SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 0-29092

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	**54-1708481**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7901 Jones Branch Drive, Suite 900, McLean, VA	**22102**
(Address of principal executive offices)	(Zip Code)

(703) 902-2800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	N/A

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Non-affiliates of Primus Telecommunications Group, Incorporated held 119,437,820 shares of Common Stock as of June 30, 2008. The fair market value of the stock held by non-affiliates is $40,608,859 based on the sale price of the shares on June 30, 2008.

As of February 28, 2009, 142,695,390 shares of Common Stock, par value $.01, were outstanding.

Documents Incorporated by Reference:

Portions of the definitive Proxy Statement to be delivered to Stockholders in connection with the Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Going Concern Presentation Assumptions and Voluntary Reorganization of Holding Company Entities Under Chapter 11

The Debtors' Chapter 11 Cases. On March 16, 2009, (the "Petition Date"), Primus Telecommunications Group, Incorporated ("Group" or the "Company"), and three of its subsidiaries, Primus Telecommunications Holding, Inc. ("Holding"), Primus Telecommunications International, Inc. ("PTII") and Primus Telecommunications IHC, Inc., ("IHC" and together with Group, Holding and PTII, collectively, the "Debtors") each filed a voluntary petition (collectively, the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") for reorganization relief ("Reorganization") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as amended (the "Bankruptcy Code"). Also on the Petition Date, the Debtors filed a plan of reorganization and disclosure statement with respect thereto. Subsequently, the Debtors sought and received an order directing the joint administration of the Chapter 11 Cases under the caption, In re: Primus Telecommunications Group, Incorporated, et al., Debtors Case No. 09-10867. A creditors' committee has not been appointed in these cases by the United States Trustee.

On April 8, 2009, the Debtors filed the First Amended Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors (the "Plan") and the disclosure statement with respect to the Plan (the "Disclosure Statement").

The Debtors will continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Current Impact on Group's Subsidiaries that have not sought Reorganization. Group's subsidiaries other than Holding, IHC and PTII are not part of the Reorganization; operating subsidiary companies, including those in the United States, Australia, Canada, India, Europe and Brazil (the "Operating Subsidiaries"), are not party to the Reorganization and are expected to continue to manage and to operate their businesses without interruption; and employees, customers, suppliers and partners of these Operating Subsidiaries should be unaffected by the filing of the Chapter 11 Cases. See "Item 1A. Risk Factors —Bankruptcy Considerations and Uncertainties."

Status of the Reorganization. The Plan and certain agreements, which are subject to conditions and contingencies, and ongoing negotiations with creditors concerning certain outstanding indebtedness of the Debtors and the Reorganization have progressed substantially between the Petition Date and the filing of this Form 10-K; however, definitive support from all creditors for the Plan (or an amended plan) has not yet been achieved and in any case would be subject to Bankruptcy Court approval. Set forth below is a summary of significant Reorganization events and developments as of the filing date of this Form 10-K.

Agreements and Negotiations. The Debtors have received the support of a majority of the impaired noteholders entitled to a distribution through entry into a plan support agreement, which outlines the terms of recoveries for impaired noteholders under the Reorganization, and also provides for a recovery to subordinated security holders upon the achievement of certain threshold enterprise values of the reorganized holding companies (the "Plan Support Agreement").

On April 14, 2009, certain lenders under the $100 million senior secured term loan among Holding and Group (as obligors) and certain affiliated subsidiary guarantors (the "Term Loan") have entered into a forbearance agreement and agreed to forbear certain remedies arising out of the Chapter 11 Cases subject to certain conditions and potential termination of forbearance (the "Forbearance Agreement") and have agreed to a term sheet concerning a Term Loan amendment that is to be documented and executed upon satisfaction of a number of conditions precedent, including replacement of the Administrative Agent under the Term Loan and receipt of replacement Administrative Agent approval. The Term Loan amendment is subject to the consent of certain noteholders of the Debtors under the Plan. The Forbearance Agreement and Term Loan term sheet reflect the elevated nature of negotiations with the senior secured Term Loan lenders concerning support by the Term Loan lenders of the Plan; however, a definitive amendment to the Term Loan has not been negotiated and documented in full, and such amendment is subject to consent by certain noteholders under the Plan and ultimately must be approved by the Bankruptcy Court.

The Debtors have obtained waivers of the lenders under a Canadian Financing Facility with regard to the filing of the Chapter 11 Cases and the Reorganization. For more detail regarding the nature of the relief sought in the Chapter 11 Cases and the details of the foregoing agreements and understandings with Reorganization-affected creditors, see "Item 3—Legal Proceedings—Legal Proceedings Related to the Chapter 11 Cases," "—Plan Support Agreement," "—Term Loan Facility," and "—Canadian Credit Facility." The Reorganization remains subject to Bankruptcy Court confirmation and a variety of risks and uncertainties. See "Item 1A. Risk Factors—Bankruptcy Considerations and Uncertainties" and "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations Overview (MD&A)—Going Concern and Voluntary Reorganization Under Chapter 11," "—Short- and Long-Term Liquidity Considerations and Risks," and "—Special Note Regarding Forward Looking Statements."

Going Concern Assumptions. The consolidated financial statements included in this Form 10-K have been prepared assuming that we will continue as a going concern. The factors described above and herein, including within Item 1.A, Item 3 and Item 7 of this document, raise substantial doubt about our ability to continue as a going concern, and therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business. These financial statements do not include any adjustments that might result from this uncertainty, including those relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

General

We are an integrated facilities based telecommunications services provider offering a portfolio of international and domestic voice, wireless, Internet, voice-over-Internet protocol (VOIP), data and hosting services to business and residential retail customers and other carriers located primarily in the United States, Australia, Canada, the United Kingdom (UK) and western Europe. Our focus is to service the demand for high quality, competitively priced communications services that is being driven by the globalization of the world's economies, the worldwide trend toward telecommunications deregulation and the growth of broadband, Internet, VOIP, wireless and data traffic.

We target customers with significant telecommunications needs, including small- and medium-sized enterprises (SMEs), multinational corporations, residential customers, and other telecommunications carriers and resellers. We provide services over our global network, which consists of:

- 18 carrier-grade international gateway and domestic switching systems (the hardware/software devices that direct voice traffic across the network) in the United States, Canada, western Europe and the Asia-Pacific region;
- approximately 500 interconnection points to our network, or points of presence (POPs), which includes digital subscriber line access multiplexers (DSLAMs), which is equipment that allows digital traffic to flow over copper wiring, within its service regions and other markets;
- undersea and land-based fiber optic transmission line systems that we own or lease and that carry voice and data traffic across the network; and
- global network and data centers that use a high-bandwidth network standard (asynchronous transfer mode) and Internet-based protocol (ATM+IP) to connect with the network. The global VOIP network is based on routers and gateways with an open network architecture which connects our partners in over 150 countries.

The services we offer can be classified into three main product categories: voice, data/Internet and VOIP services. Within these three main product categories, we offer our customers a wide range of services, including:

- international and domestic long distance services over traditional networks;
- wholesale and retail VOIP services, including hosting of commercial VOIP systems;
- high-speed, dedicated and dial-up Internet access;
- local voice services;
- ATM+IP broadband services;
- data center services, including collocation, Internet access and managed services;
- wireless services; and
- prepaid services, toll-free services and reorigination services.

Generally, we price our services competitively or at a discount with the major carriers and service providers operating in our principal service regions.

Over the past few years we have selectively targeted opportunities to participate in growth areas for telecommunications—broadband, VOIP, local, wireless, data and hosting. We have sought to accomplish this objective by enhancing investment in network infrastructure to support new customers and the migration of existing customers onto the PRIMUS network, investing prudently in sales and marketing programs and direct sales and telemarketing personnel to increase revenue and contribution from these products, and continuing targeted investments to support increased customer retention efforts.

Operating Highlights and Accomplishments in 2008 and Subsequent Events:

- We made carefully measured investments throughout 2008 that were designed to improve the competitive position of PRIMUS as an integrated provider of telecommunication services. During 2008 we spent $25 million on capital expenditures, including the expansion of local and digital subscriber line (DSL) networks and data centers in Australia and Canada. Our 2008 net revenue from broadband, VOIP, wireless, local, data and hosting services increased by $15.0 million to $231.1 million in 2008 from $216.1 million in 2007.
- Despite volatile foreign currency exchange rates and challenging economic conditions, we were able to maintain stable revenue at $895.9 million for the year ended December 31, 2008 compared to $896.0 million for the year ended December 31, 2007.
- Selling, general and administrative expense levels in 2008 decreased to $260.4 million (29.1% of net revenue) as compared to $281.0 million (31.4% of net revenue) in 2007, reflecting our efforts to reduce costs which included a reduction of headcount, moderating advertising and marketing costs to the most productive programs, together with additional savings in other selling, general and administrative expenses.
- Our income from operations increased by $7.1 million to $38.8 million for the year ended December 31, 2008 from $31.7 million for the year ended December 31, 2007.
- In the first quarter 2008, we reduced debt by purchasing at a discount $13.8 million principal amount of our step up convertible subordinated debentures due 2009 (“Step Up Convertible Subordinated Debentures”) and by purchasing at a discount $0.8 million principal amount of Group 12 3/4% senior notes due 2009 (“12 3/4% Senior Notes”). During the fourth quarter, we reduced debt by purchasing at a discount $2.1 million principal amount of IHC’s 14 1/4% Senior Secured Notes due 2011 (the “14 1/4% Senior Secured Notes”).

