.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect in New York State.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Restricted Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary; *provided* that (A) either (I) the Subsidiary to be so designated has total assets of $1,000 or less or (II) if such Subsidiary has assets greater than $1,000, that such designation would be permitted under Section 1012, and (B) such Subsidiary is not liable, directly or indirectly, with respect to any Indebtedness other than Unrestricted Subsidiary Indebtedness. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that immediately after giving effect to such designation (x) the Company could Incur $1.00 of additional Indebtedness under the first paragraph of Section 1011 and (y) no Default or Event of Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

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

"U.S. Global Note" has the meaning set forth in Section 201.

"U.S. Government Obligations" has the meaning specified in Section 1304.

"U.S. Physical Notes" has the meaning set forth in Section 201.

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

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

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

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

SECTION 102. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the Trust Indenture Act, the provision is incorporated by reference in and made a part of this Indenture. The following Trust Indenture Act terms used in this Indenture have the following meanings:

"indenture notes" means the Notes;

"indenture note holder" means a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture notes means the Company or any other obligor on the Notes.

All other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, defined by reference in the Trust Indenture Act to another statute or defined by a rule of the Commission and not otherwise defined herein shall have the meanings assigned to them therein.

SECTION 103. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 1008(a)) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 104. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one

document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 105. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner that the Trustee deems sufficient.

(c) The principal amount and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Note Register.

(d) If the Company shall solicit from the Holders of Notes any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding TIA Section 316(c), such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Notes shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 106. Notices, Etc. to Trustee, Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust, 800 East Main Street, 2nd Floor, Richmond, Virginia 23219, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 107. Notice to Holders; Waiver.

Where this Indenture provides for notice of any event to Holders by the Company or the Trustee, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event to Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice for every purpose hereunder.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, any Paying Agent, any Notes Registrar and their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

This Indenture and the Notes shall be governed by and construed in accordance with the law of the State of New York. Upon the issuance of Exchange Notes, if any, or the effectiveness of the Shelf Registration Statement, this Indenture will be subject to the provisions of the Trust Indenture Act that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions. Each of the parties hereto submits to the jurisdiction of the U.S. federal and any New York state court located in the Borough of Manhattan, City and State of New York with respect to any actions brought against it as defendant in any suit, action or proceeding arising out of or relative to this Indenture or the Notes and waives any rights to which it may be entitled on account of place of residence or domicile.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date or Stated Maturity or Maturity of any Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of principal (or premium, if any) or interest need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date or sinking fund payment date, or at the Stated Maturity or Maturity; provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

SECTION 114. Currency Indemnity.

U.S. dollars are the sole currency of account and payment for all sums payable by the Company under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any Holder of a Note in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Note, the Company shall indemnify the recipient against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Section 114, it will be sufficient for the Holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the Company's

other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

ARTICLE TWO

NOTE FORMS

SECTION 201. Forms Generally.

The Notes and the Trustee's certificate of authentication shall be in substantially the form annexed hereto as Exhibit A. The Notes may have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such notations, legends or endorsements as may be required by law, or to comply with the rules of any securities exchange or agreements to which the Company is subject or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of the Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. The Company shall approve the form of the Notes and any notation, legend or endorsement on the Notes.

The terms and provisions contained in the form of the Notes annexed hereto as Exhibit A shall constitute, and are hereby expressly made, a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Initial Notes offered and sold in reliance on Rule 144A shall be issued initially in the form of one or more permanent global Notes in registered form, substantially in the form set forth in Exhibit A and contain each of the legends set forth in Section 202 (the "U.S. Global Note"), registered in the name of the Depositary or the nominee of the Depositary, deposited with the Trustee, as custodian for the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the U.S. Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary or its nominee, as hereinafter provided.

Initial Notes offered and sold in offshore transactions in reliance on Regulation S shall be issued initially in the form of a single permanent global Note in registered form, substantially in the form set forth in Exhibit A (the "Offshore Global Note"), registered in the name of the Depositary or the nominee of the Depositary, deposited with the Trustee, as custodian for the Depositary or its nominee, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Offshore Global Note may from time to time be increased or decreased by adjustments made in the records of the Trustee, as custodian

for the Depositary or its nominee, as herein provided. Initial Notes issued pursuant to Section 305 in exchange for or upon transfer of beneficial interests in the U.S. Global Note or the Offshore Global Note shall be in the form of U.S. Physical Notes or in the form of permanent certificated Notes substantially in the form set forth in Exhibit A (the "Offshore Physical Notes"), respectively as hereinafter provided.

Initial Notes offered and sold other than as described in the preceding two paragraphs shall be issued in the form of permanent certificated Notes in registered form substantially in the form set forth in Exhibit A and, unless sold in a transaction registered under the Securities Act, contain the Private Placement Legend as set forth in Section 202(a)(i) (the "U.S. Physical Notes").

The Offshore Physical Notes and U.S. Physical Notes are sometimes collectively herein referred to as the "Physical Notes". The U.S. Global Note and the Offshore Global Notes are sometimes collectively referred to as the "Global Notes".

The definitive Notes shall be printed, lithographed or engraved on steel-engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Notes, as evidenced by their execution of such Notes.

Exchange Notes shall be substantially in the form set forth in Exhibit A.

SECTION 202. Restrictive Legends.

(a) Unless and until (x) an Initial Note is sold pursuant to an effective Shelf Registration Statement or (y) an Initial Note is exchanged for an Exchange Note in an Exchange Offer pursuant to an effective Exchange Offer Registration Statement, in each case pursuant to the Registration Rights Agreement, (A) each such U.S. Global Note and each U.S. Physical Note shall bear the following legends (the "Private Placement Legend") on the face thereof and (B) the Offshore Physical Notes and the Offshore Global Note shall bear the Private Placement Legend on the face thereof until at least 41 days after the date hereof (the "Offshore Notes Exchange Date") and receipt by the Trustee of a certificate substantially in the form of Exhibit B hereto:

(i) THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE

TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A INSIDE THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO RULE 904 OF REGULATION S OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; *PROVIDED* THAT THE COMPANY, THE TRUSTEE, AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(ii) THE NOTE REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE PROVISIONS OF A REGISTRATION RIGHTS AGREEMENT BY AND BETWEEN THE COMPANY AND THE HOLDERS NAMED THEREIN. THE COMPANY WILL FURNISH A COPY OF SUCH AGREEMENT TO THE RECORD HOLDER OF THIS

CERTIFICATE WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

(b) Each Global Note, whether or not an Initial Note, shall also bear the following legend on the face thereof:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 306 AND 307 OF THE INDENTURE.

ARTICLE THREE

THE NOTES

SECTION 301. Titles and Terms.

The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is limited to $325,000,000, except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 303, 304, 305, 308, 906, 1010, 1017 or 1108. The aggregate principal amount of Notes to be authenticated and delivered under this Indenture on the Closing Date shall be $250,000,000.

With respect to any Additional Notes issued after the Closing Date (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 303, 304, 305, 308, 906, 1010, 1017 or 1108), there shall be (i) established in or pursuant to a Board Resolution and (ii) (A) set forth or determined in the manner provided in

an Officer's Certificate or (B) established in one or more indentures supplemental hereto, prior to the issuance of such Additional Notes:

(1) the aggregate principal amount of such Additional Notes which may be authenticated or delivered under this Indenture, which shall not be in an amount which exceeds $75,000,000 (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 303, 304, 305, 308, 906, 1010, 1017 or 1108);

(2) the issue price and issuance date of such Additional Notes, including the date from which interest on such Additional Notes shall accrue;

(3) whether the CUSIP number for such Additional Notes shall be the same as that for the Notes issued on the date hereof;

(4) whether such Additional Notes shall be deemed to be of the same series as the Notes issued on the date hereof;

(5) if applicable, that such Additional Notes shall be issuable in whole or in part in the form of one or more Global Notes and, in such case, the respective depositaries for such Global Notes, the form of any legend or legends which shall be borne by such Global Notes in addition to or in lieu of those set forth in Section 202 and any circumstances in addition to or in lieu of those set forth in Section 307 under which any such Global Notes may be exchanged in whole or in part for Additional Notes registered, or any transfer of such Global Notes in whole or in part may be registered, in the name or names of Persons other than the depositary for such Global Notes or a nominee thereof; and

(6) if applicable, that such Additional Notes shall not be issued in the form of Initial Notes, but shall be issued in the form of Exchange Notes.

If any of the terms of any Additional Notes are established by action taken by a Board Resolution, a copy of the appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officer's Certificate or any indenture supplemental hereto setting forth the terms of such Additional Notes.

The Initial Notes shall be known as the "12-3/4% Senior Notes Due 2009" and the Exchange Notes shall be known as the "12-3/4% Series B Senior Notes Due 2009," in each case, of the Company. The Stated Maturity of the Notes shall be October 15, 2009, and the Notes shall bear interest at the rate of 12.750% per annum from the Issuance Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on April 15, 2000 and semi-annually thereafter on October 15 and April 15 in each year and at said Stated Maturity, until the principal thereof is paid or duly provided for.

The principal of (and premium and Liquidated Damages, if any) and interest on the Notes shall be payable at the office or agency of the Company maintained for such purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose; *provided, however*, that, at the option of the Company, interest may be paid by check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Note Register.

The Notes shall be redeemable as provided in Article Eleven.

SECTION 302. Denominations.

The Notes shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof; *provided* that Notes issued to a Holder that delivers an Accredited Investor Certificate pursuant to Section 307 shall be issuable only in registered form without coupons and only in denominations of $250,000 and any integral multiple of $1,000 in excess thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Notes shall be executed on behalf of the Company by its Chairman, its President or a Vice President, and attested by its Secretary, an Assistant Secretary or any Vice President. The signature of any of these officers on the Notes may be manual or facsimile signatures of the present or any future such authorized officer and may be imprinted or otherwise reproduced on the Notes.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Initial Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Initial Notes directing the Trustee to authenticate the Notes and certifying that all conditions precedent to the issuance of Notes contained herein have been fully complied with, and the Trustee in accordance with such Company Order shall authenticate and deliver such Initial Notes. On Company Order, the Trustee shall authenticate for original issue Exchange Notes in an aggregate principal amount not to exceed $325,000,000; *provided* that such Exchange Notes shall be issuable only upon the valid surrender for cancellation of Initial Notes of a like aggregate principal amount in accordance with an Exchange

Offer pursuant to the Registration Rights Agreement and a Company Order for the authentication of such securities certifying that all conditions precedent to the issuance have been complied with (including the effectiveness of a registration statement related thereto). In each case, the Trustee shall be entitled to receive an Officer's Certificate and an Opinion of Counsel of the Company that it may reasonably request in connection with such authentication of Notes. Such order shall specify the amount of Notes to be authenticated and the date on which the original issue of Initial Notes or Exchange Notes is to be authenticated.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for in Exhibit A, duly executed by the Trustee by manual signature of an authorized officer, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

In case the Company, pursuant to Article Eight, shall be consolidated or merged with or into any other Person or shall convey, transfer, lease or otherwise dispose of its properties and assets substantially as an entirety to any Person, and the successor Person resulting from such consolidation, or surviving such merger, or into which the Company shall have been merged, or the Person which shall have received a conveyance, transfer, lease or other disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article Eight, any of the Notes authenticated or delivered prior to such consolidation, merger, conveyance, transfer, lease or other disposition may, from time to time, at the request of the successor Person, be exchanged for other Notes executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Notes surrendered for such exchange and of like principal amount; and the Trustee, upon Company Request of the successor Person, shall authenticate and deliver Notes as specified in such request for the purpose of such exchange. If Notes shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section in exchange or substitution for or upon registration of transfer of any Notes, such successor Person, at the option of the Holders but without expense to them, shall provide for the exchange of all Notes at the time Outstanding for Notes authenticated and delivered in such new name.

SECTION 304. Temporary Note.

Pending the preparation of definitive Notes, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Notes may determine, as conclusively evidenced by their execution of such Notes.

If temporary Notes are issued, the Company will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Company designated for such purpose pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes.

SECTION 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Note Register shall be in written form or any other form capable of being converted into written form within a reasonable time. At all reasonable times, the Note Register shall be open to inspection by the Trustee. The Trustee is hereby initially appointed as security registrar (the "Note Registrar") for the purpose of registering Notes and transfers of Notes as herein provided.

Upon surrender for registration of transfer of any Note at the office or agency of the Company designated pursuant to Section 1002, the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination or denominations of a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for other Notes of any authorized denomination and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive; provided that no exchange of Initial Notes for Exchange Notes shall occur until an Exchange Offer Registration Statement shall have been declared effective by the Commission, the Trustee shall have received an Officer's Certificate confirming that the Exchange Offer Registration Statement has been declared effective by the Commission and that the Initial Notes to be exchanged for the Exchange Notes shall be canceled by the Trustee.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed and be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Note Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange or redemption of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 304, 906, 1010, 1017 or 1108 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before the selection of Notes to be redeemed under Section 1104 and ending at the close of business on the day of such mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

SECTION 306. Book-Entry Provisions for Global Notes.

(a) Each Global Note initially shall (i) be registered in the name of the Depositary for such Global Note or the nominee of such Depositary, (ii) be delivered to the Trustee as custodian for such Depositary and (iii) bear legends as set forth in Section 202.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Note, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or shall impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Note.

(b) Transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to the Depositary, its successors or their respective nominees, except (i) as otherwise set forth in Section 307 and (ii) U.S. Physical Notes or Offshore Physical Notes shall be transferred to all beneficial owners in exchange for their beneficial interests in the U.S. Global Note or the Offshore Global Note, respectively, in the event that the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the applicable Global Note or the Depositary ceases to be a "Clearing Agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days. Interests of beneficial owners in a Global Note may be transferred in accordance with the rules and procedures of the Depositary and the provisions of

Section 307. In connection with the transfer of an entire Global Note to beneficial owners pursuant to clause (ii) of this paragraph (b), the applicable Global Note shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the applicable Global Note, an equal aggregate principal amount at maturity of U.S. Physical Notes (in the case of the U.S. Global Note) or Offshore Physical Notes (in the case of the Offshore Global Note), as the case may be, of authorized denominations.

(c) Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(d) Any U.S. Physical Note delivered in exchange for an interest in the U.S. Global Note pursuant to paragraph (b) of this Section shall, unless such change is made on or after the Resale Restriction Termination Date and except as otherwise provided in Section 307, bear the Private Placement Legend.

(e) The registered holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

SECTION 307. Transfer Provisions.

Unless and until (i) an Initial Note is sold pursuant to an effective Registration Statement, or (ii) an Initial Note is exchanged for an Exchange Note in the Exchange Offer pursuant to an effective Registration Statement, in each case, pursuant to the Registration Rights Agreement, the following provisions shall apply:

(a) General. The provisions of this Section 307 shall apply to all transfers involving any Physical Note and any beneficial interest in any Global Note.

(b) Certain Definitions. As used in this Section 307 only, "delivery" of a certificate by a transferee or transferor means the delivery to the Note Registrar by such transferee or transferor of the applicable certificate duly completed; "holding" includes both possession of a Physical Note and ownership of a beneficial interest in a Global Note, as the context requires; "transferring" a Global Note means transferring that portion of the principal amount of the transferor's beneficial interest therein that the transferor has notified the Note Registrar that it has agreed to transfer; and "transferring" a Physical Note means transferring that portion of the principal amount thereof that the transferor has notified the Note Registrar that it has agreed to transfer.

As used in this Indenture, "Accredited Investor Certificate" means a certificate substantially in the form set forth in Exhibit C; "Regulation S Certificate" means a certificate substantially in the form set forth in Exhibit D; "Rule 144A Certificate" means a certificate substantially in the form set forth in Exhibit E; and "Non-Registration Opinion and Supporting Evidence" means a written opinion of counsel reasonably acceptable to the Company to the effect that, and such other certification or information as the Company may reasonably require to confirm that, the proposed transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(c) [Intentionally Omitted]

(d) Deemed Delivery of a Rule 144A Certificate in Certain Circumstances. A Rule 144A Certificate, if not actually delivered, will be deemed delivered if (A) (i) the transferor advises the Company and the Trustee in writing that the relevant offer and sale were made in accordance with the provisions of Rule 144A (or, in the case of a transfer of a Physical Note, the transferor checks the box provided on the Physical Note to that effect) and (ii) the transferee advises the Company and the Trustee in writing that (x) it and, if applicable, each account for which it is acting in connection with the relevant transfer, is a qualified institutional buyer within the meaning of Rule 144A, (y) it is aware that the transfer of Notes to it is being made in reliance on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A, and (z) if at any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, prior to the proposed date of transfer the transferee has been given the opportunity to obtain from the Company the information referred to in Rule 144A(d)(4), and has either declined such opportunity or has received such information (or, in the case of a transfer of a Physical Note, the transferee signs the certification provided on the Physical Note to that effect); or (B) the transferor holds the U.S. Global Note and is transferring to a transferee that will take delivery in the form of the U.S. Global Note.

(e) Procedures and Requirements.

1) if the proposed transfer occurs prior to the Offshore Notes Exchange Date, and the proposed transferor holds:

(A) a U.S. Physical Note which is surrendered to the Note Registrar, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the Note Registrar shall (x) register such transfer in the name of such transferee

and record the date thereof in its books and records, (y) cancel such surrendered U.S. Physical Note and (z) deliver a new U.S. Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the principal amount being transferred of such surrendered U.S. Physical Note;

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the Note Registrar shall (x) cancel such surrendered U.S. Physical Note, (y) record an increase in the principal amount of the U.S. Global Note equal to the principal amount being transferred of such surrendered U.S. Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer; or

(iii) delivers a Regulation S Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the Note Registrar shall (x) cancel such surrendered U.S. Physical Note, (y) record an increase in the principal amount of the Offshore Global Note equal to the principal amount being transferred of such surrendered U.S. Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

In any of the cases described in this Section 307(e)(1)(A), the Note Registrar shall deliver to the transferor a new U.S. Physical Note in principal amount equal to the principal amount not being transferred of such surrendered U.S. Physical Note, as applicable.

(B) an interest in the U.S. Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a

decrease in the principal amount of the U.S. Global Note in an amount equal to the beneficial interest therein being transferred, (y) deliver a new U.S. Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer;

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the transfer shall be effected in accordance with the procedures of the Depositary therefor; or

(iii) delivers a Regulation S Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the U.S. Global Note in an amount equal to the beneficial interest therein being transferred, (y) record an increase in the principal amount of the Offshore Global Note equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

(C) an interest in the Offshore Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Trust, a Non-Registration Opinion and Supporting Evidence delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) deliver a new U.S. Physical Note to such transferee duly

registered in the name of such transferee in principal amount equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the Note Registrar shall (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) record an increase in the principal amount of the U.S. Global Note equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer; or

(iii) delivers a Regulation S Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the transfer shall be effected in accordance with the procedures of the Depositary therefor; *provided, however*, that until the Offshore Note Exchange Date occurs, beneficial interests in the Offshore Global Note may be held only in or through accounts maintained at the Depositary by Euroclear or Cedel (or by Agent Members acting for the account thereof), and no person shall be entitled to effect any transfer or exchange that would result in any such interest being held otherwise than in or through such an account.

2) If the proposed transfer occurs on or after the Offshore Note Exchange Date and the proposed transferor holds:

(A) a U.S. Physical Note which is surrendered to the Note Registrar, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee

requests delivery in the form of a U.S. Physical Note, then the procedures set forth in Section 307(e)(1)(A)(i) shall apply.

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the procedures set forth in Section 307(e)(1)(A)(ii) shall apply; or

(iii) delivers a Regulation S Certificate, then the Note Registrar shall cancel such surrendered U.S. Physical Note and at the direction of the transferee, either:

(x) register such transfer in the name of such transferee, record the date thereof in its books and records and deliver a new Offshore Physical Note to such transferee in principal amount equal to the principal amount being transferred of such surrendered U.S. Physical Note, or

(y) if the proposed transferee is or is acting through an Agent Member, record an increase in the principal amount of the Offshore Global Note equal to the principal amount being transferred of such surrendered U.S. Physical Note and notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

In any of the cases described in this Section 307(e)(2)(A)(i), (ii) or (iii)(x), the Note Registrar shall deliver to the transferor a new U.S. Physical Note in principal amount equal to the principal amount not being transferred of such surrendered U.S. Physical Note, as applicable.

(B) an interest in the U.S. Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers an Accredited Investor Certificate and, if required by the Company, a Non-Registration Opinion and Supporting Evidence, or delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee requests delivery in the form of a U.S. Physical Note, then the procedures set forth in Section 307(e)(1)(A)(i) shall apply; or

(ii) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests that the proposed transferee receive a beneficial interest in the U.S. Global Note, then the procedures set forth in Section 307(e)(1)(B)(ii) shall apply; or

(iii) delivers a Regulation S Certificate, then the Note Registrar shall (x) record a decrease in the principal amount of the U.S. Global Note in an amount equal to the beneficial interest therein being transferred, (y) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer and (z) at the direction of the transferee, either:

(x) register such transfer in the name of such transferee, record the date thereof in its books and records and deliver a new Offshore Physical Note to such transferee in principal amount equal to the amount of such decrease, or

(y) if the proposed transferee is or is acting through an Agent Member, record an increase in the principal amount of the Offshore Global Note equal to the amount of such decrease.

(C) an Offshore Physical Note which is surrendered to the Note Registrar, and the proposed transferee or transferor or, as applicable:

(i) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests delivery in the form of the U.S. Global Note, then the Note Registrar shall (x) cancel such surrendered Offshore Physical Note, (y) record an increase in the principal amount of the U.S. Global Note equal to the principal amount being transferred of such surrendered Offshore Physical Note and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer;

(ii) where the proposed transferee is or is acting through an Agent Member, requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the Note Registrar shall (x) cancel such surrendered Offshore Physical Note, (y) record an increase in the principal amount of the Offshore Global Note equal to the principal amount being transferred of such surrendered Offshore Physical Note and (z) notify the Depositary in

accordance with the procedures of the Depositary that it approves of such transfer; or

(iii) does not make a request covered by Section 307(e)(2)(C)(i) or Section 307(e)(2)(C)(ii), then the Note Registrar shall (x) register such transfer in the name of such transferee and record the date thereof in its books and records, (y) cancel such surrendered Offshore Physical Note and (z) deliver a new Offshore Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the principal amount being transferred of such surrendered Offshore Physical Note.

In any of the cases described in this Section 307(e)(2)(C), the Note Registrar shall deliver to the transferor a new U.S. Physical Note in principal amount equal to the principal amount not being transferred of such surrendered U.S. Physical Note, as applicable.

(D) an interest in the Offshore Global Note, and the proposed transferee or transferor, as applicable:

(i) delivers (or is deemed to have delivered pursuant to clause (d) above) a Rule 144A Certificate and the proposed transferee is or is acting through an Agent Member and requests delivery in the form of the U.S. Global Note, then the Note Registrar shall (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) record an increase in the principal amount of the U.S. Global Note equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer;

(ii) where the proposed transferee is or is acting through an Agent Member, requests that the proposed transferee receive a beneficial interest in the Offshore Global Note, then the transfer shall be effected in accordance with the procedures of the Depositary therefor, or

(iii) does not make a request covered by Section 307(e)(2)(D)(i) or Section 307(e)(2)(D)(ii), then the Note Registrar shall (w) register such transfer in the name of such transferee and record the date thereof in its books and records, (x) record a decrease in the principal amount of the Offshore Global Note in an amount equal to the beneficial interest therein being transferred, (y) deliver a new

Offshore Physical Note to such transferee duly registered in the name of such transferee in principal amount equal to the amount of such decrease and (z) notify the Depositary in accordance with the procedures of the Depositary that it approves of such transfer.

(f) Execution, Authentication and Delivery of Physical Notes. In any case in which the Note Registrar is required to deliver a Physical Note to a transferee or transferor, the Company shall execute, and the Trustee shall authenticate and make available for delivery, such Physical Note.