- In the second quarter 2008, we issued $67.1 million principal amount of 14 1/4% Senior Secured Notes and paid $4.7 million in cash in exchange for $49.0 million principal amount of Holding's 8% senior notes due 2014 ("8% Senior Notes"), $33.0 million principal amount of Holding's 5% exchangeable senior notes due June 2010 ("5% Exchangeable Senior Notes"), $43.1 million principal amount of the 3 3/4% convertible senior notes due 2010 ("3 3/4% Convertible Senior Notes"), and $5.3 million principal amount of the 12 3/4% Senior Notes.
- We renegotiated the payment terms of our promissory note payable to Optus Networks Pty. Limited, extending the payment schedule to June 2010 with monthly payments of interest only at a rate of 13.5%.
- In April 2008, the Australian Competition and Consumer Commission (ACCC) issued a Final Determination related to unconditional local loop services connection and call diversion charges ("2008 ACCC Ruling"). As a result, we received a $6.2 million ($6.5 million AUD) cash refund in June 2008 of a portion of fees previously paid, plus interest. Of the $6.2 million refund, $5.8 million was recognized as a reduction to cost of revenue. A further related settlement was concluded in the fourth quarter, where we received an additional payment of $0.4 million which was recorded as a reduction to cost of revenue.
- Our 2008 asset sales included the sales of a minority equity investment in a Japanese entity and surplus fiber assets for an aggregate $2.6 million in cash proceeds. Additionally, a consolidated, variable interest entity in Canada, of which we currently own 45.6% of the equity, sold certain primarily rural WIMAX spectrum (spectrum for transmission of sound, data, and video) assets (representing approximately 10% of the entity's spectrum population coverage) for cash consideration of $4.9 million ($5.0 million CAD). The minority interest on the gain on the sale of $4.6 million was $2.5 million and was included in interest income and other income (expense). Total minority interest is $2.9 million included in other long-term liabilities. The cash proceeds from the sale of $4.9 million can be used for operations within the variable interest entity, but no assurance can be given concerning any external distribution of any portion of such funds because unanimous shareholder consent is needed for a dividend distribution.
- We sold our Japan retail operation on February 1, 2009. The sale price was $0.4 million (40.0 million Japanese yen) before closing adjustments.

Operating Highlights and Accomplishments in 2006 and 2007:

In 2006 and 2007 our initiatives and results from our efforts to drive new product revenue growth, enhance margin, and cut costs included the following:

- We invested throughout 2006 and 2007 to improve our competitive position by transforming PRIMUS into a fully integrated provider of voice, broadband, VOIP, wireless, internet and data services. This investment included the expansion of local and digital subscriber line (DSL) networks and data centers in Australia and Canada. We focused on products in the broadband, local, wireless, VOIP, data and hosting business and concentrated resources on the most promising initiatives, which we also refer to as "growth products." Our approach was focused on bundling services to end-user customers, leveraging our existing global voice, data and Internet network and utilizing established distribution channels and back-office systems. We increased scale on these products, invested in broadband infrastructure in high density locations and began migrating customers onto our network. Net revenue from these growth products increased by $33.9 million from $182.2 million in 2006 to $216.1 million in 2007.
- As a result of cost containment efforts, efficiency improvements and reductions in prepaid services commissions, our 2007 and 2006 financial results reflected continued non-sales and marketing cost reductions being applied towards an increase in sales and marketing activities, including advertising, outbound telemarketing, direct sales representatives, affinity program commissions and promotions.

Initiatives and results from our efforts to strengthen the balance sheet:

In 2006:

- We reduced debt by retiring $2.5 million principal amount of our 12 3/4% Senior Notes for 1,825,000 shares of our common stock. We extended debt maturities by exchanging $27.4 million principal amount of our 5 3/4% convertible subordinated debentures due 2007 ("2000 Convertible Subordinated Debentures") for $27.5 million principal amount of our Step Up Convertible Subordinated Debentures. We also exchanged $54.8 million principal amount of our 3 3/4% Convertible Senior Notes and $20.5 million in cash for $56.3 million principal amount of the 5% Exchangeable Senior Notes issued by Holding.
- In January 2006, our wholly owned Canadian subsidiary entered into an Amended and Restated Loan Agreement (the "Amended Agreement") related to its existing secured non-revolving term loan facility with a Canadian financial institution. The Amended Agreement, among other things, extended the maturity date to April 2008. On February 1, 2006 we drew the remaining $15.3 million available under the loan facility.

In 2007:

- We reduced debt by retiring $5.0 million principal amount of our Step Up Convertible Subordinated Debentures for 6.0 million shares of our common stock and by purchasing at a discount $10.5 million principal amount of the 12 3/4% Senior Notes.
- We extended debt maturities by issuing in a private transaction $57.2 million principal amount of the 14 1/4% Senior Secured Notes, in exchange for $40.7 million principal amount of the outstanding 12 3/4% Senior Notes and $23.6 million in cash. We also issued an additional $51.0 million principal amount of 14 1/4% Senior Secured Notes for cash with a $0.3 million discount.
- We also paid off $22.7 million in principal amount of the maturing Group 2000 Convertible Subordinated Debentures.
- We renegotiated the payment terms of our promissory note payable to Optus Networks Pty. Limited extending the payment schedule through December 2008 with equal monthly payments.
- We paid off early at a discount our $4.9 million debt with Southern Cross Cable Limited ("SCCL"), which had originally financed the purchase of fiber optic capacity on an indefeasible rights of use (IRU) basis.
- Our wholly owned Canadian subsidiary entered into an agreement with a financial institution to refinance an existing credit facility. The existing Canadian credit facility was scheduled to mature in April 2008, and the refinancing matures in March 2012.
- We sold 22.5 million shares of our common stock to certain investors for $19.3 million cash.

Other highlights:

- In 2006, we adjusted the carrying value of our long-lived assets, including property and equipment and intangible assets, to their estimated fair value of $108.7 million and $34.9 million, respectively. This adjustment resulted in an aggregate asset impairment write-down of $206.1 million, consisting of the following specific asset write-downs: $149.3 million in property and equipment, $51.6 million in goodwill and $5.3 million in customer lists and other intangible assets.
- In May 2006, we entered into a Share Purchase Agreement ("SPA") with Videsh Sanchar Nigam Limited ("VSNL"), a leading international telecommunications company and member of the TATA Group, whereby VSNL purchased 100% of the stock of Direct Internet Limited ("DIL"), whose wholly-owned subsidiary, Primus Telecommunications Limited ("PTIL"), was primarily engaged in providing fixed broadband wireless Internet services to enterprise and retail customers in India. The total purchase consideration was $17.5 million. We received $13.0 million in net cash proceeds from

the transaction at closing on June 23, 2006, after closing adjustments. No amounts remain outstanding. The net assets of DIL were $8.9 million at June 23, 2006.

- In 2007, we sold our Australian domain name registry and web hosting subsidiary, Planet Domain. The sale price was $6.5 million ($8.3 million Australian dollar (AUD)). We received $5.5 million in net cash proceeds from the transaction after closing adjustments.
- In 2007, we sold our 51% interest in our German telephone system installation subsidiaries. The sale price was $0.8 million (0.6 million Euros (EUR)), which included $0.5 million (0.4 million EUR) in cash and $0.3 million (0.2 million EUR) for payment of outstanding intercompany debt. For the intercompany debt payment, we received $0.1 million (0.1 million EUR) in cash at closing. The balance owing was represented by a note receivable payable in fifteen equal installment payments.

Strategy

We have pursued a strategy designed to enhance the growth of broadband, VOIP, local, wireless, data and hosting services revenue and contribution, while slowing the decline in revenue and contribution from our legacy voice and dial-up Internet products. Key elements of our strategy to achieve these objectives are the following:

- *Provide Integrated Local and Long Distance Voice, VOIP, Broadband, Wireless, Data and Hosting Services:* In 2004, we began the process to transform the Company from its core businesses of long distance voice and dial-up ISP services into an integrated provider of local and long distance voice, VOIP, broadband, wireless, data and hosting services. We have introduced new products in local, wireless, broadband, VOIP, data and hosting services that generate high margins. These efforts have enhanced our bundled service capabilities, and as a result, we believe that these efforts have reduced the competitive vulnerability of our core retail voice long distance and dial-up ISP businesses. These products will also provide us with long-term growth potential in local, VOIP, wireless, broadband, data and hosting markets where we had previously not been a significant provider.
- *Bundling of Traditional Voice Services with Growth Products:* By bundling our traditional long distance voice services with local, broadband, wireless, data and hosting services, we seek to increase net revenue per customer and improve our competitive ability to attract and retain business and residential customers.
- *Focus on Profitable Markets and Higher Margin Retail Customers and Services:* We are focused on specific, large, developed markets. Our target customer base consists of SMEs, multinational corporations and residential customers, particularly ethnic customers, who have international telecommunications needs, in addition to needs for domestic voice, Internet, wireless and data services.
- *Maximize Cash Flow:* Our primary objective is to concentrate our resources on growth products that offer the most attractive returns and growth potential, such as our local, DSL, VOIP, data and hosting initiatives. Another principal focus for management is to develop and execute strategies to generate additional cash to fund promising projects. We plan to continue to reduce our non-sales and marketing cost structure through increased outsourcing and/or off-shoring at lower cost locations globally; improve coordination among our business units to deliver synergy savings; and maintain an aggressive cost management program. We seek to redeploy associated savings back into sales and marketing activities in an effort to improve profitability.
- *Leverage Our Global Network Infrastructure:* We have invested in developing our global, voice and data network and our product capabilities. By increasing the volume of voice and data traffic that we carry over our network, we are able to reduce transmission costs and other operating costs as a percentage of net revenue, improve service quality and enhance our ability to introduce new products and services. In addition, by leveraging multiple customer segments in different geographical regions, including retail and carrier customers, we achieve greater utilization of our network assets, because our network experiences multiple periods of peak usage throughout each day.

Description of Operating Markets

Our operations in each of our four primary markets are described below. Management organizes the enterprise into four geographic areas—United States, Canada, Europe and Asia-Pacific. The Australian market is a substantial portion of the Asia-Pacific market. See the footnote within Item 8—"Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Operating Segment and Related Information," for further information regarding our segments.