(g) Certain Additional Terms Applicable to Physical Notes. Any transferee entitled to receive a Physical Note may request that the principal amount thereof be evidenced by one or more Physical Notes in any authorized denomination or denominations the Note Registrar shall comply with such request if all other transfer restrictions are satisfied.

(h) Transfers Not Covered by Section 307(e). The Note Registrar shall effect and record, upon receipt of a written request from the Company so to do, a transfer not otherwise permitted by Section 307(e), such recording to be done in accordance with the otherwise applicable provisions of Section 307(e), upon the furnishing by the proposed transferor or transferee of a Non-Registration Opinion and Supporting Evidence.

(i) General. By its acceptance of any Note bearing the Private Placement Legend, each Holder of such Note acknowledges the restrictions on transfer of such Note set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Note only as provided in the Indenture. The Note Registrar shall not register a transfer of any Note unless such transfer complies with the restrictions with respect thereto set forth in this Indenture. The Note Registrar shall not be required to determine (but may rely upon a determination made by the Company) the sufficiency or accuracy of any such certifications, legal opinions, other information or document.

(j) Private Placement Legend. Upon the transfer, exchange or replacement of Notes not bearing the Private Placement Legend, the Note Registrar shall deliver Notes that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Notes bearing the Private Placement Legend, the Note Registrar shall deliver only Notes that bear the Private Placement Legend unless (i) the circumstances exist contemplated by the fourth paragraph of Section 201 (with respect to an Offshore Physical Note) or the requested transfer is at least two years after the original issue date of the Initial Note (with respect to any Physical Note), (ii) there is delivered to the Note Registrar an Opinion of Counsel reasonably satisfactory to the Company and the Trustee to the effect that neither such legend nor the related

restrictions on transfer are required in order to maintain compliance with the provisions of the Act or (iii) such Notes are exchanged for Exchange Notes pursuant to an Exchange Offer.

SECTION 308. Mutilated, Destroyed, Lost and Stolen Notes.

If (i) any mutilated Note is surrendered to the Trustee, or (ii) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Note, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of written notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver, in exchange for any such mutilated Note or in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section 308, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and shall require the payment of a sum sufficient to pay any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 308 in lieu of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 308 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 309. Payment of Interest; Interest Rights Preserved.

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 1002; provided, however, that each installment of interest may at the Company's option be paid by (i) mailing a check for such interest, payable to or upon the written order of the Person entitled thereto

pursuant to Section 310, to the address of such Person as it appears in the Note Register or (ii) transferring the interest payment to an account located in the United States maintained by the payee.

Any interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date shall forthwith cease to be payable to the Holder on the Regular Record Date by virtue of having been such Holder, and such defaulted interest and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes (such defaulted interest and interest thereon herein collectively called "Defaulted Interest") may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Company, with the written consent of the Trustee, shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given in the manner provided for in Section 106, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

SECTION 310. Persons Deemed Owners.

Prior to the due presentment of a Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of (and premium, if any) and (subject to Sections 305 and 309) interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 311. Cancellation.

All Notes surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to, and promptly cancelled by, the Trustee. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold, and all Notes so delivered shall be promptly cancelled by the Trustee. If the Company shall so acquire any of the Notes, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are surrendered to the Trustee for cancellation. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Notes held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures and certification of their disposal delivered to the Company unless by Company Order the Company shall direct that cancelled Notes be returned to it after being appropriately designated as cancelled.

SECTION 312. Computation of Interest.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 313. CUSIP Numbers.

The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption or other notices to Holders as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in the notice of redemption and that reliance may be placed only on the other identification numbers and other identifying information printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

In the event that the Company shall issue and the Trustee shall authenticate any Additional Notes pursuant to this Indenture, the Company shall use its best efforts to obtain the same

CUSIP number for such Additional Notes as is printed on the Notes outstanding at such time; provided, however, that if any series of Additional Notes is determined, pursuant to an Opinion of Counsel, to be a different class of security than the Notes outstanding at such time for federal income tax purposes, the Company may obtain a CUSIP number for such series of Additional Notes that is different from the CUSIP number printed on the Notes then outstanding, in which event such Additional Notes shall be deemed to be a different series from the Notes issued on the date hereof.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Notes expressly provided for herein or pursuant hereto) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture when

(1) either

(a) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 308 and (ii) Notes for whose payment money has theretofore been deposited in trust with the Trustee or any Paying Agent or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(b) all such Notes not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Notes not

theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest and Liquidated Damages, if any, to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at Stated Maturity or redemption, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 606 and, if money shall have been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

On or prior to the effective date of this Indenture, the Trustee shall establish a segregated, non-interest bearing corporate trust account (the "Payment Account") maintained by the Trustee for the benefit of the Holders in which all amounts paid to the Trustee for the benefit of the Holders in respect of the Notes will be held and from which the Trustee (if the Trustee is the Paying Agent) shall make payments to the Holders in accordance with this Indenture and the Notes. Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 and otherwise pursuant to this Indenture shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of interest or Liquidated Damages, if any, on any Note when due and payable and continuance of such default for a period of 30 days; or

(2) default in the payment of principal of (or premium, if any, on) any Note at its Stated Maturity, upon acceleration, redemption or otherwise; or

(3) default in the payment of principal or interest or Liquidated Damages, if any, on any Note required to be purchased pursuant to an Excess Proceeds Offer as set forth in Section 1017 or pursuant to a Change of Control Offer as set forth in Section 1010; or

(4) failure to perform or comply with the provisions in Section 801; or

(5) default in the performance or breach of any covenant or agreement of the Company in this Indenture or under the Notes (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of 30 consecutive days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Notes a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(6) there occurs with respect to any issue or issues of Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of $10.0 million or more in the aggregate for all such issues of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (I) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled by the earlier of (x) the expiration of any applicable grace period or (y) the thirtieth day after such default and/or (II) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended by the earlier of (x) the expiration of any applicable grace period or (y) the thirtieth day after such default; or

(7) any final judgment or order (not covered by insurance) for the payment of money in excess of $10.0 million in the aggregate for all such final judgments or orders (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against the Company or any Restricted Subsidiary and shall not be paid or discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed $10.0 million during which a stay of

enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(8) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of the Company or any of its Significant Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Significant Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Significant Subsidiaries or (C) the winding up or liquidation of the affairs of the Company or any of its Significant Subsidiaries and, in each case, such decree or order shall remain unstayed and in effect for a period of 30 consecutive days; or

(9) the Company or any of its Significant Subsidiaries (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Significant Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Significant Subsidiaries or (C) effects any general assignment for the benefit of creditors.

SECTION 502. <u>Acceleration of Maturity; Rescission and Annulment.</u>

If an Event of Default (other than an Event of Default specified in Section 501(8) or 501(9)) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Notes Outstanding may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued but unpaid interest and Liquidated Damages, if any, on all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration of acceleration, such principal of, premium, if any, and accrued interest and Liquidated Damages, if any, shall become immediately due and payable. If an Event of Default specified in Section 501(8) or 501(9) occurs, then the principal amount of, premium, if any, and accrued interest and Liquidated Damages, if any, on the Notes then Outstanding shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration has been made, the Holders of a majority in principal amount of the Notes Outstanding, by written notice to the Company and the Trustee, may waive all past defaults and rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay,

(A) all overdue interest and Liquidated Damages on all Outstanding Notes,

(B) all unpaid principal of (and premium, if any, on) any Outstanding Notes which has become due otherwise than by such declaration of acceleration, and interest on such unpaid principal at the rate borne by the Notes,

(C) to the extent that payment of such interest is lawful, interest on overdue interest at the rate borne by the Notes, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 606;

(2) all Events of Default, other than the non-payment of amounts of principal of (or premium, if any, on) and accrued and unpaid interest and Liquidated Damages, if any, on the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513; and

(3) the recission, in the Opinion of Counsel, would not conflict with any judgment or decree of a court of competent jurisdiction.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Notwithstanding the preceding paragraph, in the event of a declaration of acceleration in respect of the Notes because of an Event of Default specified in Section 501(6) shall have occurred and be continuing, such declaration of acceleration shall be automatically rescinded and annulled if the Indebtedness that is the subject of such Event of Default has been discharged or the holders thereof have rescinded their declaration of acceleration in respect of such Indebtedness, and written notice of such discharge or rescission, as the case may be, shall have been given to the Trustee by the Company and countersigned by the holders of such Indebtedness or a trustee, fiduciary or agent for such holders, within 60 days after such declaration of acceleration in respect of the Notes, and no other Event of Default has occurred during such 60-day period which has not been cured or waived during such period.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

(a) default is made in the payment of any installment of interest and Liquidated Damages, if any, on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of the principal of (or premium, if any, on) any Note at the Maturity thereof,

the Company will pay to the Trustee for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal (and premium and Liquidated Damages, if any) and interest, and interest on any overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installment of interest and Liquidated Damages, if any, at the rate borne by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, fees expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 606.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, interest or Liquidated Damages, if any) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium and Liquidated Damages, if any) and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel and any amounts due the Trustee under Section 606) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any, or Liquidated Damages, if any) or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 606;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium and Liquidated Damages, if any) and interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal (and premium and Liquidated Damages, if any) and interest, respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 507. Limitation on Suits.

Except to enforce the right to receive payment of principal or, premium, if any, or interest or Liquidated Damages, if any, when due, no Holder of any Notes shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) such Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the Outstanding Notes do not give the Trustee a direction that is inconsistent with the request;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment, as provided herein (including, if applicable, Article Thirteen) and in such Note of the principal of (and premium and Liquidated Damages, if any) and (subject to Section 309) interest on such Note on the respective Stated Maturities expressed in such Note (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 308, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of not less than a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee need not take any action which might involve it in personal liability or which, in the good faith determination of the Trustee, may be unjustly prejudicial to the Holders not consenting.

SECTION 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except a default

(1) in respect of the payment of the principal of (or premium or Liquidated Damages, if any) or interest on any Note, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 514. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. Notice of Defaults.

Within 90 days after the occurrence of any Default hereunder, the Trustee shall transmit in the manner and to the extent provided in TIA Section 313(c), notice of such Default hereunder actually known to the corporate trust officer having responsibility for the administration of this Indenture on behalf of the Trustee, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal of (or premium, if any) or interest on any Note, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders; and provided further that in the case of any Default of the

character specified in Section 501(6), no such notice to Holders shall be given until at least 30 days after the corporate trust officer having responsibility for the administration of this Indenture on behalf of Trustee has actual knowledge of the occurrence thereof.

In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

SECTION 602. Certain Rights of Trustee.

Subject to the provisions of TIA Sections 315(a) through 315(d):

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(4) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine

to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(8) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(9) the Trustee shall have no duty to inquire as to the performance of the Company's covenants herein.

The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 603. Trustee Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, except for the Trustees certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Notes and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. The Trustee shall not be accountable for the use or application by the Company of Notes or the proceeds thereof.

SECTION 604. May Hold Notes.

The Trustee, any Paying Agent, any Note Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Note Registrar or such other agent.

SECTION 605. Money Held in Trust.

Money held by the Trustee in trust hereunder shall be segregated from other funds. The Trustee shall be under no liability for interest on any money received by it hereunder.

SECTION 606. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents, accountants, experts and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence or bad faith; and

(3) to indemnify the Trustee and each of its officers, directors, employees, attorneys-in-fact and agents for, and to hold it harmless against, any claim, demand, loss, liability or expense (including but not limited to reasonable compensation, disbursements and expenses of the Trustee's agents and counsel) incurred without gross negligence or bad faith on its part, arising out of or in connection with the offering and sale of the Notes, or the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder and enforcing this indemnification provision.

The obligations of the Company under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest on particular Notes.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(8) or (9), the expenses (including the reasonable charges and expenses of its counsel) of and the compensation for such services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the resignation or removal of the Trustee or the termination of this Indenture.

SECTION 607. Corporate Trustee Required; Eligibility.

There shall be at all times a Trustee hereunder which shall be eligible to act as Trustee under TIA Section 310(a)(1) and shall have a combined capital and surplus of at least $50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of Federal, State, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 607, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 608. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 609.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 609 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of not less than a majority in principal amount of the Outstanding Notes, delivered in writing to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of TIA Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 607 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee, or (ii) subject to TIA Section 315(e), any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Holders of Notes in the manner provided for in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 609. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 610. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation

to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes. In case at that time any of the Notes shall not have been authenticated, any successor Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor Trustee. In all such cases such certificates shall have the full force and effect which this Indenture provides for the certificate of authentication of the Trustee shall have; *provided, however*, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Notes in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE SEVEN

HOLDERS LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Disclosure of Names and Addresses of Holders.

Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that none of the Company or the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312(b).

SECTION 702. Reports by Trustee.

Within 60 days after May 15 of each year commencing with the first May 15 after the first issuance of Notes, the Trustee shall transmit to the Holders, in the manner and to the extent provided in TIA Section 313(c), a brief report dated as of such May 15 if required by TIA Section 313(a).

SECTION 703. Reports by Company.

The Company shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may

from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Holders, in the manner and to the extent provided in TIA Section 313(c), within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person or permit any Person to merge with or into the Company and the Company will not permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Company or the Company and its Restricted Subsidiaries, taken as a whole, to any other Person or Persons, unless:

(1) either (A), the Company shall be the continuing Person, or (B) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (i) shall be a corporation, partnership (in the case of a partnership, together with a corporate co-obligor) or trust organized and validly

existing under the laws of the United States of America or any jurisdiction thereof and (ii) shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the Company's obligation for the due and punctual payment of the principal of (and premium and Liquidated Damages, if any) and interest on all Notes and the performance and observance of every covenant of the Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Company or a Restricted Subsidiary in connection with or as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis the Company, or any Person becoming the successor obligor of the Notes, as the case may be, could Incur at least $1.00 of Indebtedness under paragraph (a) of Section 1011; and

(4) the Company or such Person shall have delivered to the Trustee an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) above) and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this Article and that all conditions precedent provided for herein relating to such transaction have been complied with; _provided, however_, that clause (3) above does not apply if, in the good faith determination of the Board of Directors of the Company, whose determination shall be conclusive and evidenced by a Board Resolution, the principal purpose of such transaction is to change the state of incorporation of the Company; and _provided further_ that any such transaction shall not have as one of its purposes the evasion of the foregoing limitations.

SECTION 802. _Successor Substituted._

Upon any consolidation of the Company with or merger of the Company with or into any other corporation or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and in the event of any such conveyance or transfer, the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this Indenture or any successor Person which shall theretofore become such in the manner described in Section 801), except in the case of a lease, shall be discharged of all obligations and covenants under this Indenture and the Notes and may be dissolved and liquidated.

SECTION 803. Notes to Be Secured in Certain Events.

If, upon any such consolidation of the Company with or merger of the Company into any other corporation, or upon any conveyance, lease or transfer of the property of the Company substantially as an entirety to any other Person, any property or assets of the Company would thereupon become subject to any Lien, then unless such Lien could be created pursuant to Section 1016 without equally and ratably securing the Notes, the Company, prior to or simultaneously with such consolidation, merger, conveyance, lease or transfer, will as to such property or assets, secure the Notes Outstanding (together with, if the Company shall so determine any other Indebtedness of the Company now existing or hereinafter created which is not subordinate in right of payment to the Notes) equally and ratably with (or prior to) the Indebtedness which upon such consolidation, merger, conveyance, lease or transfer is to become secured as to such property or assets by such Lien, or will cause such Notes to be so secured.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company contained herein and in the Notes; or

(2) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee pursuant to the requirements of Section 609; or

(5) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; provided, that such action shall not adversely affect the interests of the Holders in any material respect; or

(6) to secure the Notes pursuant to the requirements of Section 803 or Section 1016 or otherwise, or

(7) to provide for the issuance of Additional Notes; *provided that* such issuance shall otherwise be in accordance with the terms of the Indenture, including Section 1011.

SECTION 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby:

(1) change the Stated Maturity of the principal of or any installment of interest on any Note, or reduce the principal amount thereof (or premium or Liquidated Damages, if any) or the rate of interest thereon or change the coin or currency in which any Note or any premium or the interest thereon is payable or extend the time for the payment of interest, or alter the redemption provisions of, any Note, or impair the right of any Holder of the Notes to receive payment of, principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of redemption, on or after the Redemption Date) of any Note, or

(2) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture, or

(3) waive a default in the payment of principal of (or premium, if any) or accrued and unpaid interest or Liquidated Damages, if any, on the Notes, or

(4) modify any provision of any Guarantees of the Notes in a manner adverse to the Holders, or

(5) modify any of the provisions of this Section or Sections 513 and Section 1022, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustees own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to the Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906. Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and upon Company Order authenticated and delivered by the Trustee in exchange for Outstanding Notes.

SECTION 907. Notice of Supplemental Indentures.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 902, the Company shall give notice thereof to the Holders of each Outstanding Note affected, in the manner provided for in Section 106, setting forth in general terms the substance of such supplemental indenture.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal, Premium, if Any, and Interest.

The Company covenants and agrees for the benefit of the Holders that it will duly and punctually pay the principal of (and premium, if any) and interest and Liquidated Damages, if any, on the Notes in accordance with the terms of the Notes and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in The City of New York, an office or agency (which may be a drop facility) where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency. The Company hereby designates the Trustee, c/o First Union National Bank, 40 Broad Street, Fifth Floor, Suite 550, New York, New York 10004 as such drop facility in compliance with this Section 1002.

SECTION 1003. Money for Note Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (or premium or Liquidated Damages, if any) or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal of (or premium or Liquidated Damages, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Notes, it will, on or before each due date of the principal of (or premium or Liquidated Damages, if any) or interest

on any Notes, deposit with a Paying Agent a sum sufficient to pay the principal (and premium and Liquidated Damages, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium, Liquidated Damages or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of such action or any failure so to act.

The Company will cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium and Liquidated Damages, if any) or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal (and premium and Liquidated Damages, if any) or interest on the Notes; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (or premium or Liquidated Damages, if any) or interest on any Note and remaining unclaimed for two years after such principal, premium, Liquidated Damages or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; <u>provided</u>, <u>however</u>, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. Corporate Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence, rights (charter and statutory) and franchises of the Company and each Subsidiary; *provided*, *however*, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 1005. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary and (b) all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary; *provided*, *however*, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1006. Maintenance of Properties.

The Company will cause all properties owned by the Company or any Subsidiary or used or held for use in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided*, *however*, that nothing in this Section shall prevent the Company from discontinuing the maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 1007. Insurance.

The Company will at all times keep all of its and its Subsidiaries properties which are of an insurable nature insured with insurers, believed by the Company to be responsible, against loss or damage to the extent that property of similar character is usually so insured by corporations similarly situated and owning like properties.

SECTION 1008. Statement by Officers As to Default.

(a) The Company will deliver to the Trustee, within 90 days after the end of each fiscal year, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 1008(a), such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) When any Default has occurred and is continuing under this Indenture, or if the trustee for or the holder of any other evidence of Indebtedness of the Company or any Subsidiary gives any notice or takes any other action with respect to a claimed default (other than with respect to Indebtedness in the principal amount of less than $1,000,000), the Company shall deliver to the Trustee by registered or certified mail or by telegram, telex or facsimile transmission an Officer=s Certificate specifying such event, notice or other action within five Business Days of its occurrence.

(c) When any Registration Default (as defined in the Registration Rights Agreement) occurs, the Company shall promptly deliver to the Trustee by registered or certified mail or by telegram, telex or facsimile transmission an Officer's Certificate specifying the nature of such Registration Default. In addition, the Company shall deliver to the Trustee on each Interest Payment Date during the continuance of a Registration Default and on the Interest Payment Date following the cure of a Registration Default, an Officer's Certificate specifying the amount of Liquidated Damages which have accrued and which are then owing under the Registration Rights Agreement.

SECTION 1009. Provision of Financial Statements.

(a) The Company will file on a timely basis with the Commission, to the extent such filings are accepted by the Commission and whether or not the Company has a class of securities registered under the Exchange Act, the annual reports, quarterly reports and other documents that the Company would be required to file if it were subject to Section 13 or 15 of the Exchange Act. All such annual reports shall include the geographic segment financial information contemplated by Item 101(d) of Regulation S-K under the Securities Act/SFAS 14, and all such quarterly reports shall provide the same type of interim financial information that, as of the date of this Indenture, currently is the Company's practice to provide.

(b) The Company will also be required (i) to file with the Trustee, and provide to each Holder, without cost to such Holder, copies of such reports and documents within 15 days after the date on which the Company files such reports and documents with the Commission or the date on which the Company would be required to file such reports and documents if the Company were so required, and (ii) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, to supply at the Company's cost copies of such reports and documents to any prospective Holder promptly upon request.

SECTION 1010. Repurchase of Notes upon a Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder shall have the right to require the Company to repurchase all or any part of its Notes at a purchase price in cash pursuant to the offer described below (the "Change of Control Offer") equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (subject to the right of holders of record to receive interest on the relevant interest payment date) (the "Change of Control Payment") in accordance with the procedures set forth in paragraphs (c) and (e) of this Section.

(b) [Intentionally Omitted]

(c) Within 30 days following any Change of Control, the Company shall give to each Holder of the Notes and the Trustee in the manner provided in Section 106 a notice stating:

(i) that a Change of Control has occurred, that the Change of Control Offer is being made pursuant to this Section 1010 and that all Notes validly tendered will be accepted for payment;

(ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date");

(iii) that any Note not tendered will continue to accrue interest and Liquidated Damages, if any, pursuant to its terms;

(iv) that, unless the Company defaults in the payment of the Change of Control Payment, any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest and Liquidated Damages, if any, on and after the Change of Control Payment Date;

(v) that Holders electing to have any Note or portion thereof purchased pursuant to the Change of Control Offer will be required to surrender such Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of such Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day immediately preceding the Change of Control Payment Date;

(vi) that Holders be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased, and

(vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that
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each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

(d) [Intentionally Omitted]

(e) On the Change of Control Payment Date, the Company shall:

(i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Offer;

(ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and

(iii) deliver, or cause to be delivered, to the Trustee, all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail, to the Holders of Notes so accepted, payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount of any unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. For purposes of this Section 1010, the Trustee shall act as Paying Agent.

The Company will comply with Rule l4e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in the event that a Change of Control occurs and the Company is required to repurchase the Notes under this Section 1010.

SECTION 1011. *Limitation on Indebtedness.*

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (other than the $250,000,000 of Original Notes); *provided, however*, that the Company may Incur Indebtedness if immediately thereafter the ratio of (i) the aggregate principal amount (or accreted value, as the case may be) of Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis outstanding as of the Transaction Date to (ii) the Pro Forma Consolidated Cash Flow for the preceding two full fiscal quarters multiplied by two, determined on a pro forma basis as if any such Indebtedness that had been Incurred and the proceeds thereof had been applied at the beginning of such two fiscal quarters, would be greater than zero and less than 6.0 to 1.

(b) Notwithstanding the foregoing, the Company and (except for Indebtedness under subsections (v), (vii) and (xi) below) any Restricted Subsidiary may Incur each and all of the following:

(i) Indebtedness of the Company or any Restricted Subsidiary under one or more Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of (a) $50 million or (b) 65% of Eligible Accounts Receivable, subject to any permanent reductions required by any other terms of the Indenture;

(ii) Indebtedness (including Guarantees) Incurred by the Company or a Restricted Subsidiary after the Closing Date to finance the cost (including the cost of design, development, construction, acquisition, installation or integration) of equipment used in the telecommunications business or ownership rights with respect to indefeasible rights of use or minimum investment units (or similar ownership interests) in domestic or transnational fiber optic cable or other transmission facilities, in each case purchased or leased by the Company or a Restricted Subsidiary after the Closing Date (including acquisitions by way of Capitalized Leases and acquisitions of the Capital Stock of a Person that becomes a Restricted Subsidiary to the extent of the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of such equipment, ownership rights or minimum investment units so acquired);

(iii) Indebtedness of any Restricted Subsidiary to the Company or Indebtedness of the Company or any Restricted Subsidiary to any other Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness not permitted by this clause (iii) (other than to the Company or another Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness, and *provided further* that Indebtedness of the Company to a Restricted Subsidiary must be subordinated in right of payment to the Notes;

(iv) Indebtedness of the Company or a Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness of the Company or a Restricted Subsidiary, other than Indebtedness Incurred under clauses (i), (iii), (vi), (viii), (ix) and (xii) of this paragraph, and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, and reasonable fees and expenses); *provided* that such new Indebtedness shall only be permitted under this clause (iv) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes, (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains

outstanding, is expressly made subordinate in right of payment to the Notes at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes and (C) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; and provided further that in no event may Indebtedness of the Company be refinanced by means of any Indebtedness of any Restricted Subsidiary pursuant to this clause (iv);

(v) Indebtedness of the Company not to exceed, at any one time outstanding, 2.00 times (A) the Net Cash Proceeds received by the Company after May 18, 1998 from the issuance and sale of its Capital Stock (other than Redeemable Stock) to a Person that is not a Subsidiary of the Company, to the extent such Net Cash Proceeds have not been used pursuant to clause (C)(2) of the first paragraph or clauses (iii), (iv) or (vii) of the second paragraph of Section 1012 to make a Restricted Payment and (B) the Fair Market Value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) of property (other than cash and cash equivalents) used in a Permitted Business or common equity interests in a Person (the property and assets of such Person consisting primarily of telecommunications assets) that becomes a Restricted Subsidiary (such Fair Market Value being that of the common equity interests received pursuant to the transaction resulting in such Person becoming a Restricted Subsidiary), and, in each case, received by the Company after May 18, 1998 from the issuance or sale of its Capital Stock (other than Redeemable Stock) to a Person that is not a Subsidiary of the Company to the extent such sale of Capital Stock has not been used pursuant to clauses (iii), (iv) or (vii) of the second paragraph of Section 1012 to make a restricted payment; provided that such Indebtedness does not mature prior to the Stated Maturity of the Notes and the Average Life of such Indebtedness is longer than that of the Notes;

(vi) Indebtedness of the Company or any Restricted Subsidiary (A) in respect of performance, surety or appeal bonds or letters of credit supporting trade payables, in each case provided in the ordinary course of business; (B) under Currency Agreements and Interest Rate Agreements; provided that such agreements (a) are designed solely to protect the Company or any Restricted Subsidiary against fluctuation in foreign currency exchange rates or interest rates and (b) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder; and (C) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any of its Restricted Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary of the Company (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), in a principal amount not to exceed

the gross proceeds actually received by the Company or any Restricted Subsidiary in connection with such disposition;

(vii) Indebtedness of the Company, to the extent that the net proceeds thereof are promptly (A) used to repurchase Notes tendered in a Change of Control Offer or (B) deposited to defease all of the Notes as set forth in Article Thirteen;

(viii) Indebtedness of a Restricted Subsidiary represented by a Guarantee of the Notes and any other Indebtedness of the Company permitted by and made in accordance with Section 1018;

(ix) Indebtedness of the Company or any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount which, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (ix), does not exceed $200 million at any one time outstanding;

(x) Acquired Indebtedness;

(xi) Strategic Subordinated Indebtedness; and

(xii) Indebtedness of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within three business days of Incurrence.

(c) Notwithstanding any other provision of this Section 1011, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this Section 1011 shall not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

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

SECTION 1012. *Limitation on Restricted Payments.*

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, (i) (A) declare or pay any dividend or make any distribution in respect of the Company's Capital Stock to the holders thereof (other than dividends or distributions payable solely in shares of Capital Stock (other than Redeemable Stock) of the Company or in options, warrants or other rights to acquire such shares of Capital Stock) or (B) declare or pay any dividend or make any distribution in respect of the Capital Stock of any Restricted Subsidiary to any Person other than dividends and distributions payable to the Company or any Restricted Subsidiary or to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis, (ii) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Person other than a Restricted Subsidiary, (iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of Subordinated Indebtedness, or (iv) make any Investment, other than a Permitted Investment, in any Person (such payments or any other actions described in clauses (i) through (iv) being collectively "Restricted Payments") if, at the time of, and after giving effect to, the proposed Restricted Payment:

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

(B) the Company could not Incur at least $1.00 of Indebtedness under paragraph (a) of Section 1011; or

(C) the aggregate amount expended for all Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) after the date of the Indenture shall exceed the sum of (1) the remainder of (a) 100% of the aggregate amount of the Consolidated Cash Flow (determined by excluding income resulting from transfers of assets received by the Company or a Restricted Subsidiary from an Unrestricted Subsidiary) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date minus (b) the product of 1.75 times cumulative Consolidated Fixed Charges accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the last fiscal quarter immediately preceding the Closing Date and ending on the last day of the last fiscal quarter preceding the Transaction Date *plus* (2) the aggregate Net Cash Proceeds received by the Company after the Closing Date from the issuance and sale of its Capital Stock (other than Redeemable Stock) to a Person who is not a Subsidiary of the Company (except to the extent such Net Cash Proceeds are used to incur new Indebtedness outstanding pursuant to clause (v) of paragraph (b) of Section 1011) *plus* (3) the aggregate Net Cash Proceeds received after the Closing Date by the Company from the issuance or sale of debt securities that have been converted into or exchanged for Capital Stock of the Company (other than Redeemable Stock) together with the aggregate cash received by the Company at the time of such conversion or exchange *plus* (4) without duplication of any amount included in the calculation of Consolidated Cash Flow, in the case of repayment of, or return

of capital in respect of, any Investment constituting a Restricted Payment made after the Closing Date and reducing the amount of Restricted Payments otherwise permitted under this clause (C), an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case less the cost of the disposition of such Investment.

The foregoing provision shall not be violated by reason of:

(i) the payment of any dividend within 60 days after the date of declaration thereof if, at said date of declaration, such payment would comply with the foregoing paragraph;

(ii) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the Notes including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred under clause (iv) of paragraph (b) of Section 1011;

(iii) the repurchase, redemption or other acquisition of Capital Stock of the Company in exchange for, or out of the proceeds of a substantially concurrent offering of, shares of Capital Stock (other than Redeemable Stock) of the Company (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of Section 1011);

(iv) the acquisition of Indebtedness of the Company which is subordinated in right of payment to the Notes in exchange for, or out of the proceeds of, a substantially concurrent offering of, shares of the Capital Stock (other than Redeemable Stock) of the Company (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of Section 1011);

(v) payments or distributions to dissenting stockholders pursuant to applicable law, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of this Indenture applicable to mergers, consolidations and transfers of all or substantially all of the property and assets of the Company;

(vi) cash payments in lieu of the issuance of fractional shares issued in connection with the exercise of any Common Stock warrants;

(vii) Investments in Permitted Businesses acquired in exchange for Capital Stock (other than Redeemable Stock) of the Company or the Net Cash Proceeds from the issuance and sale of such Capital Stock (except to the extent such proceeds are used to incur new Indebtedness pursuant to clause (v) of paragraph (b) of Section 1011);

(viii) the purchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof, together with accrued interest, if any, thereof in the

event of a Change of Control in accordance with provisions similar to Section 1010; *provided* that prior to such purchase the Company has made the Change of Control offer as provided in such covenant with respect to the Notes and has purchased all Notes validly tendered for payment in connection with such Change of Control Offer; and

(ix) other Restricted Payments not to exceed $5.0 million; *provided* that, except in the case of clause (i), no Default or Event of Default shall have occurred and be continuing or occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to the immediately preceding paragraph (other than (1) a Restricted Payment referred to in clause (ii) thereof, (2) an exchange of Capital Stock for Capital Stock or an exchange of Indebtedness for Capital Stock referred to in clauses (iii) or (iv) thereof or (3) an Investment referred to in clause (vii) thereof) and the Net Cash Proceeds from any issuance of Capital Stock referred to in clauses (iii), (iv) and (vii) shall be included in calculating whether the conditions of clause (C) of the first paragraph of Section 1012 have been met with respect to any subsequent Restricted Payments.

SECTION 1013. *Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.*

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

The foregoing provisions shall not restrict any encumbrances or restrictions:

(i) existing on the Closing Date in the Indenture or any other agreements in effect on the Closing Date, and any extensions, refinancings, renewals or replacements of such agreements; *provided* that the encumbrances and restrictions in any such extensions, refinancings, renewals or replacements are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(ii) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if the encumbrance or restriction applies only in the event of a payment default or default with respect to a financial covenant contained in such Indebtedness or agreement and such encumbrance or restriction is not materially more disadvantageous to the Holders of the Notes than is customary in comparable financings (as

determined by the Company) and the Company determines that any such encumbrance or restriction will not materially affect the Company's ability to make principal or interest payments on the Notes;

(iii) existing under or by reason of applicable law;

(iv) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired;

(v) in the case of clause (iv) of the first paragraph of this Section 1013, (A) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is, or is subject to, a lease, purchase mortgage obligation, license, conveyance or contract or similar property or asset, (B) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (C) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary; or

(vi) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary. Nothing contained in this Section 1013 shall prevent the Company or any Restricted Subsidiary from (1) creating, incurring, assuming or suffering to exist any Liens otherwise permitted in Section 1016 or (2) restricting the sale or other disposition of property or assets of the Company or any of its Restricted Subsidiaries that secure Indebtedness of the Company or any of its Restricted Subsidiaries.

SECTION 1014. Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries.

The Company will not sell, transfer, convey or otherwise dispose of and will not permit any Restricted Subsidiary, directly or indirectly, to issue, transfer, convey, sell, lease or otherwise dispose of any shares of Capital Stock (including options, warrants or other rights to purchase shares of such Capital Stock) of such or any other Restricted Subsidiary to any Person except (i) to the Company or a Restricted Subsidiary, (ii) issuances of director's qualifying shares or sales to foreign nationals of shares of Capital Stock of non-U.S. Restricted Subsidiaries to the extent required by law and (iii) issuances and sales of Capital Stock of Restricted Subsidiaries if (A) the Net Cash Proceeds from such issuance, transfer, conveyance, sale, lease or other disposition are

applied in accordance with the provisions of Section 1017 and (B) immediately after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition, such Restricted Subsidiary either continues to be a Restricted Subsidiary or, if such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, then any Investment in such Person remaining after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition would have been permitted to be made under Section 1012 if made on the date of such issuance, transfer, conveyance, sale, lease or other disposition (valued as provided in the definition of "Investment"). Notwithstanding the foregoing, the Company may sell all of the Capital Stock of a Restricted Subsidiary in compliance with the provisions of Section 1017.

SECTION 1015. Limitation on Transactions with Shareholders and Affiliates.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of the Company or with any Affiliate of the Company or any Restricted Subsidiary, unless:

(i) such transaction or series of transactions is on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with a Person that is not such a holder or an Affiliate,

(ii) if such transaction or series of transactions involves aggregate consideration in excess of $5.0 million, then such transaction or series of transactions is approved by a majority of the Board of Directors of the Company, including the approval of a majority of the independent, disinterested directors, and is evidenced by a resolution of the Board of Directors of the Company, and

(iii) if such transaction or series of transactions involves aggregate consideration in excess of $25.0 million, then the Company or such Restricted Subsidiary will deliver to the Trustee a written opinion as to the fairness to the Company or such Restricted Subsidiary of such transaction from a financial point of view from a nationally recognized investment banking firm (or, if an investment banking firm is generally not qualified to give such an opinion, by a nationally recognized appraisal firm or accounting firm). Any such transaction or series of transactions shall be conclusively deemed to be on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in an arm's-length transaction if such transaction or transactions are approved by a majority of the Board of Directors of the Company, including a majority of the independent, disinterested directors, and are evidenced by a resolution of the Board of Directors of the Company.

The foregoing limitation does not limit, and will not apply to (i) any transaction between the Company and any of its Restricted Subsidiaries or between Restricted Subsidiaries; (ii) the payment of reasonable and customary regular fees to directors of the Company who are not

employees of the Company; (iii) any Restricted Payments not prohibited by Section 1012; (iv) transactions provided for in the Employment Agreement as in effect on the Closing Date; and (v) loans and advances to employees of the Company or any Restricted Subsidiary not exceeding at any one time outstanding $2.0 million in the aggregate, in the ordinary course of business and in accordance with past practice.

SECTION 1016. Limitation on Liens.

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

SECTION 1017. Limitation on Asset Sales.

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

The Company shall, or shall cause the relevant Restricted Subsidiary to, within 360 days after the date of receipt of the Net Cash Proceeds from an Asset Sale, (i) (A) apply an amount equal to such Net Cash Proceeds to permanently repay unsubordinated Indebtedness of the Company or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Company or any of its Restricted Subsidiaries or (B) invest an equal amount, or the amount not so applied pursuant to clause (A) in long-term property or assets of a nature or type or that are used in a business (or in a company having property and assets of a nature or type, or engaged in a business) similar or related to the nature or type of the property and assets of, or the business of, the Company and its Restricted Subsidiaries existing on the date of such investment (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) and (ii) apply (no later than the end of the 360-day period referred to above) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (i)) as provided in the following paragraphs of this Section 1017. The amount of such Net Cash Proceeds required to be applied (or to be committed to be applied) during such 360-day period in the manner as set forth in clause (i) of the preceding sentence and not applied as so required by the end of such period shall constitute "Excess Proceeds."

If, as of the first day of any calendar month, the aggregate amount of Excess Proceeds not theretofore subject to an Excess Proceeds Offer (as defined below) totals at least $10.0 million, the Company must, not later than the 30th Business Day thereafter, (i) use such Excess Proceeds to make an offer to purchase the 11-3/4% Senior Notes due 2004 of the Company in accordance with the terms of such Indebtedness which require such a purchase offer and do not provide for proration of the amount of such Indebtedness to be purchased with such Excess Proceeds (the "1997 Senior Notes Offer") and (ii) to the extent Excess Proceeds remain after such offer is consummated, make an offer (an "Excess Proceeds Offer") to purchase from the Holders on a pro rata basis an aggregate principal amount of Notes equal to the Proportionate Share of the Excess Proceeds on such date remaining after application pursuant to the 1997 Senior Notes Offer, at a purchase price equal to 100% of the principal amount of the Notes, plus, in each case, accrued and unpaid interest to the date of purchase (the "Excess Proceeds Payment").

The Company shall commence an Excess Proceeds Offer by mailing a notice to the Trustee and each Holder stating:

(i) that the Excess Proceeds Offer is being made pursuant to this Section 1017 and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Excess Proceeds Payment Date");

(iii) that any Note not tendered will continue to accrue interest pursuant to its terms;

(iv) that, unless the Company defaults in the payment of the Excess Proceeds Payment, any Note accepted for payment pursuant to the Excess Proceeds Offer shall cease to accrue interest on and after the Excess Proceeds Payment Date;

(v) that Holders electing to have a Note purchased pursuant to the Excess Proceeds Offer will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Excess Proceeds Payment Date;

(vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Excess Proceeds Payment Date, a telegram, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that*

each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On the Excess Proceeds Payment Date, the Company shall

(i) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to the Excess Proceeds Offer up to the Proportionate Share of such Excess Proceeds remaining after application pursuant to the 1997 Senior Notes Offer;

(ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and

(iii) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall upon Company Order, promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; _provided_ that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Excess Proceeds Offer as soon as practicable after the Excess Proceeds Payment Date. For purposes of this Section 1017, the Trustee shall act as the Paying Agent.

The Company will comply with Rule l4e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that such Excess Proceeds are received by the Company under this Section 1017 and the Company is required to repurchase Notes as described above.

SECTION 1018. _Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries._

The Company will not permit any Restricted Subsidiary, directly or indirectly, to guarantee, assume or in any other manner become liable with respect to any Indebtedness of the Company, other than Indebtedness under Credit Facilities incurred under clauses (i) and (ii) of Section 1011, unless (i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes on terms substantially similar to the guarantee of such Indebtedness, except that if such Indebtedness is by its express terms subordinated in right of payment to the Notes, any such assumption, Guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Restricted Subsidiary's assumption, Guarantee of other liability with respect to the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes and (ii) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other

rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee.

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

SECTION 1019. Business of the Company.

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

SECTION 1020. Limitation on Investments in Unrestricted Subsidiaries.

The Company will not make, and will not permit any of its Restricted Subsidiaries to make, any Investments in Unrestricted Subsidiaries if, at the time thereof, the aggregate amount of such Investments would exceed the amount of Restricted Payments then permitted to be made pursuant to Section 1012. Any Investments in Unrestricted Subsidiaries permitted to be made pursuant to this covenant (i) will be treated as the making of a Restricted Payment in calculating the amount of Restricted Payments made by the Company or a Subsidiary and (ii) may be made in cash or property (if made in property, the Fair Market Value thereof as determined by the Board of Directors of the Company (whose determination shall be conclusive and evidenced by a Board Resolution) shall be deemed to be the amount of such Investment for the purpose of clause (i)).

SECTION 1021. Intentionally omitted.

SECTION 1022. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 803 or Sections 1007 through 1022, inclusive, if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Notes, by Act of such Holders, waive such compliance in such instance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN

REDEMPTION OF NOTES

SECTION 1101. Right of Redemption.

(a) The Notes may be redeemed, at the election of the Company, as a whole or from time to time in part, at any time on or after October 15, 2004, subject to the conditions and at the Redemption Prices specified in the Notes, together with accrued interest to the Redemption Date.

(b) Notwithstanding the foregoing, prior to October 15, 2002, the Company may redeem up to 35% of the originally issued aggregate principal amount of the Notes on one or more occasions with the Net Cash Proceeds of one or more Public Equity Offerings at a redemption price equal to 112.750% of the aggregate principal amount thereof, plus accrued interest, if any, and Liquidated Damages, if any, thereon to the Redemption Date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on an Interest Payment Date); provided that, immediately after giving effect to such redemption, at least 65% of the originally issued aggregate principal amount of the Notes remains Outstanding; and provided further that notice of such redemptions shall be given within 60 days of the date of closing of any such Public Equity Offering.

SECTION 1102. Applicability of Article.

Redemption of Notes at the election of the Company or otherwise, as permitted or required by any provision of this Indenture, shall be made in accordance with such provision and this Article.

SECTION 1103. Election to Redeem Notice to Trustee.

The election of the Company to redeem any Notes pursuant to Section 1101 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Notes to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Notes to be redeemed pursuant to Section 1104.

SECTION 1104. Selection by Trustee of Notes to Be Redeemed.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Notes not previously called for redemption, in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, if the Notes are not listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the

principal of Notes; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than $1,000.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

SECTION 1105. *Notice of Redemption.*

Notice of redemption shall be given in the manner provided for in Section 106 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price and the amount of accrued interest to the Redemption Date payable as provided in Section 1107, if any,

(3) if less than all Outstanding Notes are to be redeemed, the identification (and, in the case of a partial redemption, the principal amounts) of the particular Notes to be redeemed,

(4) in case any Note is to be redeemed in part only, the notice which relates to such Note shall state that on and after the Redemption Date, upon surrender of such Note, the Holder will receive, without charge, a new Note or Notes of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date the Redemption Price (and accrued interest and Liquidated Damages, if any, to the Redemption Date payable as provided in Section 1107) will become due and payable upon each such Note, or the portion, thereof, to be redeemed, I and that interest thereon will cease to accrue on and after said date,

(6) the place or places where such Notes are to be surrendered for payment of the Redemption Price and accrued interest and Liquidated Damages, if any.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1106. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and Liquidated Damages, if any, and accrued interest on, all the Notes which are to be redeemed on that date.

SECTION 1107. Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified (together with Liquidated Damages and accrued interest, if any, to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the Redemption Price, together with Liquidated Damages and accrued interest, if any, to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes, or one or more Predecessor Notes, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 309.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes.

SECTION 1108. Notes Redeemed in Part.

Any Note which is to be redeemed only in part (pursuant to the provisions of this Article) shall be surrendered at the office or agency of the Company maintained for such purpose pursuant to Section 1002 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall upon Company Order authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

ARTICLE TWELVE

[This Article Has Been Intentionally Omitted]

ARTICLE THIRTEEN

DEFEASANCE AND COVENANT DEFEASANCE

SECTION 1301. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may, at its option by Board Resolution, at any time, with respect to the Notes, elect to have either Section 1302 or Section 1303 be applied to all Outstanding Notes upon compliance with the conditions set forth below in this Article Thirteen.

SECTION 1302. Defeasance and Discharge.

Upon the Company's exercise under Section 1301 of the option applicable to this Section 1302, the Company shall be deemed to have been discharged from its obligations with respect to all Outstanding Notes on the date the conditions set forth in Section 1304 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Notes, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 1305 and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all its other obligations under such Notes and this Indenture insofar as such Notes are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of Outstanding Notes to receive, solely from the trust fund described in Section 1304 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any, on) and interest and Liquidated Damages, if any, on such Notes when such payments are due, (B) the Company's obligations with respect to such Notes under Sections 304, 305, 308, 1002 and 1003, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (D) this Article Thirteen. Subject to compliance with this Article Thirteen, the Company may exercise its option under this Section 1302 notwithstanding the prior exercise of its option under Section 1303 with respect to the Notes.

SECTION 1303. Covenant Defeasance.

Upon the Company's exercise under Section 1301 of the option applicable to this Section 1303, the Company shall be released from its obligations under any covenant contained in Section 801(3) and Section 803 and in Sections 1007 through 1020 with respect to the Outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "covenant defeasance"), and the Notes shall thereafter be deemed not to be "Outstanding" for the purposes of

any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to the Outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 501(5), but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby.

SECTION 1304. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 1302 or Section 1303 to the Outstanding Notes:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 607 who shall agree to comply with the provisions of this Article Thirteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Notes, (A) cash in United States dollars, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (i) the principal of (and premium, if any), interest and Liquidated Damages, if any, on the Outstanding Notes on the Stated Maturity (or Redemption Date, if applicable) of such principal (and premium, if any) or installment of interest and Liquidated Damages, if any, and (ii) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Notes on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Notes; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to said payments with respect to the Notes. Before such a deposit, the Company may give to the Trustee, in accordance with Section 1103 hereof, a notice of its election to redeem all of the Outstanding Notes at a future date in accordance with Article Eleven hereof, which notice shall be irrevocable. Such irrevocable redemption notice, if given, shall be given effect in applying the foregoing. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or

redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended), as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(2) No Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit or, insofar as paragraphs (8) and (9) of Section 501 hereof are concerned, at any time during the period ending on the 123rd day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(3) [Intentionally Omitted]

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than this Indenture) to which the Company is a party or by which it is bound.

(5) In the case of an election under Section 1302, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since October 15, 1999, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(6) In the case of an election under Section 1303, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(7) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 1302 or the covenant defeasance under Section 1303 (as the case may be) have been complied with.

SECTION 1305. Deposited Money and U.S. Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 1305, the "Trustee") pursuant to Section 1304 in respect of the Outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal (and premium and Liquidated Damages, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Governmental Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Notes.

Anything in this Article Thirteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance, as applicable, in accordance with this Article.

SECTION 1306. Reinstatement.