Australia. Our Australian operations represented 31% of our 2008 net revenue and offers a comprehensive range of voice, data, broadband and dial-up Internet, wireless, local, VOIP, data and hosting products, servicing both residential and business sectors. The Primus Australian network employs Nortel DMS-100 telephone exchanges in Sydney, Melbourne, Brisbane, Perth and Adelaide operating through 66 POPs to provide national coverage for voice services. Primus Australia operates a prepaid calling platform as well and another platform for delivery of enhanced toll-free service. The voice network supports direct access integrated services digital network (ISDN) and telephone line services across Sydney, Melbourne, Brisbane, Perth and Adelaide and some select regional areas of the country. VOIP services are offered to business and consumer customers off softswitch platforms operating in Sydney and Melbourne. Primus Australia owns a national IP network for delivery of business and consumer Internet service. Dial-up Internet is available nationally through 66 POPs under a single access code. DSL service is provided on-net through 252 Primus DSLAMs and via wholesale DSLAM access providing reach to more than 1400 exchanges nationally. The DSLAMs are capable of delivering a full suite of telecommunication products including assymmetric and symmetric IP services, telephone line, ISDN, frame relay and ATM. Primus Australia offers ATM, frame relay, IP virtual private networking (VPN) with quality of service (QoS) and managed routers. Metropolitan fiber networks exist in Sydney, Melbourne, Brisbane, Perth and Adelaide to provide high capacity backhaul for domestic carrier interconnects, DSLAM backhaul and fiber connectivity to select customer premises.

A data center in Melbourne offers hosting and e-commerce applications and services and collocation facilities exist in Sydney, Brisbane, Adelaide and Perth. The amalgamation of these centers provides our Australian operations the capacity to offer multiple data service to a large portion of the country.

We market our services through a combination of direct sales to corporate and SME customers, independent agents, which market to retail business and residential customers, and telemarketing and media advertising aimed at residential customers.

We operate a call center in Melbourne that services all of Australia. We employ staff in Sydney who run our Australian network management center which operates 24 hours per day, 7 days per week.

Canada. Our Canadian operations represented 29% of our 2008 net revenue. We are one of the largest alternative consumer carriers in Canada based on net revenue. We provide international and domestic long distance, local, broadband and dial-up Internet, data, VOIP and wireless services to SMEs, residential customers, enterprises, government agencies and other telecommunication carriers and have sales and customer service offices in key cities throughout Canada, including Vancouver, Toronto, Ottawa, Calgary and Edmonton. We operate international gateway switches in Toronto and Vancouver and a nationwide SS7 network with signal transfer points (STPs) in Vancouver and Toronto. We maintain POPs in all major cities in Canada, and operate a nationwide integrated network backbone for our voice, data, Internet and private line services. Each of the 24 nodes on the backbone is equipped with synchronous optical networking (SONET) add/drop, ATM, and IP equipment to provide a complete spectrum of voice and data communications products to our customers. We operate one Nortel DMS 500 switch in Toronto and next generation IP voice switches in Toronto, Vancouver, Montreal, Ottawa, London and Edmonton which provide on-net equal access coverage to an estimated 90% of the population of Canada. With a competitive local exchange carrier (CLEC) we have central office co-locations at 70 incumbent local exchange carriers' (ILECs) central offices to provide DSL services, T1 access, network interconnection and local dial-tone via our CLEC partner. We operate a voice dial access network which consists of 70 POPs across the country. We also operate two Internet data centers in Ottawa (totaling 30,000 square feet), two Internet data centers in Toronto (totaling 16,000 square feet), a 18,000 square foot Internet data center in London, Ontario, a 6,000 square foot Internet data center in Edmonton, Alberta and a 3,000 square foot data center in Vancouver through which we offer shared and dedicated hosting and co-location services. We have an extensive Internet network and provide dial-up and ISDN Internet coverage to over 700 communities across Canada through a network of 51 POPs.

We market our services through a combination of direct sales to corporate and SME customers, telemarketing and media advertising aimed at residential customers and through affinity channels.

United States. Our United States operation represented 19% of our 2008 net revenue. We provide international and domestic voice, data, Internet, enterprise IP and VOIP services to SMEs, residential customers, multinational corporations and other telecommunication carriers. We operate international gateway telephone switches in the New York City area, Los Angeles, and Miami which are connected with Canada and countries in Europe, Latin America and the Asia-Pacific region through owned and leased international fiber cable systems. In 2005, we deployed a newer switch technology, our intelligent softswitch architecture, to our gateways in New York, Los Angeles and Miami. We lease and own domestic fiber in the United States to interconnect our switches, data centers, and POPs. In 2008, we used a direct sales organization to sell to business customers. Our direct sales personnel offered business customers voice, hosted IP, data and hosting products. See "—Sales and Marketing; Direct Sales Force." To reach residential customers, we advertise in national and regional ethnic newspapers, other publications, and on ethnic television channels to offer competitive rates for international and domestic telephone calls, data, Internet and VOIP services. We have inbound telemarketing centers in Florida and Iowa. We also sell retail VOIP services through Web-based on-line interactive marketing. We utilize independent agents to reach and enhance sales to both business and residential customers and have a direct sales force for marketing international services to other telecommunication service providers, including long distance companies, ISPs and VOIP service providers. We maintain customer service centers in Florida, Virginia and Iowa and also outsource selected customer service functions. We operate a 24-hour global network management control center in India which monitors our global voice, Internet and data traffic. We offer Internet access services to business and residential customers. We also provided managed and shared hosting services through our data center located in Lynn, Massachusetts. Additionally, we provide local and international long distance voice services in Puerto Rico.

Europe. We operate as a licensed carrier in the United Kingdom, Germany, France, Spain, Italy, Belgium and the Netherlands. The European market represents 20% of our 2008 net revenue. Our network consists of voice/data switches in London, Frankfurt, Paris, Milan and Madrid. Our European network interconnects with our global network. In London, Frankfurt and Paris we have data centers for hosting and other services.

Our European operation is headquartered in London. We provide voice and data services to residential customers, small businesses, public sectors and other telecommunications carriers. We maintain a European multilingual customer service call center in Glasgow, Scotland. We market our services across Europe using a combination of direct sales, agents and direct-media advertising.

Services

We offer a broad array of communications services:

- *International and Domestic Long Distance.* We provide international long distance voice services terminating in over 240 countries, and domestic long distance voice services in our core operating markets.
- *VOIP Services.* We offer retail and wholesale VOIP services to ISPs, telecommunications carriers worldwide, and retail customers both over the public Internet as well as direct point-to-point VOIP services over our ATM+IP network.

- *Internet and Data Services.* We offer ATM, frame relay, private line, and broadband and dial-up Internet/IP services which are available to customers in the United States, Australia, Canada and the United Kingdom. In Australia, we offer data transfer services over ATM and frame relay networks in addition to Internet access services through DSL, dial-up, and accelerated dial-up. We also offer hosting, managed hosting, hosted IP, VPN and collocation services in our primary operating markets.
- *Prepaid Service.* We offer prepaid services that may be used by customers for domestic and international telephone calls both within and outside of their home country.
- *Toll-free Services.* We offer domestic and international toll-free services within selected countries in our principal service regions.
- *Local Switched Services.* With the build-out of the Australia and Canada local and DSL networks, we offer local services as a facilities-based carrier. We also offer local service on a resale basis, primarily in Australia and Canada.
- *Wireless.* We offer wireless services on a resale basis in Australia, Canada, the United Kingdom, France and Belgium.

Network

General. We operate a global telecommunications network consisting of traditional and next-generation international gateway and domestic switches and related peripheral equipment, carrier-grade routers and switches for Internet and data services, undersea and trans-continental fiber optic cable systems. To ensure high-quality communications services, our network employs digital switching and fiber optic technologies, incorporates the use of SS7/C7 signaling, and is supported by comprehensive network monitoring and technical support services.

Switching Systems. Our network consists of 18 carrier-grade domestic and international gateway switch systems and media gateways throughout North America, Europe, and Asia-Pacific.

The locations and types of our switching systems are as follows:

Location	Type of Switch
New York City area (two locations)	International Gateway
Miami	International Gateway
Los Angeles	International Gateway
Toronto	International Gateway
Vancouver	International Gateway
London	International Gateway
Paris	International Gateway
Frankfurt	International Gateway
Sydney	International Gateway
Milan	International Gateway
Madrid	International Gateway
Hong Kong	International Gateway
Makati City	International Gateway
Adelaide	Domestic
Brisbane	Domestic
Melbourne	Domestic
Perth	Domestic

We also operate a global VOIP network with an open network architecture which connects with our partners in over 150 countries through the use of open settlement protocol (OSP).

Fiber Optic Cable Systems. We have purchased and leased undersea and land-based fiber optic cable transmission capacity to connect our various switching systems. We either lease lines on a term basis for a fixed cost or purchase economic interests in transmission capacity through minimum assignable ownership units (MAOUs) or indefeasible rights of use (IRUs) to international traffic destinations.

Throughout the previous years we have purchased or acquired through acquisitions various oceanic fiber capacity and European land based capacity. This capacity along with leased fiber capacity allows our switching platforms in our operating units to be connected and pass voice and data traffic.

Foreign Carrier Agreements. In selected countries where competition with the traditional Post Telegraph and Telecommunications companies (PTTs) is limited, we have entered into foreign carrier agreements with PTTs or other service providers which permit us to provide traffic into and receive return traffic from these countries.

Network Management and Control. We own and operate network management control centers in Toronto, Canada; London, England; New Delhi, India; and Sydney, Australia, which are used to monitor and control our switching systems, global data network, and other digital transmission equipment used in our network. These network management control centers operate seven days per week, 24 hours per day, 365 days per year.

Network for Data and Internet Services. We have built an Internet backbone network that enables our global network to carry Internet and data traffic for our business, residential, carrier and ISP customers. This network uses packet switched technology, including IP and ATM. This network allows us to offer to customers data and voice communications services, including, in selected geographic areas, dial-up, broadband and dedicated Internet access, hosting, e-commerce, managed VPN services, VOIP, ATM and frame relay data services.