If the Trustee or any Paying Agent is unable to apply any money in accordance with Section 1305 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 1302 or 1303, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1305; provided, however, that if the Company makes any payment of principal of (or premium or Liquidated Damages, if any) or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

This Indenture may be signed in any number of counterparts each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

PRIMUS TELECOMMUNICATIONS
GROUP, INCORPORATED

/s/ K. Paul Singh
By:______________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

Attest:

By:________________________________
Name:
Title:

FIRST UNION NATIONAL BANK

/s/ S.A. McMahon
By:______________________________
Name: S.A. McMahon
Title: Vice President

Attest:

By:________________________________
Name:
Title:

EXHIBIT A

[FORM OF FACE OF NOTE]

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

12 3/4% [Series B]/1/ Senior Note Due 2009

[CUSIP] [CINS]________

No.________ $________

Primus Telecommunications Group, Incorporated, a Delaware corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to __________ or registered assigns, the principal sum of ________________ United States dollars on _________, at the office or agency of the Company referred to below, and to pay interest thereon on ___________ and semi-annually thereafter, on ________ and ___________ in each year, from _______ __, ____ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 12 3/4% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the _________ or ___________ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such defaulted interest, and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

[The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated as of October 15, 1999 (the "Registration Rights Agreement"), between the Company, Primus Telecommunications Incorporated, Primus Telecommunications (Australia) Pty. Ltd., Primus Telecommunications Pty. Ltd. and the Initial Purchasers named therein. In the event that

____

/1/ Include only for Exchange Notes.

either (i) any of the Registration Statements required by the Registration Rights Agreement is not declared effective by the Commission on or prior to the date specified for such effectiveness in the Registration Rights Agreement (the "Effectiveness Target Date"), (ii) the Exchange Offer has not been consummated on or prior to the date specified for such consummation in the Registration Rights Agreement or (iii) any Registration Statement required by the Registration Rights Agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose (in the case of the Exchange Offer Registration Statement referred to in the Registration Rights Agreement, at any time after the Effectiveness Target Date and, in the case of a Shelf Registration Statement referred to in the Registration Rights Agreement, at any time) without being succeeded within five Business Days by a post-effective amendment to such Registration Statement that cures such failure and that is declared effective within such five Business Day period (each such event referred to in clauses (i) through (iii) above, a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages will be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities (as defined in the Registration Rights Agreement), the accrual of Liquidated Damages with respect to such Transfer Restricted Notes will cease.]/2/

Payment of the principal of (and premium and Liquidated Damages, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; *provided, however*, that payment of interest may be made at the option of the Company (i) by check mailed to the address of the Person entitled thereto as such address shall appear on the Note Register or (ii) by transfer to an account maintained by the payee located in the United States.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

/2/ To be included in Initial Notes and modified, as appropriate, for the Additional Notes.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By______________________________

Attest:

____
Authorized Signature

TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

Dated:

This is one of the Notes referred to in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By_______________________________________
Authorized Officer

[FORM OF REVERSE SIDE OF NOTE]

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

12 3/4% [Series B]/3/ Senior Notes Due 2009

This Note is one of a duly authorized issue of notes of the Company designated as its 12 3/4% Senior Notes Due 2009 (herein called the "Notes"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to $_________, which may be issued under an indenture (herein called the "Indenture") dated as of October 15, 1999 between the Company and First Union National Bank, trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

The Notes are subject to redemption upon not less than 30 nor more than 60 days prior notice, in whole or in part, at any time or from time to time on or after October 15, 2004 and prior to Maturity, at the election of the Company, at Redemption Prices (expressed in percentages of principal amount thereof), plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the Redemption Date (subject to the right of Holders of record on the relevant Record Date to receive interest due on an Interest Payment Date that is on or prior to the Redemption Date), if redeemed during the 12-month period beginning October 15 of the years indicated:

	Redemption
2004	106.375%
2005	104.250%
2006	102.125%
2007 (and thereafter)	100.000%

Notwithstanding the foregoing, prior to October 15, 2002, the Company may on any one or more occasions redeem up to 35% of the originally issued principal amount of Notes at a redemption price of 112.750% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the redemption date, with the Net Cash Proceeds of one or more Public Equity Offerings; *provided* (i) that at least 65% of the originally issued principal amount of Notes remains outstanding immediately after giving effect to such redemption and (ii) that notice of such redemption is mailed within 60 days of the closing of each such Public Equity Offering.

/3/ Include only for Exchange Notes.

Upon the occurrence of a Change of Control, the Holder of this Note may require the Company, subject to certain limitations provided in the Indenture, to repurchase all or any part of this Note at a purchase price in cash in an amount equal to 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase.

Under certain circumstances, in the event the Net Cash Proceeds received by the Company from an Asset Sale, which proceeds are not used to (i) (A) apply an amount equal to such Net Cash Proceeds to permanently repay unsubordinated Indebtedness of the Company or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Company or any of its Restricted Subsidiaries or (B) invest an equal amount, or the amount not so applied pursuant to clause (A), in long-term property or assets of a nature or type or that are used in a business (or in a company having property and assets of a nature or type, or engaged in a business) similar or related to the nature or type of the property and assets of, or the business of, the Company and its Restricted Subsidiaries existing on the date of such investment (as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board Resolution) and (ii) apply (no later than the end of the 360-day period immediately following the date of receipt of the Net Cash Proceeds from an Asset Sale) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (i)) in accordance with the Indenture, and which proceeds equal or exceed a specified amount and are not applied to purchase 11-3/4% Senior Notes due 2004 of the Company pursuant to a 1997 Senior Notes Offer (as defined in the Indenture), the Company shall be required to make an offer to all Holders to purchase the maximum principal amount of Notes, in an integral multiple of $1,000, that may be purchased out of such amount at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued, unpaid interest and Liquidated Damages, if any, to the date of purchase, in accordance with the Indenture. Holders of Notes that are subject to any offer to purchase shall receive an Excess Proceeds Offer from the Company prior to any related Excess Proceeds Payment Date.

In the case of any redemption or repurchase of Notes, interest installments and Liquidated Damages, if any, whose Stated Maturity is on or prior to the Redemption Date or Excess Proceeds Payment Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date or Excess Proceeds Payment Date, as the case may be.

In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Note and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

The Indenture permits, with certain exceptions as therein provided the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herewith or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest and Liquidated Damages, if any, on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on a national securities exchange, on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Notes.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable on the Note Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for such purpose in The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain

limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered on the Note Register as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

THIS NOTE SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.
- ---------------------------------

____
(Please print or typewrite name and address including zip code of assignee)

____
the within Note and all rights thereunder, hereby irrevocably constituting and appointing

___________________________________ its attorney to transfer such Note on the books of the Company with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED ON
ALL NOTES OTHER THAN EXCHANGE NOTES
AND OFFSHORE PHYSICAL NOTES]

In connection with any transfer of this Note occurring prior to the date which is the earlier of the (i) date of an effective Registration Statement or (ii) two years after the later of the original issuance of this Note or the last date on which this Note was held by an Affiliate of the Company, the undersigned confirms that without utilizing any general solicitation or general advertising:

[Check One]

[_] (a) this Note is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder,

or
--

[_] (b) this Note is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If neither of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 305 of the Indenture shall have been satisfied.

Date:__________

____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee*:____

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and that each is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that each is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date:__________

____

NOTICE: To be executed by an executive officer

____

. Guarantor must be a member of the Securities Transfer Agents Medallion Program ("STAMP"), the New York Stock Exchange Medallion Signature Program ("MSP") or the Stock Exchange Medallion Program ("SEMP").

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Company pursuant to Section 1010 or 1017 of the Indenture, check the Box: [_]

If you wish to have a portion of this Note purchased by the Trust pursuant to Section 1010 or 1017 of the Indenture, state the amount (in original principal amount) below:

$_________.

Date:___________

Your Signature:____
(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee*:____

____

. Guarantor must be a member of the Securities Transfer Agents Medallion Program ("STAMP"), the New York Stock Exchange Medallion Signature Program ("MSP") or the Stock Exchange Medallion Program ("SEMP")

EXHIBIT B

Form of Certificate
to Be Delivered upon
Termination of Restricted Period

On or after ______, 1999

First Union National Bank, as Trustee
Corporate Trust
800 East Main Street, 2/nd/ Floor
Richmond, Virginia 23219

Re: Primus Telecommunications Group, Incorporated (the "Company")
12 3/4% Senior Notes due 2009 (the "Notes")

Ladies and Gentlemen:

This letter relates to $_______ principal amount of Notes represented by the global note certificate (the "Offshore Global Note"). Pursuant to Section 202 of the Indenture dated as of October 15, 1999 relating to the Notes (the "Indenture"), we hereby certify that (1) we are the beneficial owner of such principal amount of Notes represented by the Offshore Global Note and (2) we are a Non-U.S. Person to whom the Notes could be transferred in accordance with Rule 904 of Regulation S promulgated under the U.S. Securities Act of 1933, as amended ("Regulation S"). Accordingly, you are hereby requested to issue a Offshore Physical Note representing the undersigned's interest in the principal amount of Securities represented by the Offshore Global Note, all in the manner provided by the Indenture.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Holder]

By:____
Authorized Signature

EXHIBIT C

Form of Certificate to Be Delivered in Connection with Transfers to Non-QIB Institutional Accredited Investor

[Date]

Primus Telecommunications Group, Incorporated
c/o First Union National Bank, as Trustee
Corporate Trust
800 East Main Street, 2/nd/ Floor
Richmond, Virginia 23219

Re: Primus Telecommunications Group, Incorporated (the "Company") 12 3/4% Senior Notes due 2009 (the "Notes")

Ladies and Gentlemen:

In connection with our proposed purchase of $__________ aggregate principal amount of the Notes, we confirm that:

1. We have received such information regarding the Company as we deem necessary in order to make our investment decision.

2. We understand that the Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other applicable law; and may not be offered, sold, or otherwise transferred except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing the Notes to offer, sell or otherwise transfer such Notes prior to the date which is two years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Notes, or any predecessor thereto (the "Resale Restriction Termination Date") only (a) to the Company, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of

subparagraph (a)(1), (2), (3) or (7) of Rule 501 of Regulation D under the Securities Act acquiring the Notes for its own account or for the account of such an institutional "accredited investor" for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property and the property of such investor account or accounts be at all times within our or their control and to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter to the Trustee (the "Trustee") under the Indenture pursuant to which the Notes are being issued a letter from the transferee substantially in the form of this letter, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. We acknowledge that the Company and the Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Notes pursuant to clauses (d), (e) and (f) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Trustee.

3. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) purchasing for our own account or for the account of such an institutional "accredited investor," and we are acquiring the Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

4. We are acquiring the Notes purchased by us for our own account or for one or more accounts as to each of which we exercise sole investment discretion.

5. You are entitled to rely upon this letter and you are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

By: (NAME OF PURCHASER)
Date:

Upon transfer, the Notes should be registered in the name of the new beneficial owner as follows:

Name:______________________________

Address:___________________________

Taxpayer ID Number:________________

EXHIBIT D

Form of Certificate to Be Delivered in Connection with Transfers Pursuant to Regulation S

[Date]

First Union National Bank, as Trustee
Corporate Trust
800 East Main Street, 2/nd/ Floor
Richmond, Virginia 23219

Re: Primus Telecommunications Group, Incorporated (the "Company")
12 3/4% Senior Notes due 2009 (the "Notes")

Ladies and Gentlemen:

In connection with our proposed sale of $___________ aggregate principal amount of Notes, we confirm that such sale has been effected pursuant to and in accordance with Regulation S ("Regulation S") under the Securities Act of 1933, as amended (the "Securities Act"), and accordingly, we hereby certify as follows:

1. The offer of the Notes was not made to a person in the United States (unless such person or the account held by it for which it is acting is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(1) of Regulation S under the circumstances described in Rule 902(k)(2) of Regulation S) or specifically targeted at an identifiable group of U.S. citizens abroad.

2. Either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States in contravention of the requirements of Rule 903(a) or Rule 904(a) of Regulation S, as applicable.

4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

5. If we are a dealer or a person receiving a selling concession or other fee or remuneration in respect of the Notes, and the proposed transfer takes place before the Offshore Note Exchange Date referred to in the Indenture, dated as of October 15, 1999, among the Company and the Trustee, or we are an officer or director of the Company or a distributor, we certify that the proposed transfer is being made in accordance with the provisions of Rules 903 and 904(b) of Regulation S.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:_________________________________
Authorized Signature

EXHIBIT E

Rule 144A Certificate

To: First Union National Bank, as Trustee
Corporate Trust
800 East Main Street, 2/nd/ Floor
Richmond, Virginia 23219
Attention: Corporate Trust Office

Re: Primus Telecommunications Group, Incorporated (the "Company")
12 3/4% Senior Notes due 2009 (the "Notes")

Ladies and Gentlemen:

In connection with our proposed sale of $____________ aggregate principal amount of Notes, we confirm that such sale has been effected pursuant to and in accordance with Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"). We are aware that the transfer of Notes to us is being made in reliance on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. If the Company is not subject to Section 13 or 15(d) of the Exchange Act, prior to the date of this Certificate we have been given the opportunity to obtain from the Company the information referred to in Rule 144A(d)(4), and have either declined such opportunity or have received such information.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER]

By:_________________________________
Name:
Title:
Address:

Date of this Certificate: ________ __, ____

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of October 15, 1999

Trust Indenture Act Section	Indenture Section
(S) 310(a)(1)	607
(a)(2)	607
(b)	608
(S) 312(c)	701
(S) 314(a)	703
(a)(4)	1008(a)
(c)(1)	102
(c)(2)	102
(e)	102
(S) 315(b)	601
(S) 316(a)(last sentence)	101 ("Outstanding")
(a)(1)(A)	502, 512
(a)(1)(B)	513
(b)	508
(c)	104(d)
(S) 317(a)(1)	503
(a)(2)	504
(b)	1003
(S) 318(a)	111

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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TESTIMONIUM
SIGNATURE AND SEALS

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EXHIBIT B Form of Certificate to be Delivered upon Termination of Restricted Period
EXHIBIT C Form of Certificate to be Delivered in Connection with Transfers to Non-QIB Institutional Accredited Investors
EXHIBIT D Form of Certificate to be Delivered in Connection with Transfers Pursuant to Regulation S
EXHIBIT E Rule 144A Certificate

Exhibit 5.1

October __, 1999

Primus Telecommunications Group, Incorporated
1700 Old Meadow Road
McLean, VA 22102

Re: Registration Statement on Form S-4

Dear Gentlemen:

You have requested our opinion, as special counsel for Primus Telecommunications Group, Incorporated, a Delaware corporation (the "Company"), in connection with a registration statement on Form S-4 (the "Registration Statement") which is being filed by the Company under the Securities Act of 1933, as amended (the "Act"), with the Securities and Exchange Commission on or about the date hereof. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Registration Statement.

The Registration Statement relates to an offer to exchange (the "Exchange Offer") the Company's registered 12 3/4 Senior Notes due 2009 (the "Exchange Notes") for an equal principal amount of the Company's outstanding 12 3/4 Senior Notes due 2009 (the "Notes").

The Notes were issued, and the Exchange Notes will be issued, under an Indenture dated as of October 15, 1999 (the "Indenture") between the Company and First Union National Bank, as Trustee (the "Trustee").

In connection with this opinion, we have examined the Registration Statement, the Indenture (included as Exhibit 4.11 to the Registration Statement), the form of the Exchange Notes (set forth as Exhibit A to the Indenture) and such other documents, records and other matters as we have deemed necessary or appropriate in order to give the opinions set forth herein.

We have, with your approval, assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified, facsimile, conformed, electronic, or photostatic copies and the authenticity of the originals of such copies. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents, and oral and written statements and representations, of officers and representatives of the Company. We have not independently verified such information and assumptions.

Based upon and subject to the foregoing, assuming that the Indenture has been duly authorized, executed and delivered by, and represents the valid and binding obligation of, the Trustee, and when the Registration Statement, including any amendment thereto, shall have become effective under the Securities Act and the Indenture shall have been duly qualified under the Trust Indenture Act of 1939, as amended, subject to the qualifications set forth below, it is our opinion that:

1. each of the Indenture and the Exchange Notes has been duly authorized by the Company;

2. the Indenture constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms; and

3. the Exchange Notes, when duly executed and delivered by or on behalf of the Company in the form contemplated by the Indenture upon the terms set forth in the Exchange Offer and authenticated by the Trustee or an authenticating agent appointed by the Trustee in accordance with the terms of the Indenture, will constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

The opinions set forth in paragraphs numbered 2 and 3 hereof are subject to (i) bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights from time to time in effect; (ii) application of general principles of equity (regardless of whether considered in proceedings in equity or at law) and the discretion of the court before which any proceeding may be brought; (iii) standards of commercial reasonableness and the implied covenant of good faith; and (iv) public policy.

This opinion is limited to the laws of the State of New York and the General Corporation Law of the State of Delaware.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our Firm under the caption "Legal Matters" in the Registration Statement. In doing so, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Act, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

PEPPER HAMILTON LLP

Exhibit 10.34

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REGISTRATION RIGHTS AGREEMENT

Dated as of January 29, 1999

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

PRIMUS TELECOMMUNICATIONS, INC.

PRIMUS TELECOMMUNICATIONS (AUSTRALIA) PTY. LTD.

PRIMUS TELECOMMUNICATIONS PTY. LTD.

and

LEHMAN BROTHERS INC.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

MORGAN STANLEY & CO. INCORPORATED

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This Registration Rights Agreement (this "Agreement") is made and entered into as of January 29, 1999 between Primus Telecommunications Group, Inc., a Delaware corporation (the "Company"), Primus Telecommunications Incorporated, a Delaware corporation, Primus Telecommunications (Australia) Pty. Ltd., an Australian corporation, Primus Telecommunications Pty. Ltd., an Australian corporation, and Lehman Brothers Inc., for itself and as Representative of the other Initial Purchasers named in Schedule I to the Purchase Agreement (defined below), (collectively with the Representative, the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated January 29, 1999, among the Company, the Principal Subsidiaries (as defined below) and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of $200,000,000 aggregate principal amount of the Company's 11-1/4% Senior Notes due 2009 (the "Notes"). Capitalized terms used but not specifically defined herein have the respective meanings ascribed thereto in the Purchase Agreement. As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the Initial Purchasers' obligations thereunder, the Company agrees with the Initial Purchasers, and its direct and indirect transferees, for the benefit of the holders of the Notes (including the Initial Purchasers) (collectively, the "Holders"), as follows:

1. Definitions. As used in this Agreement, the following capitalized terms shall have the following meanings:

<u>Broker-Dealer</u>: Any broker or dealer registered under the Exchange Act.

<u>Closing Date</u>: The date on which the Notes were sold to the Initial Purchasers.

<u>Commission</u>: The Securities and Exchange Commission.

<u>Damages Payment Date</u>: With respect to the Notes, each Interest Payment Date (as defined in the Indenture) until the earlier of (i) the date on which Liquidated Damages no longer are payable or (ii) maturity of the Notes.

<u>Effectiveness Target Date</u>: As defined in Section 5 hereof.

<u>Exchange Act</u>: The Securities Exchange Act of 1934, as amended.

<u>Exchange Notes</u>: The Notes to be issued pursuant to the Indenture in the Exchange Offer.

<u>Exchange Offer</u>: The registration by the Company under the Securities Act of the Exchange Notes pursuant to a Registration Statement pursuant to which the Company

offers the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Exchange Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the Prospectus which forms a part thereof.

Exempt Resale: The transactions in which the Initial Purchasers propose to sell the Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Securities Act, and to certain non-U.S. persons in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Holders: As defined in the second paragraph of this Agreement.

Indenture: The Indenture, dated as of the date hereof, between the Company and First Union National Bank, as trustee (the "Trustee"), pursuant to which the Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Liquidated Damages: As defined in Section 5(a) hereof.

NASD: National Association of Securities Dealers, Inc.

Person: An individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement and by all other amendments and supplements thereto, including post-effective amendments, and all exhibits thereto and all material incorporated by reference into such Prospectus.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, which is filed pursuant to the provisions of this Agreement, in either case, including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Related Transaction Documents: The Purchase Agreement and the Indenture, together with all exhibits and schedules thereto.

Securities Act: The Securities Act of 1933, as amended.

Shelf Filing Deadline: As defined in Section 4 hereof.

Shelf Registration Statement: As defined in Section 4 hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb), as amended.

Transfer Restricted Securities: Each Note, until the earliest to occur of (a) the date on which such Note has been exchanged by a person other than a Broker-Dealer for Exchange Notes in the Exchange Offer, (b) following the exchange by a Broker-Dealer in the Exchange Offer of such Note for one or more Exchange Notes, the date on which such Exchange Notes are sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (d) the date on which such Note is eligible to be distributed to the public pursuant to Rule 144 (k) (or any similar provision then in force) under the Securities Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public; provided, however, that the Company shall be obligated to undertake no more than two such Underwritten Registrations or Underwritten Offerings in the aggregate.

2. Securities Subject to This Agreement.

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities whenever such Person owns Transfer Restricted Securities.

3. Registered Exchange Offer.

(a) Exchange Offer Registration Statement. Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), the Company shall (i) cause to be filed with the Commission as promptly as practicable after the Closing Date a Registration Statement under the

Securities Act relating to the Exchange Notes and the Exchange Offer, (ii) use its reasonable best efforts to cause such Registration Statement to become effective no later than 150 days after the Closing Date, (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, file a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Securities Act and (C) cause all necessary filings in connection with the registration and qualification of the Exchange Notes to be made under the "blue sky" laws of such jurisdictions as are necessary to permit consummation of the Exchange Offer, (iv) use its reasonable best efforts to cause the Exchange Offer to be consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 180 days after the Closing Date and (v) deliver the Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Transfer Restricted Securities that were validly tendered by Holders thereof pursuant to the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Exchange Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of Exchange Notes held by Broker-Dealers as contemplated by Section 3(c) below. The time periods referred to in clauses (ii) and (iv) of this Section 3(a) shall not include any period during which the Company is pursuing a Commission ruling pursuant to Section 6(a)(i) below.

(b) Consummation of the Exchange Offer. The Company shall use its reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Company shall cause the Exchange Offer to comply in all material respects with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer does not violate applicable law or any applicable interpretation of the Commission. The Company shall inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right, subject to applicable law and at its own expense, to contact such Holders and otherwise facilitate the tender of Transfer Restricted Securities in the Exchange Offer.

(c) "Plan of Distribution" Section of the Prospectus. The Company shall indicate in a "Plan of Distribution" section contained in the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Company), may exchange such Notes pursuant to the Exchange Offer; provided, however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of the Exchange Notes received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the

delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Exchange Notes held by any such Broker-Dealer except to the extent required by the Commission.

The Company shall use its reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary (i) to ensure that it is available for resales of Exchange Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities, and (ii) to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, in each case, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective.

The Company shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon their reasonable request at any time during such 180-day period in order to facilitate such resales.

4. Shelf Registration.

(a) Shelf Registration. If (i) the Company is not permitted to file the Exchange Offer Registration Statement or to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been compiled with), (ii) any Holder of Transfer Restricted Securities that is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) shall notify the Company at least 20 business days prior to the consummation of the Exchange Offer (A) that such Holder is prohibited by applicable law or Commission policy from participating in the Exchange Offer, or (B) that such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder, or (C) that such Holder is a Broker-Dealer and holds Notes acquired directly from the Company or one of its affiliates, (iii) the Exchange Offer is not for any other reason consummated by July 28, 1999 or (iv) the Exchange Offer has been completed and in the opinion of counsel for the Initial Purchasers a Registration Statement must be filed and a Prospectus must be delivered by the Initial Purchasers in connection with any offering or sale of Transfer Restricted Securities, then the Company shall in lieu of or, in the event of (ii), (iii) and (iv) above, in addition to effecting the registration of the Exchange Notes pursuant to the Exchange Offer Registration Statement, use its reasonable best efforts to:

(x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Securities Act which may be an amendment to the Exchange Offer Registration

Statement (in either event, the "Shelf Registration Statement"), within 60 days of the earliest to occur of (1) the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement, (2) the date on which the Company receives notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) above, (3) July 28, 1999 or (4) the receipt by the Company of the opinion of counsel contemplated by clause (iv) above (the 60th day following the earliest to occur of (1) through (4) being hereinafter referred to as the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities for which the Holders of such Transfer Restricted Securities shall have provided the information required pursuant to Section 4(b) hereof; and

(y) cause such Shelf Registration Statement to be declared effective by the Commission on or before the 120th day after the Shelf Filing Deadline.

The Company shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary (i) to ensure that it is available for resales of Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a), and (ii) to ensure that such Shelf Registration Statement conforms and continues to conform with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission, as announced from time to time, in each case, for a period ending on the second anniversary of the Closing Date.

(b) <u>Provision by Holders of Certain Information in Connection with the Shelf Registration Statement.</u> No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 business days after receipt of a request therefor, such information as the Company may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such reasonably requested information within the time period prescribed in this Section 4(b). Each Holder as to which any Shelf Registration Statement is being effected agrees to notify the Company promptly if any of the information previously furnished is misleading or inaccurate in any material respect and to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading or inaccurate.

(c) <u>Declaring Effective the Exchange Offer Registration Statement.</u> An Exchange Offer Registration Statement pursuant to Section 3(a) hereof or a Shelf Registration Statement pursuant to Section 4(a) hereof will not be deemed to have become effective unless it has been declared effective by the Commission; provided, however, that if, after it has been declared effective, the offering of Transfer Restricted Securities pursuant to a Shelf Registration

Statement is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Registration Statement will be deemed not to have become effective during the period of such interference until the offering of Transfer Restricted Securities pursuant to such Registration Statement may legally resume.

(d) <u>Failure of the Company to Comply with its Obligations.</u> Without limiting the remedies available to the Initial Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Section 3(a) and Section 4(a) hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 3(a) and Section 4(a) hereof.

5. Liquidated Damages.

(a) <u>Accrual and Amount of Liquidated Damages.</u> If (i) the Shelf Registration Statement is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (ii) any of such Registration Statements has not been declared effective by the Commission on or prior to the date specified for such effectiveness as set forth in Section 3(a)(ii) and 4(a)(y) of this Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been consummated within 180 days after the Closing Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within five business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within such five business day period (each such event referred to in clauses (i) through (iv), a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages shall be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Immediately upon the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Liquidated Damages with respect to such Transfer Restricted Securities will cease.

All obligations of the Company set forth in the preceding paragraph that have accrued and are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Transfer Restricted Security shall have been satisfied in full.

(b) Notification of the Trustee. The Company shall notify the Trustee promptly after each and every date on which an event occurs in respect of which Liquidated Damages are required to be paid (an "Event Date"). Liquidated Damages shall be paid by depositing Liquidated Damages with the Trustee, in trust, for the benefit of the Holders of the Notes, on or before the applicable Interest Payment Date (whether or not any payment other than Liquidated Damages is payable on such Notes), in immediately available funds in sums sufficient to pay the Liquidated Damages then due to such Holders. Each obligation to pay Liquidated Damages shall be deemed to accrue from the applicable date of the occurrence of the Registration Default.

6. Registration Procedures.

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company shall comply with all of the provisions of Section 6(c) below and shall use its reasonable best efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof. In addition, the Company (with respect to (i) and (iii) of this Section 6(a)) and each Holder of Transfer Restricted Securities (with respect to (ii) of this Section 6(a)) shall comply with the following provisions:

(i) If in the reasonable opinion of counsel to the Company there is a question as to whether the Exchange Offer is permitted by applicable law, the Company hereby agrees to seek a no-action letter or other favorable decision from the Commission allowing the Company to consummate an Exchange Offer for such Notes. The Company hereby agrees to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy. The Company hereby agrees, however, to (A) participate in telephonic conferences with the staff of the Commission, (B) deliver to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) use reasonable best efforts pursue a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall (x) furnish, upon the request of the Company, prior to the consummation thereof, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (C) it is acquiring the Exchange Notes in its ordinary course of business and (y) otherwise cooperate in the Company's preparations for the Exchange Offer. Each Holder hereby acknowledges and

agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in *Morgan Stanley and Co., Inc.* (available June 5, 1991) and *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including *Brown & Wood LLP* (available February 7, 1997), and any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Exchange Notes obtained by such Holder in exchange for Notes acquired by such Holder directly from the Company.

(iii) Prior to the effectiveness of the Exchange Offer Registration Statement, to the extent required by the Commission, the Company shall provide a supplemental letter to the Commission (A) stating that the Company is registering the Exchange Offer in reliance on the position of the Commission enunciated in *Exxon Capital Holdings Corporation* (available May 13, 1988), *Morgan Stanley and Co., Inc.* (available June 5, 1991), *Brown & Wood LLP* (available February 7, 1997) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that to the best of the Company's information and belief, each Holder (other than an Initial Purchaser) participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer.

(b) *Shelf Registration Statement.* In connection with the Shelf Registration Statement, the Company shall comply with all the provisions of Section 6(c) below and shall use its reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Company shall as expeditiously as possible prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Securities Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof.

(c) *General Provisions.* In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Notes by Broker-Dealers), the Company shall:

(i) use its reasonable best efforts to (x) keep such Registration Statement continuously effective and (y) provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use its reasonable best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as applicable, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold; cause the Prospectus to be supplemented by any required Prospectus supplement and as so supplemented to be filed pursuant to Rule 424 under the Securities Act and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in the case of a Shelf Registration Statement, advise the underwriter(s), if any, and selling Holders promptly and, if requested by any underwriter(s) or selling Holders to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission or any state securities authority for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) if, between the effective date of a Registration Statement and the closing of any sale of Transfer Restricted Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects or if the Company receives any notification with respect to the suspension of the

qualification of the Transfer Restricted Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, (E) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading and (F) of any determination by the Company that a post-effective amendment to a Registration Statement would be appropriate. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time and shall provide prompt notice to each of the selling or exchanging Holders of the withdrawal of any such order;

(iv) in the case of a Shelf Registration Statement, furnish to each of the selling or exchanging Holders and each of the underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of two business days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which selling Holders of a majority in aggregate principal amount of Transfer Restricted Securities covered by such Registration Statement or the underwriter(s), if any, shall reasonably object within two business days after the receipt thereof. A selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission;

(v) in the case of a Shelf Registration Statement, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) in the case of a Shelf Registration Statement, subject to execution of a confidentiality agreement reasonably acceptable to the Company, make available at

reasonable times for inspection by a representative of the selling Holders, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Company and cause the Company's officers, directors, managers and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement subsequent to the filing thereof and prior to its effectiveness;

(vii) in the case of a Shelf Registration Statement, if requested by any selling Holders or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) in the case of a Shelf Registration Statement, furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one conformed copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) in the case of a Shelf Registration Statement, deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many conformed copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(x) in the case of a Shelf Registration Statement, enter into such agreements (including an underwriting agreement), and make such representations and warranties, and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may be reasonably requested by any Holder of Transfer Restricted Securities or underwriter in connection

with any sale or resale pursuant to any Registration Statement contemplated by this Agreement; and in connection with an Underwritten Registration, the Company shall:

(A) upon request, furnish to each selling Holder and each underwriter, if any, in such substance and scope as they may request and as are customarily made by issuers to underwriters in primary underwritten offerings, upon the date of the effectiveness of the Shelf Registration Statement:

(1) a certificate, dated the date of the effectiveness of the Shelf Registration Statement, signed by (y) the Chairman of the Board, its President or a Vice President and (z) the Chief Financial Officer of the Company, confirming, as of the date thereof, such customary matters as such parties may reasonably request;

(2) an opinion, dated the date of the effectiveness of the Shelf Registration Statement, of counsel for the Company, covering such customary matters as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, the Initial Purchasers' representatives and the Initial Purchasers' counsel in connection with the preparation of such Registration Statement and the related Prospectus and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing, no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus included in such Registration Statement as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other statistical and financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of the effectiveness of the Shelf Registration Statement from the Company's independent accountants and from the independent accountants of other Persons whose financial statements are included in the Shelf Registration Statement, in the customary form and covering matters of the type customarily covered in comfort letters by underwriters in connection with primary underwritten offerings.

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 9 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this clause (x), if any.

If at any time the representations and warranties of the Company contemplated in clause (A)(1) above cease to be true and correct, the Company shall so advise the Initial Purchasers and the underwriter(s), if any, and each selling Holder promptly and, if requested by such Persons, shall confirm such advice in writing delivered to such Persons;

(xi) in the case of a Shelf Registration Statement, prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s), if any, may reasonably request and do any and all other acts or things as may be reasonably necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement in any jurisdiction where it is not now so subject;

(xii) in the case of an Exchange Offer Registration Statement, shall issue, upon the request of any Holder of Notes covered by the Exchange Offer Registration Statement, Exchange Notes in the same amount as the Notes surrendered to the Company by such Holder in exchange therefor or being sold by such Holder; such Exchange Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Exchange Notes, as the case may be; in return, the Notes held by such Holder shall be surrendered to the Company for cancellation;

(xiii) in the case of a Shelf Registration Statement, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriter(s), if any, may reasonably request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xiv) use its reasonable best efforts to cause the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xi) above;

(xv) if any fact or event contemplated by clause (c)(iii)(E) above shall exist or have occurred, prepare and file with the Commission a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xvi) provide CUSIP numbers for all Transfer Restricted Securities not later than the effective date of the Registration Statement and provide certificates for the Transfer Restricted Securities;

(xvii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use its reasonable best efforts to cause such Registration Statement to become effective and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities; provided, however, that the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement in any jurisdiction where it is not now so subject;

(xviii) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to the Holders, as soon

as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or reasonable best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement;

(xix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its reasonable best efforts to cause the Trustee to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xx) provide promptly to each Holder upon reasonable request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act.

Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(E) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof, or until such Holder is advised in writing (the "Advice") by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice.

7. Participation of Broker-Dealers in Exchange Offer.

(a) Participating Broker-Dealer May Be Deemed an "Underwriter". The Commission has taken the position that any Broker-Dealer that receives Exchange Notes for its own account in the Exchange Offer in exchange for Notes that were acquired by such Broker-Dealer as a result of market-making or other trading activities (a "Participating Broker-Dealer") may be deemed to be an "underwriter" within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes.

The Company understands that it is the Commission's position that if the Prospectus contained in the Exchange Offer Registration Statement includes a "Plan of Distribution" containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Notes, without naming the Participating Broker-Dealers or specifying the amount of Exchange Notes owned by them, such Prospectus may be delivered by Participating Broker-Dealers to satisfy their prospectus delivery obligation under the Securities Act in connection with resales of Exchange Notes for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

(b) Provisions Regarding Shelf Registration Statement to Apply to Exchange Offer Registration. In light of the above, notwithstanding the other provisions of this Agreement, the Company agrees that the provisions of this Agreement as they relate to a Shelf Registration Statement shall also apply to an Exchange Offer Registration to the extent, and with such reasonable modifications thereto, as may be reasonably requested by the Initial Purchasers or by one or more Participating Broker-Dealers, in each case as provided in clause (ii) below, in order to expedite or facilitate the disposition of any Exchange Notes by Participating Broker-Dealers consistent with the positions of the Commission recited in Section 7(a) above; provided, however, that:

(i) the Company shall not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement, as would otherwise be contemplated by Section 6(c)(xv), for a period exceeding 180 days after the last date of acceptance for exchange (as such period may be extended pursuant to the last paragraph of Section 6 of this Agreement) and Participating Broker-Dealers shall not be authorized by the Company to deliver and shall not deliver such Prospectus after such period in connection with the resales contemplated by this Section 7; and

(ii) the application of the Shelf Registration Statement procedures set forth in Section 4 of this Agreement to an Exchange Offer Registration, to the extent not required by the positions of the Commission or the Securities Act and the rules and regulations thereunder, will be in conformity with the reasonable request to the Company by the Initial Purchasers or with the reasonable request in writing to the Company by one or more broker-dealers who certify to the Initial Purchasers and the Company in writing that they anticipate that they will be Participating Broker-Dealers;

provided further that, in connection with such application of the Shelf Registration Statement procedures set forth in Section 4 to an Exchange Offer Registration, the Company shall be obligated (x) to deal only with one entity representing the Participating Broker-Dealers, which shall be the Representative unless it elects not to act as such representative, (y) to pay the fees and expenses of only one counsel representing the Participating Broker-Dealers, which shall be counsel selected by the Representative and reasonably acceptable to the Company (unless such counsel elects not to so act), and (z) to cause to be delivered only one, if any, "cold comfort" letter with respect to the Prospectus in the form existing on the last date of acceptance for

exchange and with respect to each subsequent amendment or supplement, if any, effected during the period specified in clause (i) above.

(c) Liability of the Initial Purchasers. The Initial Purchasers shall have no liability to the Company or any Holder with respect to any request that they may make pursuant to Section 7(b) above.

8. Registration Expenses.

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any Initial Purchaser or Holder with the NASD (and, if applicable, the reasonable fees and expenses of any "qualified independent underwriter") and its counsel that may be required by the rules and regulations of the NASD); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses), and associated messenger and delivery services and telecommunications usage; (iv) all fees and disbursements of counsel for the Company and, subject to Section 8(b) below, the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing Notes on a national securities exchange or automated quotation system; and (vi) all fees and disbursements of independent certified public accountants of the Company and other Persons whose financial statements are included in a Registration Statement (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be counsel selected by the Representative and reasonably acceptable to the Company (unless such counsel elects not to so act). The Company shall not be required to pay any underwriting discount, commission or similar fee related to the sale of any securities.

9. Indemnification and Contribution.

(a) The Company to Indemnify Holders. In connection with a Shelf Registration Statement or in connection with any delivery of a Prospectus contained in an Exchange Offer Registration Statement by any Participating Broker-Dealer or Initial Purchaser, as applicable, who seeks to sell Exchange Notes, the Company and Primus Telecommunications, Inc., a Delaware corporation, and Primus Telecommunications (Australia) Pty. Ltd., a company organized under the laws of Australia, and Primus Telecommunications Pty. Ltd., a company organized under the laws of Australia (together, the "Principal Subsidiaries"), jointly and severally, shall indemnify and hold harmless each Holder of Transfer Restricted Securities included within any such Shelf Registration Statement and each Participating Broker-Dealer or Initial Purchaser selling Exchange Notes (each, a "Participant"), such Participant's officers, employees and directors and each person, if any, who controls any Participant within the meaning of Section 15 of the Securities Act from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which such Participant, officer, employee, director or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or supplement thereto or (B) any blue sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Exchange Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application"), (ii) the omission or alleged omission to state in any (x) preliminary Prospectus or Prospectus or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances in which they were made, and (y) Registration Statement or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any act or failure to act, or any alleged act or failure to act, by any Participant in connection with, or relating in any manner to, the Notes or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered in (i) or (ii) above (provided that the Company and the Principal Subsidiaries shall not be liable in the case of any matter covered by this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such act or failure to act undertaken or omitted to be taken by such Participant through its gross negligence or wilful misconduct), and shall reimburse each Participant and each such officer, employee, director or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Participant, officer, employee, director or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company and the Principal Subsidiaries shall not be liable

in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary Prospectus, Prospectus or Registration Statement, in any amendment or supplement thereto, or in any Blue Sky Application, in reliance upon and in conformity with written information concerning such Participant furnished to the Company by or on behalf of any Participant specifically for inclusion therein; provided further that as to any preliminary Prospectus, this indemnity agreement shall not inure to the benefit of any Participant or any officer, employee, director or controlling person of that Participant on account of any loss, claim, damage, liability or action arising from the sale of the Exchange Notes or any Notes sold pursuant to a Shelf Registration Statement to any person by such Participant if (i) that Participant failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such preliminary Prospectus was corrected in the Prospectus or a supplement or amendment thereto, as the case may be, unless in each case, such failure resulted from noncompliance by the Company with Section 6(c). The foregoing indemnity agreement is in addition to any liability which the Company and the Principal Subsidiaries may otherwise have to any Participant or to any officer, employee, director or controlling person of that Participant. In connection with any Underwritten Offering permitted by Section 6(c) hereof, the Company and the Principal Subsidiaries will also indemnify the underwriters, if any, selling brokers, dealers and similar securities industry professionals participating in the distribution, their officers, employees and directors and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) Participants to Indemnify the Company and its Directors, Officers and Controlling Persons. Each Participant, severally and not jointly, shall indemnify and hold harmless the Company, its directors, employees and officers, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, employee, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or supplement thereto or (B) any Blue Sky Application or (ii) the omission or alleged omission to state in any (x) preliminary Prospectus or Prospectus or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, and (y) Registration Statement or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading but in the case of clauses (i) and (ii) only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the written information concerning such Participant furnished to the

Company by or on behalf of that Participant specifically for inclusion therein, and shall reimburse the Company and any such director, employee, officer or controlling person for any legal or other expenses reasonably incurred by the Company and the Principal Subsidiaries or any such director, employee, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Participant may otherwise have to the Company or any such director, employee, officer or controlling person.

(c) Notification of Indemnifying Party; Counsel; Settlement. Promptly after receipt by an indemnified party under this Section 9 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 9 except to the extent the indemnifying party has been materially prejudiced by such failure and provided further that the failure to notify the indemnifying party shall not affect any liability which it may have to an indemnified party otherwise than under this Section 9. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 9 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ counsel to represent jointly the indemnified party and its respective directors, employees, officers and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 9 if such indemnified party shall have been advised in writing that the representation of such indemnified party and those directors, employees, officers and controlling persons by the same counsel would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them, and in that event the fees and expenses of such separate counsel shall be paid by the indemnifying party. It is understood that the indemnifying party shall not be liable for the fees and expenses of more than one separate firm (in addition to local counsel in each jurisdiction) for all indemnified parties in connection with any proceeding or related proceedings. Each indemnified party, as a condition of the indemnity agreements contained in Sections 9(a) and 9(b), shall use its reasonable best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified

parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment in accordance with this Section 9.

(d) Indemnification Unavailable. If the indemnification provided for in this Section 9 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 9(a) or 9(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, in such proportion as is appropriate to reflect the relative fault of the Company and the Principal Subsidiaries, on the one hand, and the Participants, on the other hand, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Principal Subsidiaries, on the one hand, or the Participants, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. Each of the Company and the Principal Subsidiaries and the Participants agrees that it would not be just and equitable if contributions pursuant to this Section 9(d) were to be determined by pro rata allocation (even if either the Participants or the Company and the Principal Subsidiaries, as the case may be, were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 9(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9(d), no Participant shall be required to indemnify or contribute any amount in excess of the amount by which proceeds received by the Participants from an offering of the Notes exceeds the amount of any damages which such Participant has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity. The Participants' obligations to contribute as provided in this Section 9(d) are several and not joint.

(e) The indemnity and contribution provisions contained in this Section 9 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser, any Holder or any person controlling any Initial Purchaser or any Holder, or by or on behalf of the Company, its officers or directors or any person controlling the Company, (iii) acceptance of any of the Exchange Notes and (iv) any sale of Transfer Restricted Securities pursuant to a Shelf Registration Statement.

10. Rule 144A.

The Company hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

11. Participation in Underwritten Registrations.

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lockup letters and other documents reasonably required under the terms of such underwriting arrangements.

12. Selection of Underwriters.

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided that such investment bankers and managers must be reasonably satisfactory to the Company.

13. Miscellaneous.

(a) Remedies. The Company agrees that monetary damages (including Liquidated Damages) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) _No Inconsistent Agreements_. The Company will not on or after the date of this Agreement enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under the provisions of any agreement in effect on the date hereof.

(c) _Adjustments Affecting the Notes_. The Company will not take any action, or permit any change to occur, with respect to Notes that would materially and adversely affect the ability of the Holders to consummate any Exchange Offer unless such action or change is required by applicable law.

(d) _Amendments and Waivers_. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority of the outstanding principal amount of Transfer Restricted Securities; provided, however, that no amendment, modification, supplement, waiver or consent to or departure from the provisions of Section 9 hereof shall be effective as against any Holder of Transfer Restricted Securities unless consented to in writing by such Holder. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(e) _Notices_. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail (registered or certified, return receipt requested), telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address of such Holder maintained by the Registrar under the Indenture; and

(ii) if to the Company or any of the Principal Subsidiaries:

1700 Old Meadow Road
McLean, VA 22102
Attention: Robert Stankey, Esq.
Facsimile: (703) 902-2814

With a copy to:

Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, PA 19103-2799
Attention: James Epstein, Esq.
Facsimile: (215) 981-4750

(ii) if to the Initial Purchasers:

c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285
Attention: Syndicate Department
Facsimile: (212) 528-6395.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation, and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms of the Purchase Agreement; provided further that this Agreement shall not inure to the benefit of or be binding upon a successor, transferee or assign of a Holder unless and to the extent such successor, transferee or assign acquired Transfer Restricted Securities from such Holder. If any transferee of any Holder shall acquire Transfer Restricted Securities, in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof. The Initial Purchasers (in their capacity as Initial Purchasers) shall have no liability or obligation to the Company with respect to any failure by a

Holder to comply with, or breach by any Holder of, any of the obligations of such Holder under this Agreement.

(g) Purchases and Sales of Notes. The Company shall not, and shall use its reasonable best efforts to cause its affiliates (as defined in Rule 405 under the Securities Act) not to, purchase and then resell or otherwise transfer any Notes.

(h) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and such Initial Purchasers shall have the right to enforce such agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(k) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(l) Consent to Jurisdiction. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such Jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Each of Primus Telecommunications (Australia) Pty. Ltd. and Primus Telecommunications Pty. Ltd. hereby irrevocably appoints CT Corporation System, which currently maintains a New York City office at 1633 Broadway, New York, New York 10019, United States of America, as its agent to

receive service of process or other legal summons for purposes of any such action or proceeding that may be instituted in any state or federal court in the City and State of New York.

(m) Waiver of Immunity. With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

(n) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(o) Entire Agreement. This Agreement, together with each of the Related Transaction Documents, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(p) Required Consents. Whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

IN WITNESS WHEREOF, the parties shave executed this Agreement as of the date first written above.

PRIMUS TELECOMMUNICATIONS
GROUP, INCORPORATED

By:________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS, INC.

By:________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS
(AUSTRALIA) PTY. LTD.

By:________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS
PTY. LTD.

By:________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

Accepted, January 29, 1999

LEHMAN BROTHERS INC.

Acting severally on behalf of itself
and the other Initial Purchasers named
in Schedule I to the Purchase Agreement.

By:______________________________
Name:
Title:

Exhibit 10.35

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REGISTRATION RIGHTS AGREEMENT

Dated as of October 15, 1999

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

PRIMUS TELECOMMUNICATIONS, INC.

PRIMUS TELECOMMUNICATIONS (AUSTRALIA) PTY. LTD.

PRIMUS TELECOMMUNICATIONS PTY. LTD.

and

LEHMAN BROTHERS INC.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

MORGAN STANLEY & CO. INCORPORATED

CIBC WORLD MARKETS CORP.

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This Registration Rights Agreement (this "Agreement") is made and entered into as of October 15, 1999 between Primus Telecommunications Group, Inc., a Delaware corporation (the "Company"), Primus Telecommunications Incorporated, a Delaware corporation, Primus Telecommunications (Australia) Pty. Ltd., an Australian corporation, Primus Telecommunications Pty. Ltd., an Australian corporation, and Lehman Brothers Inc., for itself and as Representative of the other Initial Purchasers named in Schedule I to the Purchase Agreement (defined below), (collectively with the Representative, the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated October 12, 1999, among the Company, the Principal Subsidiaries (as defined below) and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of $250,000,000 aggregate principal amount of the Company's 12-3/4% Senior Notes due 2009 (the "Notes"). Capitalized terms used but not specifically defined herein have the respective meanings ascribed thereto in the Purchase Agreement. As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the Initial Purchasers' obligations thereunder, the Company agrees with the Initial Purchasers, and its direct and indirect transferees, for the benefit of the holders of the Notes (including the Initial Purchasers) (collectively, the "Holders"), as follows:

1. Definitions. As used in this Agreement, the following capitalized terms shall have the following meanings:

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Closing Date: The date on which the Notes were sold to the Initial Purchasers.