Data Centers. Primus Australia and Primus Canada offer world-class data center facilities with advanced 24 x 7 customer access, onsite engineering support and help desk services; dedicated HVAC and environmental control systems; multi-stage fire suppression systems; uninterruptible power supply and backup generator; redundant data connections and services; routing and switching; shared and secure rack space; physical access technologies and practices; CCTV and video security systems; and 24 x 7 building system and network monitoring. Our Australian data center occupies approximately 15,000 square feet in Melbourne. Canada offers national data center coverage with locations in Toronto, Vancouver, Edmonton, London, Ontario and Ottawa, with a total combined square footage of 73,000 square feet. Additionally, we have data center facilities in the United States, Europe and Brazil.

Customers

Our residential sales and marketing strategy has traditionally targeted residential customers who generate high international and domestic long distance traffic volumes, particularly ethnic customers. We believe that such customers are attracted to us because of competitive pricing as compared to traditional carriers, and in-language customer service and support. Additionally, we offer VOIP, broadband and dial-up Internet access, local access and wireless products to our residential customers in select markets. We are expanding our local and broadband offerings to additional markets and bundling them with traditional voice services.

Our business sales and marketing efforts primarily target SMEs with significant international long distance traffic and broadband Internet needs. We also target large multinational businesses. Many of the services we provide in the United States, Australia, Canada, the United Kingdom, and Europe include long distance voice, Internet, data, hosting and the resale of wireless services.

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 increase the utilization of our network, obtain improved pricing and thereby reduce our fixed costs per minute of use, as well as permitting our network to be interconnected with other major carriers, thereby providing global coverage.

Business, residential and carrier revenues for the year ended December 31, 2008 were distributed 26%, 52%, and 22%, respectively, for the year ended December 31, 2007 were distributed 28%, 53%, and 19%, respectively, and for the year ended December 31, 2006 were distributed 26%, 53%, and 21%, respectively. No single customer accounted for greater than 10% of net revenue for the years ended December 31, 2008, 2007 and 2006.

Sales and Marketing

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

- *Direct Sales Force.* In 2008 our direct sales force focused on business customers with substantial international traffic, including multinational businesses and international governmental organizations. They are engaged in generating new accounts and in the retention of current customers and cross selling products to current customers. A variety of products are utilized to maximize the customer's lifecycle, based on the customers current product mix. Direct sales personnel are generally compensated with a base salary plus commissions. In 2008 we had sales offices in Boston (vicinity), McLean, Puerto Rico, Edmonton, Calgary, Toronto, Vancouver, Ottawa, London, Glasgow, Frankfurt, Madrid, Barcelona, Paris, Adelaide, Brisbane, Melbourne, Perth, Sydney, New Delhi and Tokyo. In the first quarter 2009 we eliminated the direct sales force in the Boston and McLean offices. In addition, our full-time sales representatives sell services to residential consumers, and our direct sales representatives exclusively sell services to other long distance carriers and resellers.
- *Independent Sales Agents.* We also sell our services through independent sales agents and representatives, who typically focus on residential consumers and SMEs. An agent receives commissions based on revenue generated by customers obtained for us by the agent. We usually grant nonexclusive sales rights and require our agents and representatives to maintain minimum revenues.
- *Telemarketing.* We employ full-time and part-time inbound telemarketing sales personnel, and we selectively outsource certain telemarketing functions to supplement sales efforts to residential consumers, particularly ethnic consumers, and SMEs.
- *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.
- *Interactive Marketing.* We use a variety of web-based tools, including banner ads and pop-up windows to target Internet users primarily for our retail VOIP service.
- *Third Party Distribution Agreements and Affinity Channels.* Through use of the Primus brand, we have been able to establish relationships to market our services through external retailers, manufacturers, affinity and preferred partnerships and programs. These relationships allow us to increase awareness of our services among customers and reduce the cost of customer acquisition.

Management Information and Billing Systems

We operate 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 we use several systems developed in-house as well as a few third party systems.

We believe that our financial reporting and billing systems are generally adequate to meet our needs in the near term. As we grow, we may need to invest additional capital to purchase hardware and software, license more specialized software and increase our capacity.

Competition

Voice

The telecommunications industry is highly competitive and significantly affected by regulatory changes, marketing and pricing decisions of the larger industry participants and the introduction of new services made possible by technological advances. We believe that long distance service providers compete on the basis of price, customer service, product quality and breadth and bundling of services offered. In each country of operation, we have numerous competitors including wireline, wireless, VOIP and cable competitors. We believe that as the international telecommunications markets continue to deregulate, competition in these markets will increase. 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, larger networks and more products for bundling.

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 (RBOCs) entered the long distance market; long distance carriers have entered the local telephone services market; and cable television companies and utilities are allowed to enter both the local and long distance telecommunications markets. Consolidation among these large companies is also occurring, which could change the dynamics of pricing and marketing. In addition, competition has begun to increase in the European Union (EU) communications markets in connection with the deregulation of the telecommunications industry. In most EU countries full liberalization took place in January 1998. In addition, alternatives to wireline services, such as wireless and VOIP services, are significant competitive threats. This increase in competition adversely affects net revenue per minute and usage of traditional wireline services, and these trends are expected to continue.

The following is a brief summary of the competitive environment in our principal service regions:

United States. In the United States, which is among the most competitive and deregulated long distance markets in the world, competition is based on pricing, customer service, network quality and the ability to provide value-added services and the bundling of services. AT&T and Verizon are the largest suppliers of long distance services. Wireless carriers have gained significant ground particularly in the domestic long distance markets, and VOIP cable-based service providers present a growing threat.

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, SingTel Optus, iinet, TPG and AAPT, an affiliate of Telecom New Zealand. Repeated pricing threats and actions by Telstra present serious competitive challenges (see "Government Regulation—Australia").

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. In residential markets, we compete with each of the incumbent telecommunication companies (of which the largest are those owned by BCE in eastern Canada, and Telus and MTS in western Canada) in their respective territories and the large cable companies who have launched their telecom service portfolio. We also compete against smaller resellers. In the highly competitive business market, we compete with BCE and Telus, who are both expanding beyond their traditional territories and competing with each other across the country, and with the national division of MTS (formerly Allstream), Rogers Telecom and other smaller carriers. Major wireless carriers are also a significant source of competition. In Canada the CRTC recently conducted a review of the regulatory framework for wholesale services and the definition of essential services. The results of the review are discussed in "Government Regulation—Canada" of this document.

United Kingdom. Our principal competitors in the United Kingdom are British Telecommunications (BT), the dominant provider of telecommunications services in the United Kingdom, NTL/Telewest, Carphone Warehouse, Cable & Wireless UK, Colt Telecom and MCI/Verizon. Major wireless carriers are also a significant source of competition.

Internet and Data

The market for Internet services and data services is extremely competitive. We anticipate that competition will continue to intensify. Our current and prospective competitors offering these services include national, international, regional and local ISPs such as AOL and EarthLink, Web hosting companies, other long distance and international long distance telecommunications companies, local exchange carriers (LECs), cable television, direct broadcast satellite, wireless communications providers and on-line service providers. Many of these competitors have significantly greater resources, product portfolios, market presence and brand recognition than we do.

Government Regulation

We are subject to varying degrees of regulation in each of the jurisdictions in which we operate. Local laws and regulations, and the interpretation of such laws and regulations, differ among the jurisdictions in which we operate. There can be no assurance that (1) future regulatory, judicial and legislative changes will not have a material adverse effect on us; (2) domestic or international regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations; or (3) regulatory activities will not have a material adverse effect on us.

Regulation of the telecommunications industry has and continues to change rapidly both domestically and globally. Privatization and deregulation have had, and will continue to have, significant effects on competition in the industry. Competition has increased in the EU as a result of legislation enacted at the EU level. Since 1990, a number of legislative measures were adopted that culminated in the full liberalization of telecommunications markets throughout most EU member states as of 1998. This increase in competition has and likely will continue to reduce net revenue per minute. In addition, the World Trade Organization Agreement, which reflects efforts to dismantle government-owned telecommunications monopolies throughout Europe and Asia, may affect us. In addition, bilateral and regional trade agreements, to the extent they address telecommunications matters, may also 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. Further the increase in providers vying for a limited market share will require us to maintain competitive rate structures.

The regulatory frameworks in certain jurisdictions in which we provide services are described below:

United States

In the United States, our services are subject to the provisions of the Communications Act of 1934, as amended, the Federal Communications Commission (FCC) regulations, and the applicable laws and regulations of the various states and state regulatory commissions.

As a carrier offering telecommunications services to the public, we must comply with the requirements of common carriage under the Communications Act of 1934, including the offering of service on a nondiscriminatory basis at just and reasonable rates, and obtaining FCC approval prior to any assignment of authorizations or any transfer of legal or actual control of the company (including the Reorganization).

Our telecommunications services are subject to various specific common carrier telecommunications requirements set forth in the FCC’s rules, including operating, reporting and fee requirements. Both federal and state regulatory agencies have broad authority to impose monetary and other penalties on us for violations of regulatory requirements.

International Service Regulation. International common carriers like us are required to obtain authority from the FCC under Section 214 of the Communications Act of 1934. 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 on a non-dominant carrier basis. The FCC is considering a number of international service issues in the context of several policy rulemaking proceedings in response to specific petitions and applications filed by other international carriers. We are unable to predict how the FCC will resolve the pending international policy issues or how such resolution will affect our international business. In recent years, the FCC has taken steps to streamline regulation of international services, including detariffing of international services, where competition can provide consumers with lower rates and choices among carriers and services. To that end, with some exceptions, current FCC rules require facilities-based United States carriers, like us, with operating agreements with dominant foreign carriers, to abide by the International Settlements Policy by following uniform accounting rates, even split in settlement rates, and proportionate return of traffic, for agreements with carriers on certain routes. United States carrier arrangements with non-dominant foreign carriers or on a substantial number of international routes where competition exists are not subject to these requirements. We may take advantage of these more flexible arrangements with non-dominant foreign carriers, and the greater pricing flexibility that may result, but we may also face greater price competition from other international service carriers.