Commission: The Securities and Exchange Commission.

Damages Payment Date: With respect to the Notes, each Interest Payment Date (as defined in the Indenture) until the earlier of (i) the date on which Liquidated Damages no longer are payable or (ii) maturity of the Notes.

Effectiveness Target Date: As defined in Section 5 hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Notes: The Notes to be issued pursuant to the Indenture in the Exchange Offer.

Exchange Offer: The registration by the Company under the Securities Act of the Exchange Notes pursuant to a Registration Statement pursuant to which the Company

offers the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Exchange Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the Prospectus which forms a part thereof.

Exempt Resale: The transactions in which the Initial Purchasers propose to sell the Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Securities Act, and to certain non-U.S. persons in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Holders: As defined in the second paragraph of this Agreement.

Indenture: The Indenture, dated as of the date hereof, between the Company and First Union National Bank, as trustee (the "Trustee"), pursuant to which the Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Liquidated Damages: As defined in Section 5(a) hereof.

NASD: National Association of Securities Dealers, Inc.

Person: An individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement and by all other amendments and supplements thereto, including post-effective amendments, and all exhibits thereto and all material incorporated by reference into such Prospectus.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, which is filed pursuant to the provisions of this Agreement, in either case, including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Related Transaction Documents: The Purchase Agreement and the Indenture, together with all exhibits and schedules thereto.

Securities Act: The Securities Act of 1933, as amended.

Shelf Filing Deadline: As defined in Section 4 hereof.

Shelf Registration Statement: As defined in Section 4 hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb), as amended.

Transfer Restricted Securities: Each Note, until the earliest to occur of (a) the date on which such Note has been exchanged by a person other than a Broker-Dealer for Exchange Notes in the Exchange Offer, (b) following the exchange by a Broker-Dealer in the Exchange Offer of such Note for one or more Exchange Notes, the date on which such Exchange Notes are sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (d) the date on which such Note is eligible to be distributed to the public pursuant to Rule 144 (k) (or any similar provision then in force) under the Securities Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public; provided, however, that the Company shall be obligated to undertake no more than two such Underwritten Registrations or Underwritten Offerings in the aggregate.

2. Securities Subject to This Agreement.

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities whenever such Person owns Transfer Restricted Securities.

3. Registered Exchange Offer.

(a) Exchange Offer Registration Statement. Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), the Company shall (i) cause to be filed with the Commission as promptly as practicable after the Closing Date a Registration Statement under the

Securities Act relating to the Exchange Notes and the Exchange Offer, (ii) use its reasonable best efforts to cause such Registration Statement to become effective no later than 150 days after the Closing Date, (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, file a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Securities Act and (C) cause all necessary filings in connection with the registration and qualification of the Exchange Notes to be made under the "blue sky" laws of such jurisdictions as are necessary to permit consummation of the Exchange Offer, (iv) use its reasonable best efforts to cause the Exchange Offer to be consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 180 days after the Closing Date and (v) deliver the Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Transfer Restricted Securities that were validly tendered by Holders thereof pursuant to the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Exchange Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of Exchange Notes held by Broker-Dealers as contemplated by Section 3(c) below. The time periods referred to in clauses (ii) and (iv) of this Section 3(a) shall not include any period during which the Company is pursuing a Commission ruling pursuant to Section 6(a)(i) below.

(b) Consummation of the Exchange Offer. The Company shall use its reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Company shall cause the Exchange Offer to comply in all material respects with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer does not violate applicable law or any applicable interpretation of the Commission. The Company shall inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right, subject to applicable law and at its own expense, to contact such Holders and otherwise facilitate the tender of Transfer Restricted Securities in the Exchange Offer.

(c) "Plan of Distribution" Section of the Prospectus. The Company shall indicate in a "Plan of Distribution" section contained in the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Company), may exchange such Notes pursuant to the Exchange Offer; provided, however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of the Exchange Notes received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the

delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Exchange Notes held by any such Broker-Dealer except to the extent required by the Commission.

The Company shall use its reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary (i) to ensure that it is available for resales of Exchange Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities, and (ii) to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, in each case, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective.

The Company shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon their reasonable request at any time during such 180-day period in order to facilitate such resales.

4. Shelf Registration.

(a) Shelf Registration. If (i) the Company is not permitted to file the Exchange Offer Registration Statement or to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been compiled with), (ii) any Holder of Transfer Restricted Securities that is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) shall notify the Company at least 20 business days prior to the consummation of the Exchange Offer (A) that such Holder is prohibited by applicable law or Commission policy from participating in the Exchange Offer, or (B) that such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder, or (C) that such Holder is a Broker-Dealer and holds Notes acquired directly from the Company or one of its affiliates, (iii) the Exchange Offer is not for any other reason consummated by April 12, 2000 or (iv) the Exchange Offer has been completed and in the opinion of counsel for the Initial Purchasers a Registration Statement must be filed and a Prospectus must be delivered by the Initial Purchasers in connection with any offering or sale of Transfer Restricted Securities, then the Company shall in lieu of or, in the event of (ii), (iii) and (iv) above, in addition to effecting the registration of the Exchange Notes pursuant to the Exchange Offer Registration Statement, use its reasonable best efforts to:

(x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Securities Act which may be an amendment to the Exchange Offer Registration

Statement (in either event, the "Shelf Registration Statement"), within 60 days of the earliest to occur of (1) the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement, (2) the date on which the Company receives notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) above, (3) April 12, 2000 or (4) the receipt by the Company of the opinion of counsel contemplated by clause (iv) above (the 60th day following the earliest to occur of (1) through (4) being hereinafter referred to as the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities for which the Holders of such Transfer Restricted Securities shall have provided the information required pursuant to Section 4(b) hereof; and

(y) cause such Shelf Registration Statement to be declared effective by the Commission on or before the 120th day after the Shelf Filing Deadline.

The Company shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary (i) to ensure that it is available for resales of Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a), and (ii) to ensure that such Shelf Registration Statement conforms and continues to conform with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission, as announced from time to time, in each case, for a period ending on the second anniversary of the Closing Date.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 business days after receipt of a request therefor, such information as the Company may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such reasonably requested information within the time period prescribed in this Section 4(b). Each Holder as to which any Shelf Registration Statement is being effected agrees to notify the Company promptly if any of the information previously furnished is misleading or inaccurate in any material respect and to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading or inaccurate.

(c) Declaring Effective the Exchange Offer Registration Statement. An Exchange Offer Registration Statement pursuant to Section 3(a) hereof or a Shelf Registration Statement pursuant to Section 4(a) hereof will not be deemed to have become effective unless it has been declared effective by the Commission; provided, however, that if, after it has been declared effective, the offering of Transfer Restricted Securities pursuant to a Shelf Registration

Statement is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Registration Statement will be deemed not to have become effective during the period of such interference until the offering of Transfer Restricted Securities pursuant to such Registration Statement may legally resume.

(d) <u>Failure of the Company to Comply with its Obligations.</u> Without limiting the remedies available to the Initial Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Section 3(a) and Section 4(a) hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 3(a) and Section 4(a) hereof.

5. Liquidated Damages.

(a) <u>Accrual and Amount of Liquidated Damages.</u> If (i) any of such Registration Statements has not been declared effective by the Commission on or prior to the date specified for such effectiveness as set forth in Section 3(a)(ii) and 4(a)(y) of this Agreement (the "Effectiveness Target Date"), (ii) the Exchange Offer has not been consummated within 180 days after the Closing Date with respect to the Exchange Offer Registration Statement or (iii) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose (in the case of the Exchange Offer Registration Statement, at any time after the Effectiveness Target Date and, in the case of any Shelf Registration Statement, at any time) without being succeeded within five business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within such five business day period (each such event referred to in clauses (i) through (iii), a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .50% per annum of the principal amount of Notes held by such Holder. The amount of Liquidated Damages will increase by an additional .50% per annum of the principal amount of Notes with respect to each subsequent 90-day period (or portion thereof) until all Registration Defaults have been cured, up to a maximum rate of Liquidated Damages of 1.50% per annum of the principal amount of Notes. All accrued Liquidated Damages shall be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. Immediately upon the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Liquidated Damages with respect to such Transfer Restricted Securities will cease.

All obligations of the Company set forth in the preceding paragraph that have accrued and are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Transfer Restricted Security shall have been satisfied in full.

(b) Notification of the Trustee. The Company shall notify the Trustee promptly after each and every date on which an event occurs in respect of which Liquidated Damages are required to be paid (an "Event Date"). Liquidated Damages shall be paid by depositing Liquidated Damages with the Trustee, in trust, for the benefit of the Holders of the Notes, on or before the applicable Interest Payment Date (whether or not any payment other than Liquidated Damages is payable on such Notes), in immediately available funds in sums sufficient to pay the Liquidated Damages then due to such Holders. Each obligation to pay Liquidated Damages shall be deemed to accrue from the applicable date of the occurrence of the Registration Default.

6. Registration Procedures.

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company shall comply with all of the provisions of Section 6(c) below and shall use its reasonable best efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof. In addition, the Company (with respect to (i) and (iii) of this Section 6(a)) and each Holder of Transfer Restricted Securities (with respect to (ii) of this Section 6(a)) shall comply with the following provisions:

(i) If in the reasonable opinion of counsel to the Company there is a question as to whether the Exchange Offer is permitted by applicable law, the Company hereby agrees to seek a no-action letter or other favorable decision from the Commission allowing the Company to consummate an Exchange Offer for such Notes. The Company hereby agrees to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy. The Company hereby agrees, however, to (A) participate in telephonic conferences with the staff of the Commission, (B) deliver to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) use reasonable best efforts to pursue a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall (x) furnish, upon the request of the Company, prior to the consummation thereof, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (C) it is acquiring the Exchange Notes in its ordinary course of business and (y) otherwise cooperate in the Company's preparations for the Exchange Offer. Each Holder hereby acknowledges and

agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in *Morgan Stanley and Co., Inc.* (available June 5, 1991) and *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including *Brown & Wood LLP* (available February 7, 1997), and any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Exchange Notes obtained by such Holder in exchange for Notes acquired by such Holder directly from the Company.

(iii) Prior to the effectiveness of the Exchange Offer Registration Statement, to the extent required by the Commission, the Company shall provide a supplemental letter to the Commission (A) stating that the Company is registering the Exchange Offer in reliance on the position of the Commission enunciated in *Exxon Capital Holdings Corporation* (available May 13, 1988), *Morgan Stanley and Co., Inc.* (available June 5, 1991), *Brown & Wood LLP* (available February 7, 1997) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that to the best of the Company's information and belief, each Holder (other than an Initial Purchaser) participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer.

(b) *Shelf Registration Statement*. In connection with the Shelf Registration Statement, the Company shall comply with all the provisions of Section 6(c) below and shall use its reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Company shall as expeditiously as possible prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Securities Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof.

(c) *General Provisions*. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Notes by Broker-Dealers), the Company shall:

(i) use its reasonable best efforts to (x) keep such Registration Statement continuously effective and (y) provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use its reasonable best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as applicable, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold; cause the Prospectus to be supplemented by any required Prospectus supplement and as so supplemented to be filed pursuant to Rule 424 under the Securities Act and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in the case of a Shelf Registration Statement, advise the underwriter(s), if any, and selling Holders promptly and, if requested by any underwriter(s) or selling Holders to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission or any state securities authority for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) if, between the effective date of a Registration Statement and the closing of any sale of Transfer Restricted Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects or if the Company receives any notification with respect to the suspension of the

qualification of the Transfer Restricted Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, (E) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading and (F) of any determination by the Company that a post-effective amendment to a Registration Statement would be appropriate. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time and shall provide prompt notice to each of the selling or exchanging Holders of the withdrawal of any such order;

(iv) in the case of a Shelf Registration Statement, furnish to each of the selling or exchanging Holders and each of the underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of two business days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which selling Holders of a majority in aggregate principal amount of Transfer Restricted Securities covered by such Registration Statement or the underwriter(s), if any, shall reasonably object within two business days after the receipt thereof. A selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission;

(v) in the case of a Shelf Registration Statement, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) in the case of a Shelf Registration Statement, subject to execution of a confidentiality agreement reasonably acceptable to the Company, make available at

reasonable times for inspection by a representative of the selling Holders, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Company and cause the Company's officers, directors, managers and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement subsequent to the filing thereof and prior to its effectiveness;

(vii) in the case of a Shelf Registration Statement, if requested by any selling Holders or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) in the case of a Shelf Registration Statement, furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one conformed copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) in the case of a Shelf Registration Statement, deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many conformed copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(x) in the case of a Shelf Registration Statement, enter into such agreements (including an underwriting agreement), and make such representations and warranties, and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may be reasonably requested by any Holder of Transfer Restricted Securities or underwriter in connection

with any sale or resale pursuant to any Registration Statement contemplated by this Agreement; and in connection with an Underwritten Registration, the Company shall:

(A) upon request, furnish to each selling Holder and each underwriter, if any, in such substance and scope as they may request and as are customarily made by issuers to underwriters in primary underwritten offerings, upon the date of the effectiveness of the Shelf Registration Statement:

(1) a certificate, dated the date of the effectiveness of the Shelf Registration Statement, signed by (y) the Chairman of the Board, its President or a Vice President and (z) the Chief Financial Officer of the Company, confirming, as of the date thereof, such customary matters as such parties may reasonably request;

(2) an opinion, dated the date of the effectiveness of the Shelf Registration Statement, of counsel for the Company, covering such customary matters as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, the Initial Purchasers' representatives and the Initial Purchasers' counsel in connection with the preparation of such Registration Statement and the related Prospectus and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing, no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus included in such Registration Statement as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other statistical and financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of the effectiveness of the Shelf Registration Statement from the Company's independent accountants and from the independent accountants of other Persons whose financial statements are included in the Shelf Registration Statement, in the customary form and covering matters of the type customarily covered in comfort letters by underwriters in connection with primary underwritten offerings.

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 9 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this clause (x), if any.

If at any time the representations and warranties of the Company contemplated in clause (A)(1) above cease to be true and correct, the Company shall so advise the Initial Purchasers and the underwriter(s), if any, and each selling Holder promptly and, if requested by such Persons, shall confirm such advice in writing delivered to such Persons;

(xi) in the case of a Shelf Registration Statement, prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s), if any, may reasonably request and do any and all other acts or things as may be reasonably necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement in any jurisdiction where it is not now so subject;

(xii) in the case of an Exchange Offer Registration Statement, shall issue, upon the request of any Holder of Notes covered by the Exchange Offer Registration Statement, Exchange Notes in the same amount as the Notes surrendered to the Company by such Holder in exchange therefor or being sold by such Holder; such Exchange Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Exchange Notes, as the case may be; in return, the Notes held by such Holder shall be surrendered to the Company for cancellation;

(xiii) in the case of a Shelf Registration Statement, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriter(s), if any, may reasonably request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xiv) use its reasonable best efforts to cause the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xi) above;

(xv) if any fact or event contemplated by clause (c)(iii)(E) above shall exist or have occurred, prepare and file with the Commission a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xvi) provide CUSIP numbers for all Transfer Restricted Securities not later than the effective date of the Registration Statement and provide certificates for the Transfer Restricted Securities;

(xvii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use its reasonable best efforts to cause such Registration Statement to become effective and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities; provided, however, that the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement in any jurisdiction where it is not now so subject;

(xviii) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to the Holders, as soon

as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or reasonable best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement;

(xix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its reasonable best efforts to cause the Trustee to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xx) provide promptly to each Holder upon reasonable request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act.

Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(E) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof, or until such Holder is advised in writing (the "Advice") by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice.

7. Participation of Broker-Dealers in Exchange Offer.

(a) Participating Broker-Dealer May Be Deemed an "Underwriter". The Commission has taken the position that any Broker-Dealer that receives Exchange Notes for its own account in the Exchange Offer in exchange for Notes that were acquired by such Broker-Dealer as a result of market-making or other trading activities (a "Participating Broker-Dealer") may be deemed to be an "underwriter" within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes.

The Company understands that it is the Commission's position that if the Prospectus contained in the Exchange Offer Registration Statement includes a "Plan of Distribution" containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Notes, without naming the Participating Broker-Dealers or specifying the amount of Exchange Notes owned by them, such Prospectus may be delivered by Participating Broker-Dealers to satisfy their prospectus delivery obligation under the Securities Act in connection with resales of Exchange Notes for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

(b) Provisions Regarding Shelf Registration Statement to Apply to Exchange Offer Registration. In light of the above, notwithstanding the other provisions of this Agreement, the Company agrees that the provisions of this Agreement as they relate to a Shelf Registration Statement shall also apply to an Exchange Offer Registration to the extent, and with such reasonable modifications thereto, as may be reasonably requested by the Initial Purchasers or by one or more Participating Broker-Dealers, in each case as provided in clause (ii) below, in order to expedite or facilitate the disposition of any Exchange Notes by Participating Broker-Dealers consistent with the positions of the Commission recited in Section 7(a) above; provided, however, that:

(i) the Company shall not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement, as would otherwise be contemplated by Section 6(c)(xv), for a period exceeding 180 days after the last date of acceptance for exchange (as such period may be extended pursuant to the last paragraph of Section 6 of this Agreement) and Participating Broker-Dealers shall not be authorized by the Company to deliver and shall not deliver such Prospectus after such period in connection with the resales contemplated by this Section 7; and

(ii) the application of the Shelf Registration Statement procedures set forth in Section 4 of this Agreement to an Exchange Offer Registration, to the extent not required by the positions of the Commission or the Securities Act and the rules and regulations thereunder, will be in conformity with the reasonable request to the Company by the Initial Purchasers or with the reasonable request in writing to the Company by one or more broker-dealers who certify to the Initial Purchasers and the Company in writing that they anticipate that they will be Participating Broker-Dealers;

provided further that, in connection with such application of the Shelf Registration Statement procedures set forth in Section 4 to an Exchange Offer Registration, the Company shall be obligated (x) to deal only with one entity representing the Participating Broker-Dealers, which shall be the Representative unless it elects not to act as such representative, (y) to pay the fees and expenses of only one counsel representing the Participating Broker-Dealers, which shall be counsel selected by the Representative and reasonably acceptable to the Company (unless such counsel elects not to so act), and (z) to cause to be delivered only one, if any, "cold comfort" letter with respect to the Prospectus in the form existing on the last date of acceptance for

exchange and with respect to each subsequent amendment or supplement, if any, effected during the period specified in clause (i) above.

(c) Liability of the Initial Purchasers. The Initial Purchasers shall have no liability to the Company or any Holder with respect to any request that they may make pursuant to Section 7(b) above.

8. Registration Expenses.

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any Initial Purchaser or Holder with the NASD (and, if applicable, the reasonable fees and expenses of any "qualified independent underwriter") and its counsel that may be required by the rules and regulations of the NASD); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses), and associated messenger and delivery services and telecommunications usage; (iv) all fees and disbursements of counsel for the Company and, subject to Section 8(b) below, the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing Notes on a national securities exchange or automated quotation system; and (vi) all fees and disbursements of independent certified public accountants of the Company and other Persons whose financial statements are included in a Registration Statement (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be counsel selected by the Representative and reasonably acceptable to the Company (unless such counsel elects not to so act). The Company shall not be required to pay any underwriting discount, commission or similar fee related to the sale of any securities.

9. Indemnification and Contribution.

(a) The Company to Indemnify Holders. In connection with a Shelf Registration Statement or in connection with any delivery of a Prospectus contained in an Exchange Offer Registration Statement by any Participating Broker-Dealer or Initial Purchaser, as applicable, who seeks to sell Exchange Notes, the Company and Primus Telecommunications, Inc., a Delaware corporation, and Primus Telecommunications (Australia) Pty. Ltd., a company organized under the laws of Australia, and Primus Telecommunications Pty. Ltd., a company organized under the laws of Australia (together, the "Principal Subsidiaries"), jointly and severally, shall indemnify and hold harmless each Holder of Transfer Restricted Securities included within any such Shelf Registration Statement and each Participating Broker-Dealer or Initial Purchaser selling Exchange Notes (each, a "Participant"), such Participant's officers, employees and directors and each person, if any, who controls any Participant within the meaning of Section 15 of the Securities Act from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which such Participant, officer, employee, director or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or supplement thereto or (B) any blue sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Exchange Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application") or (ii) the omission or alleged omission to state in any (x) preliminary Prospectus or Prospectus or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances in which they were made, and (y) Registration Statement or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Participant and each such officer, employee, director or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Participant, officer, employee, director or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company and the Principal Subsidiaries shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary Prospectus, Prospectus or Registration Statement, in any amendment or supplement thereto, or in any Blue Sky Application, in reliance upon and in conformity with written information concerning such Participant furnished to the Company by or on behalf of any Participant specifically for inclusion therein; provided further that as to any preliminary Prospectus, this indemnity agreement shall not inure to the benefit of any Participant or any officer, employee, director or controlling person of that Participant on account of any loss, claim,

damage, liability or action arising from the sale of the Exchange Notes or any Notes sold pursuant to a Shelf Registration Statement to any person by such Participant if (i) that Participant failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such preliminary Prospectus was corrected in the Prospectus or a supplement or amendment thereto, as the case may be, unless in each case, such failure resulted from noncompliance by the Company with Section 6(c). The foregoing indemnity agreement is in addition to any liability which the Company and the Principal Subsidiaries may otherwise have to any Participant or to any officer, employee, director or controlling person of that Participant. In connection with any Underwritten Offering permitted by Section 6(c) hereof, the Company and the Principal Subsidiaries will also indemnify the underwriters, if any, selling brokers, dealers and similar securities industry professionals participating in the distribution, their officers, employees and directors and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) <u>Participants to Indemnify the Company and its Directors, Officers and Controlling Persons</u>. Each Participant, severally and not jointly, shall indemnify and hold harmless the Company, its directors, employees and officers, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, employee, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or supplement thereto or (B) any Blue Sky Application or (ii) the omission or alleged omission to state in any (x) preliminary Prospectus or Prospectus or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, and (y) Registration Statement or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading but in the case of clauses (i) and (ii) only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the written information concerning such Participant furnished to the Company by or on behalf of that Participant specifically for inclusion therein, and shall reimburse the Company and any such director, employee, officer or controlling person for any legal or other expenses reasonably incurred by the Company and the Principal Subsidiaries or any such director, employee, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Participant may otherwise have to the Company or any such director, employee, officer or controlling person.

(c) Notification of Indemnifying Party; Counsel; Settlement. Promptly after receipt by an indemnified party under this Section 9 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 9 except to the extent the indemnifying party has been materially prejudiced by such failure and provided further that the failure to notify the indemnifying party shall not affect any liability which it may have to an indemnified party otherwise than under this Section 9. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 9 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ counsel to represent jointly the indemnified party and its respective directors, employees, officers and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 9 if such indemnified party shall have been advised in writing that the representation of such indemnified party and those directors, employees, officers and controlling persons by the same counsel would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them, and in that event the fees and expenses of such separate counsel shall be paid by the indemnifying party. It is understood that the indemnifying party shall not be liable for the fees and expenses of more than one separate firm (in addition to local counsel in each jurisdiction) for all indemnified parties in connection with any proceeding or related proceedings. Each indemnified party, as a condition of the indemnity agreements contained in Sections 9(a) and 9(b), shall use its reasonable best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment in accordance with this Section 9.