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 initiate or expand our domestic interstate operations, but we are required to obtain FCC approval to transfer control or discontinue service and to 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. In addition, as a non-dominant 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 or violations of the FCC's Do-Not-Call telemarketing rules. We are also subject to the Communications Assistance for Law Enforcement Act (CALEA) and certain FCC regulations which require telecommunications common carriers to modify their networks to allow law enforcement authorities to perform electronic surveillance. The Do-Not-Call Registry and related restrictions set out the specific parameters for telemarketing solicitation and prohibit outbound telemarketing in some circumstances. We also are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN SPAM Act"). The CAN SPAM Act requires that all senders of commercial electronic mail include a label indicating that the electronic mail is an advertisement, a disclosure notifying the recipient how to opt-out of receiving future e-mails, and the sender's physical address in the e-mail.

Our costs of providing long distance services will be affected by changes in the switched access charge rates imposed by LECs for origination and termination of calls over local facilities. FCC rules currently cap the rates that both incumbent and competitive LECs may charge for switched access, and restrain incumbent LECs' ability to change their charges. The FCC continues to grant incumbent LECs greater pricing flexibility and relaxed regulation of access services in those markets where there are other providers of access services. Depending on the outcome of future FCC proceedings or litigation, the new rules promulgated by the FCC and the manner in which such rules are implemented, we may have fewer competitive choices among LECs and, as a result, could see an increase in our termination and origination costs over time.

Interstate telecommunications carriers are required to contribute to the federal Universal Service Fund (USF). The FCC is considering revising its USF mechanisms and the services considered when calculating the USF contribution. We cannot predict the outcome of these proceedings or their potential effect on our USF contributions. Some of our services are considered traditional telecommunications services, and we are required to contribute a percentage of our revenue derived from those services to the USF. Certain of our services are not subject to USF, although future changes in the FCC's rules may require that we make USF contributions on these services.

Voice-over-Internet Protocol (VOIP). Our VOIP services are currently not subject to substantial regulation by the FCC or state regulatory commissions to the extent that they qualify as "enhanced" or "information" services. The FCC defines enhanced services as services that (1) employ computer processing applications that act on the format, content, code, protocol or similar aspects of the subscriber's transmitted information, (2) provide the subscriber additional, different, or restructured information, or (3) involve subscriber interaction with stored information. Our VOIP service can be classified as an enhanced service because it uses broadband connections using the public Internet and performs a net protocol conversion. Regulators are trying to determine the appropriate regulatory treatment of VOIP services because these services resemble both traditional telephony and information services.

In March 2004, the FCC released a comprehensive Notice of Proposed Rulemaking (NPRM) regarding IP-enabled services, including VOIP service. The NPRM addresses the regulatory classification of, and jurisdiction over, VOIP and how to preserve key public policy. While the FCC has yet to resolve comprehensively the regulatory classification of IP-enabled services, and this proceeding remains open, the FCC has issued several decisions that affect the regulatory treatment of VOIP services like ours. The FCC continues to examine the appropriate regulatory treatment of VOIP. Changes to, and further clarifications of, the treatment of VOIP services could result in the imposition of burdensome regulation and fees on some of our services and/or increase certain of our operating costs. For example, if the FCC were to determine that our VOIP service is properly classified as a "telecommunications service," this could have a material adverse effect on the Company's VOIP business and operating results.

In November 2004, the FCC ruled that services provided by a particular VOIP provider are interstate in nature, and not subject to entry regulations of the various state Public Service Commissions. While the decision was specific to the VOIP offering of a particular company, our VOIP service shares many of the same characteristics. The FCC ruling was appealed by several states and on March 21, 2007, the United States Court of Appeals for the 8th Circuit affirmed the FCC ruling.

In August 2005, the FCC determined that VOIP services like ours must ensure that their equipment can accommodate law enforcement wiretaps under CALEA. We believe that our VOIP products are capable of complying with these requirements. We cannot predict whether law enforcement or the FCC will find our service in compliance with CALEA, nor can we predict whether we may be subject to fines or penalties if we are found to be not in compliance with CALEA.

In June 2005, the FCC adopted new rules requiring VOIP providers like us to provide emergency 911 service in a manner similar to traditional telecommunications carriers by November 2005. We contracted with a third-party provider that is a market leader in emergency 911 service solutions to provide these services. Our ability to expand our VOIP services in the future may depend upon the ability of our third-party provider to provide enhanced 911 (E911) access or the outcome of these legal proceedings. Similar to many companies that offer VOIP services like ours, we cannot offer VOIP E911 services that route emergency calls in a manner consistent with the FCC rules for all of our customers. The Company is addressing this issue with its VOIP E911 solutions provider. The FCC may determine that the Company's VOIP E911 solution for some of its customers does not satisfy the requirements of the VOIP E911 Order because, in some instances, we will not be able to connect our subscribers directly to an emergency call center. In this case, the FCC could require the Company to disconnect a significant number of subscribers. The effect of such disconnections or any enforcement action initiated by the FCC or other state agency against the Company could have a material adverse effect on the Company's financial position, results of operations and cash flows.

On June 1, 2007, the FCC released an NPRM Proceeding to consider whether it should impose additional VOIP E911 obligations on interconnected VOIP providers including consideration of a requirement that interconnected VOIP providers automatically determine the physical location of their customer rather than allowing customers to manually register their location. The Notice includes a tentative conclusion that all interconnected VOIP service providers that allow customers to use their service in more than one location must utilize automatic location technology that meets the same accuracy standards applicable to providers of commercial mobile radio services (mobile phone service providers). We cannot predict the outcome of this proceeding nor its impact on us at this time.

In July 2006, the FCC adopted rules requiring that certain VOIP services contribute to USF. Certain of our VOIP services are now subject to USF obligations. The U.S. Court of Appeals for the District of Columbia ruled that the FCC was within its authority when it required interconnected VOIP service providers to contribute to the USF, though it struck down the provision of the order which required pre-approval of traffic studies by the FCC and the provision that required double contributions to the fund for two quarters from our underlying carriers' wholesale charges.

On April 2, 2007, the FCC released an order extending the application of customer proprietary network information, or CPNI, rules to interconnected VOIP providers, like us. CPNI includes information such as the phone numbers called by a consumer; the frequency, duration, and timing of such calls; and any add-on services or features purchased by consumers such as caller identification. The new CPNI requirements are aimed at establishing more stringent security measures for access to a customer's CPNI data in the form of enhanced passwords for on-line access and call-in access to account information as well as customer notification of account or password changes. Effective December 8, 2007, we were required to implement internal processes in order to be compliant with all of the FCC's CPNI rules. This may impose additional compliance costs on us and reduce our profitability or cause us to increase the retail price for our services. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties if we are not able to comply with these new CPNI obligations.

On June 8, 2007, the FCC released an order implementing various recommendations from its Independent Panel Reviewing the Impact of Hurricane Katrina on Communications Networks, including a requirement that certain interconnected VOIP providers submit reports regarding the reliability and resiliency of their 911 systems. At this time, we are not subject to these reporting requirements but may become subject in future years.

On June 15, 2007, the FCC expanded the disability access requirements of Sections 225 and 255 of the Communications Act, which applied to traditional phone services, to providers of interconnected VOIP services and to manufacturers of specially designed equipment used to provide those services. Service providers must ensure that their equipment and service is accessible to and usable by individuals with disabilities, if readily achievable, including requiring service providers to ensure that information and documentation provided in connection with equipment or services be accessible to people with disabilities, where readily achievable, and that employee training accounts for accessibility requirements. The FCC also found that interconnected VOIP providers, like us, were subject to the requirements of Section 225, including contributing to the Telecommunications Relay Services, or TRS, fund and that they must offer 711 abbreviated dialing for access to relay services. At this time, we cannot predict the impact of these rules on our business or our ability to comply with these disability access obligations. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties if we are not able to comply with these new disability obligations. The rules established in the Disability Access Order were scheduled to become effective on October 5, 2007, and as of that date, we were collecting and remitting fees from our customers for TRS fund contributions. On October 10, 2007, the FCC granted a limited waiver of the 711 call handling requirement. While still mandating that interconnected VOIP providers like us are required to transmit 711 calls to a relay center, the FCC waived the requirement, for a period of six months, insofar as it requires such providers to transmit the 711 call to an "appropriate relay center," meaning the relay center(s) serving the state in which the caller is geographically located or the relay center(s) corresponding to the caller's last registered address. We are currently not able to route such calls in this manner, but we are working on implementing a call routing solution which will route 711 calls to the appropriate relay center as defined in the FCC's order. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties if we are not able to comply with these new disability provisions.

On August 6, 2007, the FCC released a Report and Order concerning the collection of regulatory fees for Fiscal Year 2007 ("Regulatory Fees Order"), which, for the first time, mandates the collection of such fees from interconnected VOIP service providers like us. The Regulatory Fees Order requires that interconnected VOIP providers pay regulatory fees based on reported interstate and international revenues. Regulatory fees for Fiscal

Year 2007 were due in 2008 during a separate filing window yet to be determined. Fiscal Year 2008 fees were paid in 2008 during the normal regulatory fee payment window. The assessment of regulatory fees to our service increased our costs and reduced our profitability and caused us to increase the price of our retail service offerings.

State Regulation. Our intrastate long distance operations are subject to various state laws and regulations, including, in most jurisdictions, certification and tariff filing requirements. Primus Telecommunications, Inc. (PTI), our principal operating subsidiary in the United States, maintains the necessary certificate and tariff approvals, to provide intrastate long distance service in 49 states and Puerto Rico. PTI also maintains the necessary certificate to provide local services in Puerto Rico. Certain of our other subsidiaries, also maintain certificates and tariffs in some states. 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 prior approval or notification for certain stock or asset transfers or, in several states, for the issuance of securities, debt or for name changes. As a certificated carrier, consumers may file complaints against us at the public service commissions. Certificates of authority can generally be conditioned, modified, cancelled, terminated, or revoked by state regulatory authorities for failure to comply with state law and/or 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 RBOCs and other LECs 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.