(d) Indemnification Unavailable. If the indemnification provided for in this Section 9 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 9(a) or 9(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, in such proportion as is appropriate to reflect the relative fault of the Company and the Principal Subsidiaries, on the one hand, and the Participants, on the other hand, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Principal Subsidiaries, on the one hand, or the Participants, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. Each of the Company and the Principal Subsidiaries and the Participants agrees that it would not be just and equitable if contributions pursuant to this Section 9(d) were to be determined by pro rata allocation (even if either the Participants or the Company and the Principal Subsidiaries, as the case may be, were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 9(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9(d), no Participant shall be required to indemnify or contribute any amount in excess of the amount by which proceeds received by the Participants from an offering of the Notes exceeds the amount of any damages which such Participant has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity. The Participants' obligations to contribute as provided in this Section 9(d) are several and not joint.

(e) The indemnity and contribution provisions contained in this Section 9 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser, any Holder or any person controlling any Initial Purchaser or any Holder, or by or on behalf of the Company, its officers or directors or any person controlling the Company, (iii) acceptance of any of the Exchange Notes and (iv) any sale of Transfer Restricted Securities pursuant to a Shelf Registration Statement.

10. Rule 144A.

The Company hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

11. Participation in Underwritten Registrations.

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lockup letters and other documents reasonably required under the terms of such underwriting arrangements.

12. Selection of Underwriters.

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided that such investment bankers and managers must be reasonably satisfactory to the Company.

13. Miscellaneous.

(a) Remedies. The Company agrees that monetary damages (including Liquidated Damages) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not on or after the date of this Agreement enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under the provisions of any agreement in effect on the date hereof.

(c) Adjustments Affecting the Notes. The Company will not take any action, or permit any change to occur, with respect to Notes that would materially and adversely affect the ability of the Holders to consummate any Exchange Offer unless such action or change is required by applicable law.

(d) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority of the outstanding principal amount of Transfer Restricted Securities; provided, however, that no amendment, modification, supplement, waiver or consent to or departure from the provisions of Section 9 hereof shall be effective as against any Holder of Transfer Restricted Securities unless consented to in writing by such Holder. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail (registered or certified, return receipt requested), telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address of such Holder maintained by the Registrar under the Indenture; and

(ii) if to the Company or any of the Principal Subsidiaries:

1700 Old Meadow Road
McLean, VA 22102
Attention: David Slotkin, Esq.
Facsimile: (703) 902-2814

With a copy to:

Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, PA 19103-2799
Attention: James Epstein, Esq.
Facsimile: (215) 981-4750

(iii) if to the Initial Purchasers:

c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285
Attention: Syndicate Department
Facsimile: (212) 528-6395.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation, and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms of the Purchase Agreement; provided further that this Agreement shall not inure to the benefit of or be binding upon a successor, transferee or assign of a Holder unless and to the extent such successor, transferee or assign acquired Transfer Restricted Securities from such Holder. If any transferee of any Holder shall acquire Transfer Restricted Securities, in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof. The Initial Purchasers (in their capacity as Initial Purchasers) shall have no liability or obligation to the Company with respect to any failure by a Holder to comply with, or breach by any Holder of, any of the obligations of such Holder under this Agreement.

(g) Purchases and Sales of Notes. The Company shall not, and shall use its reasonable best efforts to cause its affiliates (as defined in Rule 405 under the Securities Act) not to, purchase and then resell or otherwise transfer any Notes.

(h) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and such Initial Purchasers shall have the right to enforce such

agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(k) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(l) Consent to Jurisdiction. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such Jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Each of Primus Telecommunications (Australia) Pty. Ltd. and Primus Telecommunications Pty. Ltd. hereby irrevocably appoints CT Corporation System, which currently maintains a New York City office at 1633 Broadway, New York, New York 10019, United States of America, as its agent to receive service of process or other legal summons for purposes of any such action or proceeding that may be instituted in any state or federal court in the City and State of New York.

(m) Waiver of Immunity. With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related

Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

(n) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(o) Entire Agreement. This Agreement, together with each of the Related Transaction Documents, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(p) Required Consents. Whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

IN WITNESS WHEREOF, the parties shave executed this Agreement as of the date first written above.

PRIMUS TELECOMMUNICATIONS
GROUP, INCORPORATED

By:_____________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS,
INC.

By:_____________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS
(AUSTRALIA) PTY. LTD.

By:_____________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS
PTY. LTD.

By:_____________________________________
Name: K. Paul Singh
Title: President and Chief Executive Officer

Accepted, October 15, 1999

LEHMAN BROTHERS INC.

Acting severally on behalf of itself
and the other Initial Purchasers named
in Schedule I to the Purchase Agreement.

By:______________________________
Name:
Title:

Exhibit 25

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY AND QUALIFICATION
UNDER THE TRUST INDENTURE ACT FOR 1939, AS AMENDED,
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE
Check if an application to determine eligibility of a trustee
pursuant to Section 305(b) (2) _____

FIRST UNION NATIONAL BANK
(Exact name of Trustee as specified in its charter)

230 SOUTH TRYON STREET, 9TH FL. CHARLOTTE, NC	28288-1179	22-1147033
(Address of principal executive office)	(Zip Code)	(I.R.S. Employer Identification No.)

Sarah A. McMahon, (804) 343-6057
800 E. Main Street, Richmond, Virginia 23219

Primus Telecommunications Group, Incorporated
(Exact name of obligor as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

54-1708481
(I.R.S. Employer Identification No.)

1700 Old Meadow Road
McLean, VA
(Address of principal executive offices)

22102
(Zip Code)

12 3/4% SENIOR NOTES DUE 2009
(Title of the indenture securities)

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1. General information.

   (a) The following are the names and addresses of each examining or supervising authority to which the Trustee is subject:

   The Comptroller of the Currency, Washington, D.C.
   Federal Reserve Bank of Richmond, Richmond, Virginia.
   Federal Deposit Insurance Corporation, Washington, D.C.
   Securities and Exchange Commission, Division of Market Regulation, Washington, D.C.

   (b) The Trustee is authorized to exercise corporate trust powers.

2. Affiliations with obligor.

   The obligor is not an affiliate of the Trustee.

3. Voting Securities of the Trustee.

   Not applicable
   (See answer to Item 13)

4. Trusteeships under other indentures.

   Not applicable
   (See answer to Item 13)

5. Interlocking directorates and similar relationships with the obligor or underwriters.

   Not applicable
   (See answer to Item 13)

6. Voting securities of the Trustee owned by the obligor or its officials.

   Not applicable
   (See answer to Item 13)

7. Voting securities of the Trustee owned by underwriters or their officials.

   Not applicable
   (See answer to Item 13)

8. Securities of the obligor owned or held by the Trustee.

   Not applicable
   (See answer to Item 13)

9. Securities of underwriters owned or held by the Trustee.

   Not applicable
   (See answer to Item 13)

10. Ownership or holdings by the Trustee of voting securities of certain affiliates or security holders of the obligor.

    Not applicable
    (See answer to Item 13)

11. Ownership of holders by the Trustee of any securities of a person owning 50 percent or more of the voting securities of the obligor.

Not applicable
(See answer to Item 13)

12. Indebtedness of the obligor to the Trustee.

Not applicable
(See answer to Item 13)

13. Defaults by the obligor.

A. None
B. None

14. Affiliations with the underwriters.

Not applicable
(See answer to Item 13)

15. Foreign trustee.

Trustee is a national banking association organized under the laws of the United States.

16. List of Exhibits.

(1) Articles of Incorporation. (Incorporated by reference from Exhibit 25 to Registration 333-25575, filed June 5, 1997.)

(2) Certificate of Authority of the Trustee to conduct business. (Incorporated by reference from Exhibit 25 to Registration 333-25575, filed June 5, 1997.)

(3) Certificate of Authority of the Trustee to exercise corporate trust powers. (Incorporated by reference from Exhibit 25 to Registration 333-25575, filed June 5, 1997.)

(4) By-Laws. (Incorporated by reference from Exhibit 25 to Registration 333-25575, filed June 5, 1997.)

(5) Inapplicable.

(6) Consent by the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. Included at Page 4 of this Form T-1 Statement.

(7) Report of condition of Trustee.

(8) Inapplicable.

(9) Inapplicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, FIRST UNION NATIONAL BANK, a national association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Richmond, and Commonwealth of Virginia on the 28th day of October, 1999.

FIRST UNION NATIONAL BANK
(Trustee)

BY: /s/ Sarah A. McMahon

Sarah A. McMahon, Vice President

EXHIBIT T-1 (6)

CONSENTS OF TRUSTEE

Under section 321(b) of the Trust Indenture Act of 1939 and in connection with the proposed issuance by Primus Telecommunications Group, Incorporated Senior Notes due 2009, First Union National Bank, as the Trustee herein named, hereby consents that reports of examinations of said Trustee by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon requests therefor.

FIRST UNION NATIONAL BANK

BY: /s/ John M. Turner

John M. Turner, Vice President

Dated: October 28, 1999

Exhibit 99.1

LETTER OF TRANSMITTAL

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Offer to Exchange
all of its
12 3/4% Senior Notes due 2009
for a new series of its
12 3/4% Senior Notes due 2009
Which Have Been Registered Under the Securities Act of 1933
Pursuant to the Prospectus dated November , 1999

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON DECEMBER , 1999,
UNLESS EXTENDED.

The Exchange Agent for the Exchange Offer is:

FIRST UNION NATIONAL BANK

By Mail, Hand or Overnight Delivery:	By Facsimile:
First Union Customer Information Center	(704) 590-7628
Reorganization Department, 36C-NC 1153 1525 West W.T. Harris Boulevard Charlotte, NC 28262	To confirm by Telephone or for Information call:
	(704) 590-7408

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS CONTAINED HEREIN SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The undersigned acknowledges receipt of the Prospectus, dated November , 1999 ("Exchange Offer"), of Primus Telecommunications Group, Inc., a Delaware corporation (the "Company"), relating to the offer of the Company, upon the terms and subject to the conditions set forth in the Exchange Offer and in this Letter of Transmittal and the instructions hereto (which together with the Exchange Offer and the instructions hereto constitute the "Offer"), to exchange a new series of its 12 3/4% Senior Notes due 2009 (the "Exchange Notes") which have been registered under the Securities Act of 1933 (the "Securities Act") for any and all of its outstanding 12 3/4% Senior Notes due 2009 ("Initial Notes"), at the rate of $1,000 principal amount of the Exchange Notes for each $1,000 principal amount of the Initial Notes. Capitalized terms used but not defined herein have the meanings given to them in the Exchange Offer.

The undersigned has completed the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Offer.

This Letter of Transmittal is to be used whether the Initial Notes are to be physically delivered herewith, or whether guaranteed delivery procedures or book-entry delivery procedures are being used, pursuant to the procedures set forth under "The Exchange Offer" in the Exchange Offer. If delivery of Initial Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company ("DTC"), this Letter of Transmittal need not be manually executed, provided, however, that tenders of Initial Notes must be effected in accordance with the procedures mandated by DTC and the procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Book-Entry Delivery." If a person or entity in whose name Initial Notes are registered on the books of the Registrar (a "Registered Holder") desires to tender Initial Notes and such Initial Notes are not immediately available or time will not permit all documents required by the Offer to reach the Exchange Agent (or such Registered Holder is unable to complete the procedure for book-entry transfer on a timely basis) prior to 5:00 P.M. New York City time on December , 1999 (the "Expiration Date"), a tender may be effected in accordance with the guaranteed delivery procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Guaranteed Delivery Procedures." See Instruction 1.

DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY
DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

LADIES AND GENTLEMEN:

Upon the terms and subject to the conditions of the Offer, the undersigned hereby tenders to the Company the principal amount of the Initial Notes indicated below. Subject to, and effective upon, the acceptance for exchange of the Initial Notes tendered hereby, the undersigned hereby irrevocably sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to such Initial Notes and hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said exchange agent also acts as the agent of the Company) with respect to such Initial Notes, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to take such further action as may be required in connection with the delivery, tender and exchange of the Initial Notes.

The undersigned acknowledges that this Offer is being made in reliance on an interpretation by the staff of the Securities and Exchange Commission (the "SEC") that the Exchange Notes issued pursuant to the Exchange Offer in exchange for the Initial Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than (i) a broker-dealer who purchased Initial Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act, or (ii) a person that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such Exchange Notes. See Morgan Stanley & Co. Inc., SEC No-Action Letter (available June 5, 1991); The Exchange Offer under the caption "The Exchange Offer--Resales of the Exchange Notes."

The undersigned acknowledges that the Exchange Notes have not been registered or qualified under any state securities laws. This Offer is being made to: (i) U.S. persons pursuant to exemptions from such laws for sales to institutional investors, and (ii) non-U.S. persons (within the meaning of Regulation S under the Securities Act), as state securities laws do not apply to sales to persons who are not residents of any state. The undersigned hereby represents and warrants that the undersigned is either (i) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, (ii) an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act or (iii) a non-U.S. person (within the meaning of Regulation S under the Securities Act).

THE UNDERSIGNED UNDERSTANDS AND AGREES THAT THE COMPANY RESERVES THE RIGHT NOT TO ACCEPT TENDERED INITIAL NOTES FROM ANY TENDERING HOLDER IF THE COMPANY DETERMINES, IN ITS SOLE AND ABSOLUTE DISCRETION, THAT SUCH ACCEPTANCE COULD RESULT IN A VIOLATION OF APPLICABLE SECURITIES LAWS.

The undersigned, if the undersigned is a beneficial holder, represents, or, if the undersigned is a broker, dealer, commercial bank, trust company or other nominee, represents that it has received representations from the beneficial owners of the Initial Notes stating, (as defined in the Exchange Offer) that (i) the Exchange Notes to be acquired in connection with the Exchange Offer by the Holder and each Beneficial Owner of the Initial Notes are being acquired by the Holder and each Beneficial Owner in the ordinary course of business of the Holder and each Beneficial Owner, (ii) the Holder and each Beneficial Owner are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution (within the meaning of the Securities Act) of the Exchange Notes, (iii) the Holder and each Beneficial Owner acknowledge and agree that any person participating in the Exchange Offer for the purpose of distributing the Exchange Notes must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the Exchange Notes acquired by such person and cannot rely on the position of the staff of the Commission set forth in no-action letters that are discussed in the Exchange Offer under the caption "The Exchange Offer--Resales of the Exchange Notes," (iv) that if the Holder is a broker-dealer holding Initial Notes acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Notes received in respect of such Initial Notes pursuant to the Exchange Offer; provided that the delivery of a Prospectus in connection with the exchange of Initial Notes by such Holder will not be deemed an admission that such Holder is an underwriter (within the meaning of the Securities Act), (v) the Holder and each Beneficial Owner understand that a secondary resale transaction described in clause (iii) above should be covered by an effective registration statement containing the selling security holder information required by item 507 of Regulations S-K of the Securities Act and (vi) neither the Holder nor any Beneficial Owner is an "affiliate," as defined under Rule 405 of the Securities Act, of the Company.

In addition, if the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer holding Initial Notes acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of

Exchange Notes received in respect of such Initial Notes pursuant to the Exchange Offer; provided, however, that by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an underwriter (within the meaning of the Securities Act).

The Company has agreed, subject to the provisions of the Registration Rights Agreement, the Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer (as defined below) in connection with resales of Exchange Notes received in exchange for Initial Notes, where such Initial Notes were acquired by such broker-dealer for its own account as a result of market-making activities or other trading activities, for a period ending 180 days after the Expiration Date (subject to extension under certain limited circumstances described in the Prospectus) or, if earlier, when all such Exchange Notes have been disposed of by such participating broker-dealer. In that regard, each broker-dealer who acquired Initial Notes for its own account as a result of market-making or other trading activities (a "Participating Broker-Dealer"), by tendering such Initial Notes and executing this Letter of Transmittal, agrees that, upon receipt of notice from the Company of the occurrence of any event or the discovery of any fact which makes any statement contained or incorporated by reference in the Prospectus untrue in any material respect or which causes the Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference therein, in light of the circumstances under which they were made, not misleading or of the occurrence of certain other events specified in the Registration Rights Agreement, such Participating Broker-Dealer will suspend the sale of Exchange Notes pursuant to the Prospectus until the Company have amended or supplemented the Prospectus to correct such misstatement or omission and the Company has furnished copies of the amended or supplemented Prospectus to the Participating Broker-Dealer or the Company has given notice that the sale of the Exchange Notes may be resumed, as the case may be. If the Company gives such notice to suspend the sale of the Exchange Notes, they shall extend the 180-day period referred to above during which Participating Broker-Dealers are entitled to use the Prospectus in connection with the resale of Exchange Notes by the number of days during the period from and including the date of the giving of such notice to and including the date when Participating Broker-Dealers shall have received copies of the supplemented or amended Prospectus necessary to permit resales of the Exchange Notes or to and including the date on which the Company has given notice that the sale of Exchange Notes may be resumed, as the case may be.

The undersigned understands and acknowledges that the Company reserves the right in its sole discretion to purchase or make offers for any Initial Notes that remain outstanding subsequent to the Expiration Date or as set forth in the Exchange Offer under the caption "The Exchange Offer--Conditions of the Exchange Offer," to terminate the Exchange Offer and, to the extent permitted by applicable law, purchase Initial Notes in the open market, in privately negotiated transactions or otherwise. The term of any such purchases or offers could differ from the terms of the Exchange Offer.

The undersigned hereby represents and warrants that the undersigned accepts the terms and conditions of the Offer, has full power and authority to tender, exchange, assign and transfer the Initial Notes tendered hereby, and that when the same are accepted for exchange by the Company, the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions charges and encumbrances and not subject to any adverse claim or right. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be reasonably necessary or desirable to complete the sale, assignment and transfer the Initial Notes tendered hereby.

The undersigned agrees that all authority conferred or agreed to be conferred by this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrations, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned.

The undersigned understands that tenders of the Initial Notes pursuant to any one of the procedures described under "The Exchange Offer--Procedures for Tendering Initial Notes" in the Exchange Offer and in the instructions hereto will constitute a binding agreement between the undersigned and the Company in accordance with the terms and subject to the conditions of the Offer.

The undersigned understands that by tendering Initial Notes pursuant to one of the procedures described in the Exchange Offer and the instructions thereto, the tendering holder will be deemed to have waived the right to receive any payment in respect of interest on the Initial Notes accrued up to the date of issuance of the Exchange Notes.

The undersigned recognizes that, under certain circumstances set forth in the Exchange Offer, the Company may not be required to accept for exchange any of the Initial Notes tendered. Initial Notes not accepted for exchange or withdrawn will be returned to the undersigned as the address set forth below unless otherwise indicated under "Special Delivery Instructions" below.

Unless otherwise indicated herein in the box entitled "Special Exchange Instructions" below, the undersigned hereby directs that the Exchange Notes be issued in the name(s) of the undersigned or, in the case of a book-entry transfer of Initial Notes, that such Exchange Notes be credited to the account indicated above maintained at DTC. If applicable, substitute certificates representing the Initial Notes not exchanged or not accepted for exchange will be issued to the undersigned or, in the case of a book-entry transfer of Initial Notes, will be credited to the account indicated above maintained at DTC. Similarly, unless otherwise indicated under "Special Delivery Instructions," the undersigned hereby directs that the Exchange Notes be delivered to the undersigned at the address shown below the undersigned's signature. The undersigned recognizes that the Company has no obligation pursuant to the "Special Exchange Instructions" to transfer any Initial Notes from the name of the Registered Holder thereof if the Company does not accept for exchange any of the principal amount of such Initial Notes so tendered.

THE UNDERSIGNED BY COMPLETING THE BOX "DESCRIPTION OF INITIAL NOTES" BELOW AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE INITIAL NOTES AND MADE CERTAIN REPRESENTATIONS DESCRIBED HEREIN AND IN THE EXCHANGE OFFER.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(SEE INSTRUCTIONS 1 AND 3 AND THE FOLLOWING PARAGRAPH)
(IMPORTANT: ALSO COMPLETE SUBSTITUTE FORM W-9 ON PAGE [ ])

____

____
Signature(s) of owner(s)

Dated: __________________________, 1999

If the holder(s) is/are tendering any Initial Notes, this Letter of Transmittal must be signed by the Registered Holder(s) as the name(s) appear(s) on the Initial Notes or on a security position listing or by person(s) authorized to become Registered Holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s) ____

____
(Please type or print)

Capacity: ____

Address: ____

____
(Including Zip Code)

Area Code and Telephone Number ____

____
Tax Identification or Social Security No(s)

(COMPLETE SUBSTITUTE FORM W-9 ON PAGE [ ])

SIGNATURE GUARANTEE
(IF REQUIRED BY INSTRUCTION 3)

Signature(s) Guaranteed by an Eligible Institution:

Authorized Signature: ____

Printed Name: ____

Title: ____

Firm: ____

Address: ____

Area Code and Telephone Number ____

Dated: _____________________________, 1999

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE INITIAL NOTES OR A NOTICE OF GUARANTEED DELIVERY AND ALL OTHER REQUIRED DOCUMENTS) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

List below the Initial Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and principal amounts should be listed on a separate signed schedule affixed thereto. See Instruction 7. The minimum permitted tender is $1,000 principal amount of Initial Notes; all other tenders must be in integral multiples of $1,000.

DESCRIPTION OF INITIAL NOTES

Name(s) and Address(es) of Holder(s) (Please Fill in, if Blank)	Certificate Number(s)*	Aggregate Principal Amount Represented	Principal Amount Tendered**
	Total		

* Need not be completed if Initial Notes are being tendered by book-entry holders.

** Unless otherwise indicated in the column labeled "Principal Amount Tendered" and subject to the terms and conditions of the Offer, the undersigned will be deemed to have tendered the entire aggregate principal amount represented by the Initial Notes indicated in the column labeled "Aggregate Principal Amount Represented." See Instruction 8.

(BOXES BELOW TO BE CHECKED BY ELIGIBLE INSTITUTIONS ONLY)

[_]CHECK HERE IF TENDERED INITIAL NOTES ARE ENCLOSED HEREWITH.

[_]CHECK HERE AND ENCLOSE A PHOTOCOPY OF THE NOTICE OF GUARANTEED DELIVERY IF TENDERED INITIAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY DELIVERED TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING (See Instructions 1 and 3):

Name(s) of Registered Holder(s): ____

Window Ticket Number (if any): ____

Date of Execution of Notice of Guaranteed Delivery: ____________________

Name of Eligible Institution that Guaranteed Delivery: _________________

If Guaranteed Delivery is to be made by Book-Entry Transfer:

Name of Tendering Institution: _______________________________________

Account Number: ____

Transaction Code Number: ____

[_]CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE INITIAL NOTES FOR ITS OWN ACCOUNT AS A RESULT OF MARKET MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: ____

Address: ____

____

[_]CHECK HERE IF TENDERED INITIAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: ____

Account Number: ____

Transaction Code Number: ____

[_]CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED INITIAL NOTES ARE TO BE RETURNED BY CREDITING THE BOOK-ENTRY TRANSFER FACILITY ACCOUNT NUMBER SET FORTH ABOVE.

If delivery of Initial Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at DTC, then tenders of Initial Notes must be effected in accordance with the procedures mandated by DTC and the procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures for Tendering Initial Notes--Book-Entry Delivery."

SPECIAL EXCHANGE INSTRUCTIONS
(See Instructions 4 and 5)

To be completed ONLY if Initial Notes in a principal amount not exchanged and/or Exchange Notes are to be registered in the name of or issued to someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal above.

Issue and mail: (check appropriate box(es)):

[_]Exchange Notes to: [_]Initial Notes not tendered to:

Name(s): ____
(Please type or print)

____
(Please type or print)

Address: ____

____
(Zip Code)

____
Tax Identification or Social Security No(s)

(COMPLETE SUBSTITUTE FORM W-9 ON PAGE [ ])

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 4 and 5)

To be completed ONLY if Initial Notes in a principal amount not exchanged and/or Exchange Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal above or to such person or persons at an address other than that shown in the box entitled "Description of Initial Notes" on this Letter of Transmittal above.