State Taxes and Fees Applicable to VOIP Services. In general, we do not collect or remit state or municipal taxes (such as sales and use, excise, utility user, and ad valorem taxes), fees or surcharges on the charges to our customers for the services. We do not believe that we have sufficient nexus outside of certain jurisdictions to be subject to state or municipal taxes, surcharges or other fees. Should this change or found to be otherwise, we may be subject to retroactive liability for VOIP-specific taxes, fees and surcharges in a number of states and potentially, penalties and interest. Retroactive liability for such taxes, fees or surcharges, as well as penalties and interest, may adversely impact our financial position and we would not be able to recoup any of these liabilities from our customers. If we must collect such state taxes, fees and surcharges on a going-forward basis, we will likely pass such charges through to our customers. The impact of this price increase on our customers or our inability to recoup our costs or liabilities could have a material adverse effect on the financial position, results of operations and cash flows of our VOIP business.

Other fees and charges may be applicable to our VOIP offering. Specifically, New Mexico is attempting to require providers of VOIP services, like ours, to contribute to the state USF. The Nebraska Public Service Commission (PSC) found that companies like ours are subject to state USF, but a recent federal court granted a preliminary injunction to a company that provides a service similar to ours prohibiting the PSC from requiring the collection of USF suggesting that the PSC’s action was contrary to the FCC’s preemption of state regulation in this area. We cannot predict the final outcome of this litigation nor its impact on us at this time. The Kansas Corporation Commission recently concluded a proceeding finding that companies like us should collect and remit state USF fees. If we become subject to state USF fees in additional states or other telecommunications-related surcharges, we will likely pass such charges through to our customers. The impact of this price increase on our customers or our inability to recoup its costs or liabilities in remitting USF contributions or other factors could have a material adverse effect on our financial position, results of operations and cash flows.

Wireless Service Regulations. Through subsidiaries of TresCom International, Inc., a wholly owned subsidiary, we hold several 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 Communications Act of 1934, as amended by the Telecommunications Act of 1996, and related FCC regulations. Pursuant to Title III, foreign entities may not directly hold more than 20% of the stock or other ownership interests in an entity, including us, that holds certain types of FCC licenses, such as the wireless licenses held by the TresCom International, Inc. subsidiaries referred to above. In addition, unless granted an FCC waiver, foreign citizens and entities may not indirectly hold 25% or more of the stock or other ownership interest in such entities.

Australia

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

We are licensed under the Telecommunications Act 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 1997 covering matters such as compliance with the Telecommunications Act 1997, operator services, regulation of land 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 & Media Authority (ACMA) 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 and in particular dealing with carrier to carrier interconnection and network access. Telstra, the dominant carrier and former monopoly, continually challenges many of the key principles applied by the ACCC to access pricing and endeavors to have some key decisions removed from the charter of the ACCC. For example, Telstra has previously applied to the High Court of Australia to overturn its obligation to provide access to unbundled local loop lines (and also access to those lines pursuant to spectrum sharing). While that petition to the highest court in Australia was unsuccessful, Telstra continues to lodge challenges against regulatory decisions, with challenges relating to the unconditional local loop service (ULLS) and leased line sharing (LLS) pricing currently before the Federal Court. Telstra has also lodged a number of exemption applications with the ACCC submitting that it should be exempted from an obligation to provide wholesale telecommunications services on various routes and locations in Australia. Some of these applications have been successful, however two have been challenged in court by the competitive industry with the first of these having been decided and overturned by the Federal Court. Telstra has subsequently sought judicial review of that decision. If Telstra is successful in any of these court actions, for example, with regard to the pricing of access to unbundled local loop lines, the access costs imposed by Telstra could substantially and adversely impact our operating results, financial position and cash flows. Separately, Telstra has also petitioned the ACCC for the right to impose significantly higher unconditional local loop (ULL) pricing. The ACCC has made a preliminary decision to reject this, which will likely be confirmed as the final decision; however Telstra is expected to challenge any such rejection in the Federal Court. Telstra and the ACCC are also presently contesting the appropriate pricing for all the fixed line regulated services supplied by Telstra. There is currently a significant divergence of view on some of this pricing and the outcome could have a significant impact on our financial position. We would not expect any decision until later in 2009.

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 ACMA 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 that 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 1997 and with the telecommunications access regime and related facilities access obligations). Carriers also must meet the Universal Service Obligations (USO), to assist in providing all Australians, particularly in remote areas, with reasonable access to standard telephone services and digital data services. Telstra is currently the sole universal service provider. Since 2000, the responsible Minister of the Australian government may make a determination of the amount of USO subsidies, with advice from the ACMA. No methodology is provided in legislation and the Minister could make a determination of a Universal Service Levy (USL) that would be material to us. However, the USL has been set previously at reasonable levels that we do not consider to have a material impact.

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 Trade Practices Act 1974 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 that the telecommunications specific provisions in the Trade Practices Act will ensure fair competitive access to monopoly and dominant facilities and deal with anti-competitive conduct of dominant carriers such as Telstra. These provisions would also apply to any carrier who may come to own or control important infrastructure or services necessary for competition.

Consumer Protection. The ACCC’s consumer protection role is shared with other regulators. Each state has its own Fair Trading Act administered by consumer affairs authorities and ACMA undertakes some activities in consumer protection predominantly in connection with industry codes of conduct. As a carrier we must also be a member of the Telecommunications Industry Ombudsman (TIO) Scheme. The TIO is responsible for handling complaints from consumers about carriers and Internet service providers. The TIO may impose financial penalties upon carriers that do not satisfactorily deal with consumer complaints.

Canada

We are a reseller of telecommunications services in Canada and are, therefore, largely unregulated by the Canadian Radio-television and Telecommunications Commission (CRTC). Because we do not own or operate transmission facilities in Canada, we are not subject to direct regulation by the CRTC pursuant to the Canadian *Telecommunications Act.* Therefore, we may resell long distance service, local telephone service, wireless service and Internet access without the regulation of our rates, prices or the requirement to file tariffs. In addition, as described below, as a reseller we are not subject to restrictions on foreign ownership or control.

In 2000, the CRTC implemented a revenue-based contribution regime to replace the per minute contribution charge formerly in place to support universal access. The revenue-based contribution mechanism collects from a wider base of telecommunications service providers and has lowered our contribution expenses since 2001.

In a price cap decision issued in May 2002, the CRTC lowered the prices incumbent providers can charge competitors for a range of competitor services, i.e., facilities and services required by competitors to provide telecommunications services to their end-customers. Several CRTC decisions issued have resulted in significant savings on competitor services for resellers. One decision, dated February 3, 2005, expanded the suite and geographical reach of competitor services and significantly reduced prices in some cases. Some of the reduced rates were effective on a retroactive basis to June 1, 2002. This Price Cap formula required the ILECs to revise the rates of selected services (primarily local telecommunications services) yearly by the rate of inflation minus a productivity factor of 3.5%. The rates of other service groupings were “capped” and others were “uncapped” with upward pricing constraints. The CRTC has typically relied on a four-year Price Cap Period, but in 2005 it decided to extend the current period by one year in order to complete a public proceeding to establish the parameters of the next Price Cap Period. In a decision dated April 2007, the CRTC issued the parameters of the new Price Cap Framework. The new Price Cap Framework is similar to the previous framework in that rates for service groupings are “capped”, ”uncapped” and subject to upward or downward pricing constraints. Most notable in the new Price Cap Framework is the CRTC’s determination that the productivity offset should still apply to competitor services. As such, competitor services will be adjusted by the rate of inflation minus a productivity factor of 3.2% going forward. Also, the CRTC did not set an expiry date for the new Price Cap Framework due to the ability of ILECs to file for forbearance in markets where they no longer wield market power. Despite the various changes, the current Price Cap Framework still allows for significant savings on competitor services for resellers.

On November 9, 2006, the CRTC issued a Public Notice regarding its initiation of a proceeding to consider a revised definition of essential service, and the classifications and pricing principles for essential and non-essential services made available by incumbent telephone companies, cable carriers and competitive local exchange carriers to other competitors at regulated rates (wholesale services). The proceeding ran throughout 2007 and concluded in December 2007. The CRTC issued a decision on March 3, 2008. Under the new wholesale framework, the CRTC has divided wholesale services into six categories. More than a third of wholesale services will be deregulated by 2012, including intra-exchange transport services which we used to interconnect our DSLAM collocation sites. The next largest area impact involves high speed access to business services which will be deregulated in five years.

In a regulatory policy update related to the new wholesale framework, dated January 2009, the CRTC determined that it would be appropriate to allow for negotiated agreements for services that were mandated as conditional essential and conditional mandated non-essential in the wholesale decision. Accordingly, we now have the ability to purchase these services on a tariff basis or through a negotiated agreement. As we utilize a significant amount of these services, it is expected that the ILECs will attempt to convince us to enter into negotiated agreements for these services going forward. However, it is not yet certain whether such agreements will offer or result in preferable terms for us.

On December 18, 2006, the Minister of Industry announced the issuing of a Policy Direction to the CRTC. The Policy Direction requires that the CRTC now take a more market-based approach to implementing the *Telecommunications Act* and outlines items for the CRTC to consider during their review regarding mandated access to wholesale services, including impediments faced by new carriers seeking to develop competing network facilities.

Competition. Long distance competition has been in place in Canada since 1990 for long distance resellers and since 1992 for facilities-based carriers. In June 1992, the CRTC issued Telecom Decision CRTC 92-12 requiring the incumbent LECs to interconnect their networks with their facilities-based, as well as reseller, competitors. Since 1994, the ILECs have been required to provide “equal access,” which eliminated the need for customers of competitive long distance providers to dial additional digits when placing long distance calls. The ILECs disbanded the Stentor alliance in 1999, and former Stentor companies, Bell Canada and TELUS Communications, the two largest ILECs in Canada, compete against each other. MTS, the ILEC serving the Canadian province of Manitoba, has acquired Allstream (formerly AT&T Canada Corp.) and is now competing nationally as well. The other nationwide competitor, Call-Net Enterprises Inc., which operated as Sprint Canada, was acquired by Rogers Communications Inc. in 2005. Cable TV companies, such as Rogers, Shaw and Videotron, launched their local telephone services in July 2005 and have had a great deal of success thus far. Their local service is provided either via their cable network and/or acquired CLECs (i.e., Call-Net) or on a resold basis from an underlying LEC.

In 2005 the federal government appointed a Telecom Policy Review Panel to review Canada's telecommunications policy framework. The Panel's report was released in March of 2006. Following the release of the report, the federal government issued a policy direction to the CRTC on December 18, 2006 that required, among other things, that in exercising its powers and duties, it rely on market forces to the maximum extent feasible. The policy direction had an impact on the CRTC's recent decision involving essential facilities. The policy directs the CRTC to take into account the principles of technological and competitive neutrality, the potential for incumbents to exercise market power in the wholesale and retail markets for the service in the absence of mandated access to wholesale services, and the impediments faced by new and existing carriers seeking to develop competing network facilities.

The Competition Bureau issued an Information Bulletin on the Abuse of Dominance Provisions as applied to the Telecommunications Industry on June 6, 2008, in which the Bureau describes its approach in reviewing abuse of dominance complaints in telecommunications markets where the CRTC has forborne from regulating conduct.

On December 7, 2006, the Minister of Industry tabled amendments to the Competition Act proposing that the Competition Tribunal have the power to order telecommunications service providers to pay an administrative monetary penalty of up to 15 million Canadian dollar (CAD) in cases of abuse of dominant position.

On December 11, 2006, the Minister of Industry announced a government proposal to vary the CRTC decision and put in place a revised framework to accelerate the deregulation of retail local phone service prices of the former monopoly telephone companies. As of June 2008 about 73% of all residential local lines in Canada have been deregulated as well as about 65% of commercial local lines.

Foreign Ownership Restrictions. Under Canada's *Telecommunications Act* and certain regulations promulgated pursuant to the Act (i.e. the Canadian Telecommunications Common Carrier Ownership and Control Regulations), foreign ownership restrictions apply to facilities-based carriers ("Canadian carriers"), CLECs and microwave license holders, but not to companies that do not own or operate transmission facilities such as resellers. Resellers may be wholly foreign-owned and controlled. The regulations limit the amount of 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 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. Primus Canada, along with several other telecommunications service providers, has sought to have the Canadian government review foreign ownership restrictions with a view to lowering these restrictions or eliminating them.

In April 2003, the Industry Committee of the House of Commons recommended removing these restrictions in their entirety, for both telecommunications common carriers and for broadcasting distribution undertakings (BDUs) such as cable companies. In June 2003, however, another committee of the House of Commons (the Heritage Committee) expressed concerns that changes in ownership restrictions for either telecommunications common carriers or BDUs could have an adverse impact on the broadcasting system. In its September 2003 response to the Industry Committee's recommendation, the government acknowledged the appropriateness of the committee's conclusion that removing foreign investment restrictions would benefit the telecommunications industry. However, the government also noted the concerns expressed by the Heritage Committee. The government recognized that it has a responsibility to determine how best to reconcile the conflicting recommendations of the two committees and undertook to analyze this question and be in a position to examine possible solutions by the spring of 2004. However, no solutions were brought forward in 2005 although the issue was raised once again by the Telecom Policy Review Panel (TPRP), who recommended in its Final Report that the foreign ownership restrictions be relaxed. In July 2007, Industry Canada announced the creation of the

Competition Policy Review Panel (the Panel), which was asked to provide recommendations to the government on how to enhance Canadian competitiveness. The Panel's duties include a sector specific review of the current telecommunications foreign ownership restrictions. We filed a submission in favor of eliminating the restrictions and also presented options to accommodate concerns such as national security. In its report dated June 2008, the Panel supported the TPRP's recommendations regarding the easing of foreign ownership restrictions. Specifically, the Panel recommended a two phase approach to liberalize the Canadian foreign ownership restrictions. The initial phase would permit foreign companies to establish new telecommunication companies or acquire existing telecommunication companies with less than a 10% share of the Canadian telecommunication market. The second phase would consist of further liberalization upon a review of existing cultural policies and an assessment of the impact of the foreign investment resulting from the initial phase. However, despite the support of both the TPRP and the Panel it is premature to predict whether any recommendation to remove the restrictions for telecommunications common carriers will be implemented.

European Union

In Europe, the regulation of telecommunications is governed at a supranational level by the European Parliament, Council and Commission, consisting of members including the following countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. These institutions are responsible for creating European Union-wide policies and, through legislation, have progressively developed a regulatory framework aimed at ensuring an open, competitive telecommunications market.

In February 2002, the Council agreed to a new European regulatory framework for the communications sector, which was adopted formally on March 7, 2002. The new regime comprises the following legislative texts:

- Directive 2002/21 on a common regulatory framework for electronic communications networks and services ("Framework Directive");
- Directive 2002/20 on the authorization of electronic communications networks and services ("Authorization Directive");
- Directive 2002/19 on access to, and interconnection of, electronic communications networks and associated facilities ("Access Directive"); and
- Directive 2002/22 on universal service and users rights relating to electronic communications networks and services ("Universal Service Directive").

EU member states were obligated to implement these directives by July 25, 2003. As of December 31, 2008, these directives have not materially affected our business operations in Europe.

One of the requirements of the Authorization Directive is that no company seeking to provide electronic communications networks or services is required to obtain prior authorization, although such a company could be required to notify relevant regulatory authorities in the member states where it intends to operate.

This regulatory framework is currently under review by the European Commission. A number of proposed changes have been adopted, including the desire to create a European level telecom market body to complement national regulator, and assist in opening up markets with low levels of competition. The proposed changes have been adopted by the European Parliament and are awaiting consideration by the European Council. Once adopted at the European level, the revised rules have to be incorporated into national law before taking effect. The European Commission is hopeful that the new framework could be in place from 2010 onwards.

The Regulation of the European Parliament and of the Council of June 27, 2007 on roaming on public mobile telephone networks within the community and amending Directive 2002/21/EC is a regulation by the

European Commission, primarily backed by the EU Commissioner for Information Society and Media, which regulates the charges of mobile phone use when abroad in the EU. The regulation caps the rates operators can charge each other while roaming in the EU and also limits the tariffs an operator can charge from customers. The proposal for a regulation to lower international roaming charges within the EU was published by the Commission in July 2006. The regulation entered into force on June 30, 2007. From this date on, mobile phone operators within the EU had one month to inform customers about the new tariffs called "Eurotariff" and provided an offer for switching to the new tariff and the new tariff automatically applied on September 30, 2007, except special roaming package. The Eurotariffs is proposed to gradually decrease over the next three years.

A Eurotariff is available in all 27 member states of the EU. It applies only to voice calls within the EU irrespective of a pre-paid or post-paid status. It does not apply to other mobile phone services, such as short message service (SMS), multimedia messaging service (MMS) or data transfer.

The regulation caps roaming prices for voice services only but it also requires national regulators to monitor developments in the prices of roamed voice, SMS and data services closely. The Commission called on mobile operators to demonstrate their willingness to voluntarily reduce the very high roaming charges for SMS and data roaming. Under new rules as of July 1st, 2009, consumers will also benefit from per-second billing after 30 seconds for calls made and per-second billing throughout for calls received to ensure that consumers do not face any hidden costs when they are roaming. This is expected to increase consumer's savings by over 20%.

The regulation is meant to expire in three years from 2007 (in Summer 2010). The Commission, together with the National Regulatory Authorities will monitor the development of the prices over the next 18 months. If normal market conditions are established in the market for roaming calls, the regulation will expire after three years. However, the Commission can also propose to continue to regulate the roaming market, if normal market conditions are not working yet. Under the latest EU proposal on September 23, 2008, this regulation would be extended for three more years.

A regulation on SMS and Data is currently being studied by the EU Commission. The operators were given until July 1, 2008 to lower SMS and data roaming charges. The Commission then sent letters to the CEOs of all European mobile operators inquiring about their SMS and data prices. The assessment showed that prices are still too high.

The Commission will also propose measures to increase transparency in roaming charges. There will be probably a need to regulate the wholesale tariffs for data services. The European Commission proposed to present legislation in the fall of 2008, in order to have the new measures for SMS and data enter into force by the summer of 2009.

Data and Internet services are not regulated for the moment by the EU at the retail level. A wholesale price cap may be applicable as of July 1st, 2009 for 1 EUR/MB. Customers travelling to another member state would also receive an automated message of the charges that apply for data roaming services. On July 1st, 2010, operators must provide customers with the opportunity to determine in advance how much they want to spend before the service is cut-off.

A further directive relating to privacy and electronic communications (Directive 2002/58) was added to the new regime. This directive aims to harmonize national laws regarding personal data protection in the electronic communications age and deals with matters including the confidentiality of billing information, the use of caller identification devices, the use of subscriber directories and unsolicited communications. The directive was supposed to be implemented by EU member states and incorporated into the regulatory regime of each member state by October 31, 2003, but as was also the case with the earlier directives referred to above, a number of member states missed this deadline. Each EU member state in which we currently conduct or plan to conduct our business has historically had a different regulatory regime, and we expect that, even with the adoption of the new EU regulatory regime, differences will continue for the foreseeable future. There may well be differences in the manner in which the new EU regulatory regime is implemented from one member state to another. The requirements for us to obtain necessary approvals have varied considerably from one country to another. We have obtained and will continue to seek to obtain interconnection agreements with other carriers within the EU. While previous EU directives have required that carriers with significant market power offer cost-based and non-discriminatory interconnection to competitors, individual EU member states have implemented this requirement differently and may continue to do so under the new EU regulatory regime. 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.