Mail and deliver: (check appropriate box(es)):

[_]Exchange Notes to: [_]Initial Notes not tendered to:

Name(s): ____
(Please type or print)

____
(Please type or print)

Address: ____

____
(Zip Code)

____
Tax Identification or Social Security No(s)

SUBSTITUTE FORM W-9

TO BE COMPLETED BY ALL EXCHANGING HOLDERS
(See Instruction 5)

PAYER'S NAME: FIRST UNION NATIONAL BANK

SUBSTITUTE Form W-9 Department of the Treasury Internal Revenue Service Payer's Request for Taxpayer Identification Number ("TIN")	Part 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social security number(s) OR Employer identification number
	Part 2--Certificates--Under penalties of perjury, I certify that: (1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued for me), and (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding. Certification Instructions--You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.	
	SIGNATURE ___________________ DATE _______	Part 3 -- Awaiting TIN [_]

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31 PERCENT OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all payments of the Purchase Price made to me thereafter will be withheld until I provide a number.

Signature ________________________ Date _________________

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. Delivery of this Letter of Transmittal and Initial Notes: Guaranteed Delivery Procedures. To be effectively tendered pursuant to the Offer, the Initial Notes, together with a properly completed Letter of Transmittal (or manually signed facsimile hereof) duly executed by the Registered Holder thereof, and any other documents required by this Letter of Transmittal must be received by the Exchange Agent at one of its addresses set forth on the front page of this Letter of Transmittal and tendered Initial Notes must be received by the Exchange Agent at one of such addresses on or prior to the Expiration Date; provided, however, that book-entry transfers of Initial Notes may be effected in accordance with the procedures set forth in the Exchange Offer under the caption "The Exchange Offer--Procedures For Tendering Initial Notes--Book-Entry Delivery." If the Beneficial Owner of any Initial Notes is not the Registered Holder, then such person may validly tender such person's Initial Notes only by obtaining and submitting to the Exchange Agent a properly completed Letter of Transmittal from the Registered Holder. LETTERS OF TRANSMITTAL OF INITIAL NOTES SHOULD BE DELIVERED ONLY BY HAND OR BY COURIER, OR TRANSMITTED BY MAIL, AND ONLY TO THE EXCHANGE AGENT AND NOT TO THE COMPANY OR TO ANY OTHER PERSON.

THE METHOD OF DELIVERY OF INITIAL NOTES AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER, AND IF SUCH DELIVERY IS BY MAIL, IT IS SUGGESTED THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED. IF INITIAL NOTES ARE SENT BY MAIL, IT IS SUGGESTED THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE TO PERMIT DELIVERY TO THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

If a holder desires to tender Initial Notes and such holder's Initial Notes are not immediately available or time will not permit such holder to complete the procedures for book-entry transfer on a timely basis or time will not permit such holder's Letter of Transmittal and other required documents to reach the Exchange Agent on or before the Expiration Date, such holder's tender may be effected if:

(a) such tender is made by or through an Eligible Institution (as defined below);

(b) on or prior to the Expiration Date, the Exchange Agent has received a telegram, facsimile transmission or letter form such Eligible Institution setting forth the name and address of the holder of such Initial Notes, the certificate number(s) of such Initial Notes (except in the case of book-entry tenders) and the principal amount of Initial Notes tendered and stating that the tender is being made thereby and guaranteeing that, within three business days after the Expiration Date, a duly executed Letter of Transmittal, or facsimile thereof, together with the Initial Notes, and any other documents required by this Letter of Transmittal and Instructions, will be deposited by such Eligible Institution with the Exchange Agent; and

(c) this Letter of Transmittal, or a manually signed facsimile hereof, and Initial Notes, in proper form for transfer (or a Book-Entry confirmation with respect to such Initial Notes), and all other required documents are received by the Exchange Agent within three business days after the Expiration Date.

2. Withdrawal of Tenders. Tendered Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must (i) be timely received by the Exchange Agent at one of its addresses set forth on the first page of this Letter of Transmittal before the Exchange Agent receives notice of acceptance from the Company, (ii) specify the name of the person who tendered the Initial Notes, (iii) contain the description of the Initial Notes to be withdrawn, the certificate number(s) of such Initial Notes (except in the case of book-entry tenders) and the aggregate principal amount represented by such Initial Notes or a Book-Entry Confirmation with respect to such Initial Notes, and (iv) be

signed by the holder of such Initial Notes in the same manner as the original signature appears on this Letter of Transmittal (including any required signature guarantees) or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of the Initial Notes. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution unless such Initial Notes have been tendered (i) by a Registered Holder (which term for purposes of this document shall include any participant tendering by book-entry transfer) of Initial Notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Institution. If the Initial Notes have been tendered pursuant to the procedure for book-entry tender set forth in the Exchange Offer under the caption "Procedure for Tendering Initial Notes," a notice of withdrawal is effective immediately upon receipt by the Exchange Agent of a written, telegraphic or facsimile transmission notice of withdrawal even if physical release is not yet effected. In addition, such notice must specify, in the case of Initial Notes tendered by delivery of such Initial Notes, the name of the Registered Holder (if different from that of the tendering holder) to be credited with the withdrawn Initial Notes. Withdrawals may not be rescinded, and any Initial Notes withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, properly withdrawn Initial Notes may be retendered by following one of the procedures described under "The Exchange Offer--Procedures for Tendering Initial Notes" in the Exchange Offer at any time on or prior to the applicable Expiration Date.

3. Signatures on this Letter of Transmittal, Bond Powers and Endorsements; Guarantee of Signatures. If this Letter of Transmittal is signed by the Registered Holder of the Initial Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the Initial Notes without any change whatsoever.

If any Initial Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any Initial Notes tendered hereby are registered in different names, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Initial Notes.

When this Letter of Transmittal is signed by the Registered Holder or Holders specified herein and tendered hereby, no endorsements of such Initial Notes or separate bond powers are required. If, however, Exchange Notes are to be issued, or any untendered principal amount of Initial Notes are to be reissued to a person other than the Registered Holder, then endorsements of any Initial Notes transmitted hereby or separate bond powers are required.

If this Letter of Transmittal is signed by a person other than the Registered Holder or Holders, such Initial Notes must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the Registered Holder or Holders appear(s) on the Initial Notes.

If this Letter of Transmittal or a Notice of Guaranteed Delivery or any Initial Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority so to act must be submitted.

Except as describe in this paragraph, signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution which is a firm which is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or otherwise be an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution"). Signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, need not be guaranteed if the Initial Notes tendered pursuant hereto are tendered (i) by a Registered Holder of Initial Notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Institution.

Endorsement on Initial Notes or signatures on bond forms required by this Instruction 3 must be guaranteed by an Eligible Institution.

4. Special Issuance and Delivery Instructions. Tendering holders should indicate in the applicable box the name and address to which Exchange Notes and/or substitute Initial Notes for the principal amounts not exchanged are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. If no such instructions are given, such Initial Notes not exchanged will be returned to the name and address of the person signing this Letter of Transmittal.

5. Taxpayer Identification Number and Backup Withholding. Federal income tax law of the United States requires that a holder of Initial Notes whose Initial Notes are accepted for exchange provide the Company with such holder's correct taxpayer identification number, which, in the case of a holder who is an individual, is the holder's social security number, or otherwise establish an exemption from backup withholding. If the Company is not provided with the holder's correct taxpayer identification number, the exchanging holder of Initial Notes may be subject to a penalty imposed by the Internal Revenue Service. In addition, interest on the Exchange Notes acquired pursuant to the Offer may be subject to backup withholding in an amount equal to 31 percent of any interest payment. If withholding occurs and results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service by filing a return.

To prevent backup withholding, each exchanging holder of Initial Notes subject to backup withholding must provide his correct taxpayer identification number by completing the Substitute Form W-9 provided in this Letter of Transmittal, certifying that the taxpayer identification number provided is correct (or that the exchanging holder of Initial Notes is awaiting a taxpayer identification number) and that either (a) the exchanging holder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of failure to report all interest or dividends or (b) the Internal Revenue Service has notified the exchanging holder that he is no longer subject to backup withholding.

Certain exchanging holders of Initial Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. A foreign individual and other exempt holders (e.g., corporations) should certify, in accordance with the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, to such exempt status on the Substitute Form W-9 provided in this Letter of Transmittal. Nonresident aliens should submit Form W-8, available from the Exchange Agent upon request.

6. Transfer Taxes. Holders tendering pursuant to the Offer will not be obligated to pay brokerage commissions or fees or to pay transfer taxes with respect to their exchange under the Offer unless the box entitled "Special Issuance Instructions" in this Letter of Transmittal has been completed, or unless the securities to be received upon exchange are to be issued to any person other than the holder of the Initial Notes tendered for exchange. The Company will pay all other charges or expenses in connection with the Offer. If holders tender Initial Notes for exchange and the Offer is not consummated, such Initial Notes will be returned to the holders at the Company expense.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Initial Notes specified in this Letter of Transmittal.

7. Inadequate Space. If the space provided herein is inadequate, the aggregate principal amount of the Initial Notes being tendered and the security numbers (if available) should be listed on a separate schedule attached hereto and separately signed by all parties required to sign this Letter of Transmittal.

8. Partial Tenders. Tenders of Initial Notes will be accepted only in integral multiples of $1,000. If tenders are to be made with respect to less than the entire principal amount of any Initial Notes, fill in the principal amount of Initial Notes which are tendered in column (iv) of the "Description of Initial Notes." In the

case of partial tenders, the Initial Notes in fully registered form for the remainder of the principal amount of the Initial Notes will be sent to the persons(s) signing this Letter of Transmittal, unless otherwise indicated in the appropriate place on this Letter of Transmittal, as promptly as practicable after the expiration or termination of the Offer.

Unless otherwise indicated in column (iv) in the box labeled "Description of Initial Notes," and subject to the terms and conditions of the Offer, tenders made pursuant to this Letter of Transmittal will be deemed to have been made with respect to the entire aggregate principal amount represented by the Initial Notes indicated in column (iii) of such box.

9. Mutilated, Lost, Stolen or Destroyed Initial Notes. Any holder whose Initial Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

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

11. Requests for Assistance or Additional Copies. First Union National Bank is the Exchange Agent. All tendered Initial Notes, executed Letters of Transmittal and other related documents should be directed to the Exchange Agent at the addresses or facsimile number set forth on the first page of this Letter of Transmittal. Questions and requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal and other related documents should be addressed to the Exchange Agent as follows:

First Union Customer Information Center
Reorganization Department, 3C3-NC 1153
1525 West W.T. Harris Boulevard
Charlotte, NC 28262

Facsimile Transmission:
(704) 590-7628

To Confirm Receipt:
(704) 590-7408

INSTRUCTIONS TO REGISTERED HOLDER AND/OR BOOK-ENTRY TRANSFER PARTICIPANT FROM OWNER WITH RESPECT TO THE

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Offer to Exchange
all of its
12 3/4% Senior Notes due 2009
for a new series of its
12 3/4% Senior Notes due 2009
Which Have Been Registered Under the Securities Act of 1933
Pursuant to the Prospectus dated November , 1999

To Registered Holder and/or Participant of the Book-Entry Transfer Facility:

The undersigned acknowledge(s) receipt of your letter enclosing the Prospectus dated November , 1999, and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Exchange Offer") pursuant to an offer by Primus Telecommunications Group, Incorporated, a Delaware corporation, to exchange all of its outstanding 12 3/4% Senior Notes due 2009 ("Initial Notes") for a new series of its 12 3/4% Senior Notes due 2009 which have been registered under the Securities Act of 1933, as amended ("Exchange Notes"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you to tender the principal amount of Initial Notes indicated below (or, if no number is indicated below, the entire aggregate principal amount) which are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Exchange Offer.

The aggregate face amount of the Initial Notes held by you for the account of the undersigned is (fill in amount):

$ of the 12 3/4% Senior Notes due 2009

With respect to the Exchange Offer, the undersigned hereby instructs you (check appropriate box):

[_] To TENDER the following Initial Notes held by you for the account of the undersigned (insert principal amount of Initial Notes to be tendered (if any)*:

$ of the 12 3/4% Senior Notes due 2009.

[_] NOT to TENDER any Initial Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Initial Notes held by you for the account of the undersigned, it is understood that you are authorized (a) to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representation and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations, that (i) the Exchange Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the undersigned, (ii) neither the undersigned nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes, (iii) if the undersigned is not a broker-dealer, or is a broker-dealer but will not receive Exchange Notes for its own

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* Unless otherwise indicated, it will be assumed that the entire principal amount of the Initial Notes held by us for your account are to be tendered for exchange. The minimum permitted tender is $1,000 principal amount of Initial Notes; all other tenders must be in integral multiples of $1,000.:

account in exchange for Initial Notes, neither the undersigned nor any such other person is engaged in or intends to participate in the distribution of such Exchange Notes and (iv) neither the undersigned nor any such other person is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended (the "Securities Act") or, if the undersigned is an "affiliate," that the undersigned will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable. If the undersigned is a broker-dealer (whether or not it is also an "affiliate") that will receive Exchange Notes for its own account in exchange for Initial Notes, it represents that such Initial Notes were acquired as a result of marketing-making activities or other trading activities, and it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes. By acknowledging that it will deliver and by delivering a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes, the undersigned is not deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

SIGN HERE

Name of Beneficial Owner(s):________________________

Signature(s):____

Name(s) (please print):______________________________

Address:____

____

Telephone Number:___________________________________

Taxpayer identification or Social Security Number:__

____

Date:____

PRIMUS TELECOMMUNICATIONS GROUP, INC.

Offer to Exchange
all of its
12 3/4% Senior Notes due 2009
for a new series of its
12 3/4% Senior Notes due 2009
Which Have Been Registered Under the Securities Act of 1933
Pursuant to the Prospectus dated November , 1999

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON DECEMBER , 1999,
UNLESS THE EXCHANGE OFFER IS EXTENDED.

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Primus Telecommunications Group, Inc., a Delaware corporation ("Company"), is offering to exchange all of its outstanding 12 3/4% Senior Notes due 2009 ("Initial Notes") for a new series of its 12 3/4% Senior Notes due 2009 which have been registered under the Securities Act of 1933, as amended, upon the terms and subject to the conditions set forth in the Prospectus dated December , 1999 ("Prospectus") and in the related Letter of Transmittal (which, together with any amendment or supplements thereto, collectively constitute the "Exchange Offer") enclosed herewith.

The Exchange Offer is conditioned upon satisfaction of certain conditions set forth in the Prospectus under the caption "The Exchange Offer -- Conditions of the Exchange Offer." The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange.

Enclosed herewith for your information and forwarding to your clients for whose accounts you hold Initial Notes registered in your name or in the name of your nominee are copies of the following documents:

1. The Prospectus dated November , 1999.

2. The blue Letter of Transmittal to tender Initial Notes for exchange (for your use and for the information of your clients). Facsimile copies of the Letter of Transmittal may be used to tender Initial Notes for exchange.

3. The gray Notice of Guaranteed Delivery (to be used to tender Initial Notes for exchange if certificates for Initial Notes are not immediately available or if such certificates for Initial Notes and all other required documents cannot be delivered to First Union National Bank ("Exchange Agent") on or prior to the Expiration Date or if the procedures for book-entry transfer cannot be completed on a timely basis).

4. A yellow printed form of letter which may be sent to your clients for whose accounts you hold Initial Notes registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer.

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

6. A return envelope addressed to the Exchange Agent.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER , 1999, UNLESS THE EXCHANGE OFFER IS EXTENDED.

In order for Initial Notes to be validly tendered pursuant to the Exchange Offer, (i) a duly executed and properly completed Letter of Transmittal (or a facsimile thereof) together with any required signature guarantees, or an Agent's Message (as defined in the Prospectus) in connection with a book-entry delivery of Initial Notes, and any other documents required by the Letter of Transmittal, must be received by the Depositary on or prior to the Expiration Date, and (ii) either certificates representing tendered Initial Notes must be received by the Exchange Agent or such Initial Notes must be tendered by book-entry transfer into the Exchange Agent account maintained at the Book-Entry Transfer Facility (as described in the Prospectus), and Book-Entry Confirmation must be received by the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus

If Holder (as defined in the Prospectus) desires to tender Initial Notes for exchange pursuant to the Exchange Offer and such Holder's Initial Note certificates are not immediately available or such Holder cannot deliver the Initial Note certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or such Holder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Initial Notes may nevertheless be tendered for exchange by following the guaranteed delivery procedures specified in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering Initial Notes -- Guaranteed Delivery Procedures."

The Company will not pay any fees or commissions to any broker or dealer or any other person for soliciting tenders of Initial Notes pursuant to the Exchange Offer. The Company will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay or cause to be paid any transfer taxes applicable to the exchange of Initial Notes pursuant to the Exchange Offer, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Any inquires you may have with respect to the Exchange Offer should be addressed to the Exchange Agent, at its address and telephone numbers set forth on the back cover of the Prospectus. Additional copies of the enclosed material may be obtained from the Exchange Agent.

Very truly yours,

Primus Telecommunications Group,
Incorporated

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR ANY AFFILIATE OF ANY OF THEM, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENT OR USE ANY DOCUMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE EXCHANGE OFFER OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS THEREIN.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Offer to Exchange
all of its
12 3/4% Senior Notes due 2009
for a new series of its
12 3/4% Senior Notes due 2009
Which Have Been Registered Under the Securities Act of 1933
Pursuant to the Prospectus dated November , 1999

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON DECEMBER , 1999
UNLESS EXTENDED.

To Our Clients:

Enclosed for your consideration is a Prospectus dated December , 1999 ("Prospectus") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Exchange Offer") relating to an offer by Primus Telecommunications Group, Incorporated, a Delaware corporation ("Company"), to exchange all its outstanding 12 3/4% Senior Notes due 2009 ("Initial Notes") for a new series of its 12 3/4% Senior Notes due 2009 which have been registered under the Securities Act of 1933, as amended, upon the terms and subject to the conditions set forth in the Exchange Offer.

WE ARE THE HOLDER OF RECORD OF INITIAL NOTES HELD BY US FOR YOUR ACCOUNT. A TENDER FOR EXCHANGE OF SUCH INITIAL NOTES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER FOR EXCHANGE INITIAL NOTES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender for exchange on your behalf any or all of such Initial Notes held by us for your account, pursuant to the terms and subject to the conditions set forth in the Exchange Offer.

Your attention is directed to the following:

1. The Exchange Offer and withdrawal rights will expire at 5:00 P.M., New York City time, on , 1999, unless the Exchange Offer is extended. Your instructions to us should be forwarded to us in ample time to permit us to submit a tender on your behalf.

2. The Exchange Offer is made for all Initial Notes outstanding, constituting $250,000,000 aggregate principal amount as of the date of the Prospectus.

3. The minimum permitted tender is $1,000 principal amount of Initial Notes, and all tenders must be in integral multiples of $1,000.

4. The Offer is conditioned upon the satisfaction of certain conditions set forth in the Prospectus under the caption "The Exchange Offer -- Conditions of the Exchange Offer." The Exchange Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered for exchange.

5. Tendering Holders (as defined in the Prospectus) will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes applicable to the exchange of Initial Notes pursuant to the Exchange Offer.

6. In all cases, exchange of Initial Notes tendered and accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by First Union National Bank ("Exchange Agent") of (i) certificates representing such Initial Notes or timely confirmation of a book-entry transfer of such Initial Notes into the Exchange Agent's account at The Depository Trust Company ("Book-Entry Transfer Facility") pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offer-- Procedures for Tendering Initial Notes," (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined in the Prospectus) in connection with a book-entry transfer, and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment may be made to tendering Holders at different times if delivery of the Initial Notes and other required documents occurs at different times.

The Exchange Offer is being made solely by the Prospectus and the related Letter of Transmittal and is being made to all Holders of Initial Notes. The Company is not aware of any state where the making of the Exchange Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Company becomes aware of any valid state statute prohibiting the making of the Exchange Offer or the acceptance of Initial Notes tendered for exchange pursuant thereto, the Company will make a good faith effort to comply with any such state statute or seek to have such statute declared inapplicable to the Exchange Offer. If, after such good faith effort, the Company cannot comply with such state statute the Exchange Offer will not be made to, nor will tenders be accepted from or on behalf of, the holders of Initial Notes in such state. In any jurisdiction where the securities, blue sky or other laws require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer shall be deemed to be made on behalf of the Company by one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of the Initial Notes held by us for your account, please instruct us by completing, executing and returning to us the instruction form contained in this letter. If you authorize a tender for exchange of your Initial Notes, the entire aggregate principal amount of such Initial Notes will be tendered for exchange unless otherwise specified in such instruction form. YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE EXCHANGE OFFER.

Exhibit 99.2

NOTICE OF GUARANTEED DELIVERY

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Offer to Exchange
all of its
12 3/4% Senior Notes due 2009
for a new series of its
12 3/4% Senior Notes due 2009
Which Have Been Registered Under the Securities Act of 1933
Pursuant to the Prospectus dated November , 1999

As set forth in Prospectus described below, this Notice of Guaranteed Delivery or one substantially equivalent hereto must be used to tender for exchange 12 3/4% Senior Notes due 2009 ("Initial Notes"), of Primus Telecommunications Group, Incorporated, a Delaware corporation ("Company"), pursuant to the Exchange Offer (as defined below) if certificates for Initial Notes are not immediately available or the certificates for Initial Notes and all other required documents cannot be delivered to the Exchange Agent on or prior to December , 1999 (the "Expiration Date"), or if the procedures for delivery by book-entry transfer cannot be completed on a timely basis. This instrument may be delivered by hand or transmitted by facsimile transmission or mail to the Exchange Agent.

The Exchange Agent for the Exchange Offer is:

FIRST UNION NATIONAL BANK

By Mail, Hand or Overnight Delivery:	By Facsimile:
First Union Customer Information Center	(704) 590-7628
Reorganization Department, 36C-NC 1153	
1525 West W.T. Harris Boulevard	To confirm by Telephone
Charlotte, NC 28262	or for Information call:
	(704) 590-7408

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSIONS OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution under the Instructions to the Letter of Transmittal, such signature guarantee must appear in the applicable space provided in the signature box in the Letter of Transmittal.

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER , 1999, UNLESS THE EXCHANGE OFFER IS EXTENDED.

Ladies and Gentlemen:

The undersigned hereby tenders to the Company, upon the terms and subject to the conditions set forth in the Prospectus dated November , 1999 ("Prospectus") and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Exchange Offer"), receipt of each of which is hereby acknowledged, the principal amount of Initial Notes indicated below pursuant to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering Initial Notes -- Guaranteed Delivery Procedures."

Signature(s)____

Name(s) of Eligible Holders

____

____

PLEASE TYPE OR PRINT

Principal Amount of Initial Notes Tendered for
Exchange $____

Initial Note Certificate No(s). (If available____________________________

____

____

Dated , 199

Address(es)____

____
Zip Code

Area Code and Tel. No.(s) ____

(Check box if shares will be tendered by book-entry transfer)

[_] The Depository Trust Company

Account Number____

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, an Eligible Institution (as defined in the Prospectus), having an office or correspondent in the United States, hereby guarantees to either deliver to the Exchange Agent the certificates representing all the Initial Notes tendered hereby, in proper form for transfer, or to deliver such Initial Notes pursuant to the procedure for book-entry transfer into the Exchange Agent's account at The Depository Trust Company, in either case together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Prospectus) in the case of a book-entry transfer, and any other required documents, all within three New York Stock Exchange trading days after the date hereof.

Name of Firm:_________________________	_____________________________________ (Authorized Signature)
Address:______________________________	Title:_______________________________
______________________________________	Name:________________________________ (Please type or print)
Area Code and Telephone Number:	Date:________________________________
______________________________________	

NOTE: DO NOT SEND CERTIFICATES FOR INITIAL NOTES WITH THIS NOTICE. CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.