Further, member states must now introduce domestic legislation to implement the EC Directive on Waste Electrical and Electronic Equipment (WEEE) and the EC Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS). The WEEE seeks to implement legislation on electrical and electronic equipment in relation to its composition and levels to which it should be recycled, while making producers responsible for financing most of these activities. Information technology and telecommunications equipment is WEEE, and subject to the WEEE Directive. RoHS seeks to restrict hazardous substances in WEEE.

The Commission also is concerned with services, such as VOIP, and published a working paper applicable to VOIP based services—Commission Staff Working Document of 14 June 2004 on the Treatment of VOIP under the EU Regulatory Framework- an Information and Consultation Document, which identifies various issues that can arise in relation to VOIP. The introduction of 3G mobile broadband services raised new regulatory issues and the Commission published a Communication on Mobile Broadband Services (30 June 2004-COM (2004) 447), which covers issues, such as spectrum trading.

Employees

The following table summarizes the number of our employees as of December 31, 2008, by region and classification:

	Total
United States	232
Canada	677
Europe	125
Asia-Pacific	701
Total	1,735

We have never experienced a work stoppage. Only some of our employees in Australia are represented by a labor union and covered by a collective bargaining agreement. We consider our employee relations to be excellent.

Other Information

Our Internet address is *www.primustel.com*. We make available free of charge through our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the United States Securities and Exchange Commission (SEC).

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ITEM 1A. RISK FACTORS

A wide range of factors could materially affect our performance. In addition to factors affecting specific business operations and the financial results of those operations identified elsewhere in this report, the following factors, among others, could adversely affect our operations:

BANKRUPTCY CONSIDERATIONS AND UNCERTAINTIES

The recent tightening of the global credit markets, deterioration of the global economy and the significant strengthening of the U.S. dollar relative to the local currencies of our major operating units (i.e., units contributing 81% of our 2008 revenues) have produced material uncertainties concerning our future operating results and our ability to improve our liquidity position, to consummate asset sales, to refinance or to extend our debt with 2009 or subsequent near-term maturities, and to raise additional capital, thereby creating increased uncertainty concerning our ability to meet future payment obligations. As a result of these factors and the significant indebtedness of Group, Holding, IHC and PTII, the Plan has been filed for such entities seeking Reorganization through the Chapter 11 Cases. See also information under "Item 3. Legal Proceedings—Legal Proceedings Related to the Chapter 11 Cases," under "Item 7. MD&A —Going Concern and Voluntary Reorganization Under Chapter 11" and "—Liquidity and Capital Resources—Short- and Long-Term Liquidity Considerations and Risks," "—Special Note Regarding Forward Looking Statements" and in these Risk Factors. If adverse events referenced or described herein or therein were to occur, we may not be able to obtain confirmation of the Plan by the Bankruptcy Court, continue as a going concern and satisfy our obligations.

We may not be able to implement successfully the Plan and effect the Reorganization.

The Debtors' emergence from Chapter 11 bankruptcy protection is contingent upon a number of factors. Due to the fact that the Chapter 11 Cases were filed very close in time to this Form 10-K filing, it is difficult to anticipate all Plan confirmation contingencies. However, initial uncertainties and contingencies include, among other things, the fact that:

- requisite lenders of Term Loan debt have not yet entered into a definitive agreement to amend the Term Loan agreement;
- amendment of the Term Loan agreement as contemplated by the Term Loan term sheet is subject to the consent of certain noteholders;
- Term Loan lender forbearance under the Forbearance Agreement is limited in scope and is related to certain defaults and events of default, including matters arising out of the Chapter 11 Cases, and is subject to certain conditions and to termination and, as a result, adverse consequences could flow out of such termination or other defaults or events of default under the Term Loan that could result in Term Loan lenders seeking remedies against the Debtors and guarantors;
- the Plan may not be confirmed by the Bankruptcy Court; or
- the Plan Support Agreement may be terminated.

The Plan Support Agreement may be terminated under certain circumstances, including in the event that the Reorganization and related disclosure statement are not approved by certain deadlines, the Reorganization is not consummated within a certain period of time after its confirmation by the Bankruptcy Court, a party materially breaches the Plan Support Agreement, a trustee or examiner with enlarged powers relating to the Debtors' business is appointed in the Chapter 11 Cases, the Chapter 11 Cases are converted to cases under Chapter 7 of the Bankruptcy Code or the Bankruptcy Court grants relief that is inconsistent with the Plan Support Agreement or the Plan Term Sheet (as defined and described under Item 3). Moreover, although the Plan has no direct bearing on customers, suppliers or vendors, there can be no assurance that the Plan will not elicit adverse reaction from such parties and lead to an adverse effect on the Operating Subsidiaries' ability to conduct operations in the ordinary course or the need for certain Operating Subsidiaries to seek protection under the bankruptcy laws of the United States or other similar laws in other countries. Additionally, if the Debtors remain in Chapter 11 beyond the anticipated 90-120 day period following the Petition Date, the Debtors may be faced with the need to secure debtor in possession financing ("DIP Financing"). It is not certain that we can secure DIP Financing and, if we can, at what cost.

If we are unable to implement our Reorganization under the Plan or under the Plan as amended as contemplated by the Term Loan term sheet, it would then be unclear as to whether we would be able to reorganize our businesses and what, if any, distribution holders of claims against or of equity interests in the Debtors ultimately would receive with respect to their claims or equity interests. If such Plan (or an amended plan) is not confirmed and does not become effective, there also can be no assurance that we will be able successfully to develop, prosecute, confirm, and consummate an alternative plan of reorganization with respect to the Chapter 11 Cases that would be acceptable to the Bankruptcy Court and applicable creditors, equity holders and other parties in interest. Additionally, it is possible that third parties may seek to challenge our Plan. Thus, the Debtors' emergence from bankruptcy is not assured.

Prolonged continuation of the Chapter 11 Cases may harm our businesses.

A prolonged continuation of the Chapter 11 Cases could adversely affect the Debtors' business and possibly the business and operations of the Operating Subsidiaries (even though the Operating Subsidiaries are not party to the Chapter 11 Cases). As long as the Chapter 11 Cases continue, our senior management will be required to spend a significant amount of time and effort dealing with the Reorganization instead of focusing exclusively on core business operations. Prolonged continuation of the Chapter 11 Cases may also make it more difficult to attract and retain management and other key personnel necessary to the success of our business. In addition, the longer the Chapter 11 Cases continue, the more likely it is that customers, suppliers and vendors of the Debtors or the Operating Subsidiaries (even though the Operating Subsidiaries are not party to the Chapter 11 Cases) will lose confidence in our ability to Reorganize successfully and seek to establish alternative commercial relationships. Furthermore, as long as the Chapter 11 Cases continue, we will be required to incur substantial costs for professional fees and other expenses associated with the Chapter 11 Cases.

The change of control to be produced by the Reorganization of the Debtors may result in a limitation on or loss of our net operating losses for U.S. federal income tax purposes.

Our issuance of new common stock, warrants and contingent value rights ("CVRs") through the Reorganization, along with the cancellation of existing equity interests of Group, may cause us to undergo an ownership change upon emergence from Chapter 11. As a result, Section 382 of the U.S. Internal Revenue Code ("IRC") may apply to limit our use of U.S. consolidated net operating losses upon emergence, and our ability to use other carryforwards and tax credits may be limited. The annual limitation imposed by the particular provision of Section 382 of the IRC that we expect to apply to our ownership change generally equals the product of (i) the fair market value of the net equity value of our stock at the time of the ownership change, taking into account the increase in value of the corporation as a result of the surrender or cancellation of creditor's claims in the transaction (rather than the value without taking into account such increases, as is the case under the general rule for non-bankruptcy ownership changes) multiplied by (ii) the long-term tax exempt rate in effect for the month in which the ownership change occurs. The long-term tax-exempt rate is published monthly by the IRS and is intended to reflect current interest rates on long-term tax-exempt debt obligations. Accordingly, under this rule, the Section 382 limitation would generally reflect the increase in the value of our new stock resulting from the conversion of debt to equity in the Chapter 11 Cases. Section 382 of the IRC applies a similar limitation to a capital loss carryforward and tax credits. Although it is impossible to predict with absolute certainty the net equity value of reorganized companies immediately upon emergence from Chapter 11, our use of our U.S. net operating losses ($73 million as of December 31, 2008) is expected to be substantially limited after an ownership change.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Material strengthening of the United States dollar against foreign currencies reduces the yield in United States dollars generated from payments from our foreign operating subsidiaries and may adversely affect our ability to service our debt.

Our largest operating subsidiaries generate Canadian and Australian dollars. Payments to United States parent entities from these foreign operating subsidiaries are reduced by the material strengthening of the United States dollar, as the yield in United States dollars is reduced. From June 30, 2008 through December 31, 2008, the Canadian and Australian dollars declined by 17% and 28%, respectively, relative to the United States dollar, and this has had a material adverse impact on amounts of United States dollars transferred to United States parent entities. These payments are a substantial source for servicing our significant debt obligations at the United States parent entity levels, as well as a source for making principal payments. Most of our debt is denominated in United States dollars. A reduced yield adversely affects our ability to service or pay off our debt. This, therefore, has a material adverse effect on our ability to service timely our consolidated indebtedness and obligations.

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

We currently have substantial indebtedness and anticipate that we and our subsidiaries may incur additional indebtedness in the future in connection with refinancings or the operation or expansion of our business. The recent tightening of global credit markets could also adversely affect our ability to raise needed capital or effect refinancings on acceptable terms or at all. The level and/or terms of our indebtedness (1) could make it difficult for us to make required payments of principal and interest on our outstanding debt as they become due; (2) could limit our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes; (3) require that a substantial portion of our cash flow, if any, be dedicated to the payment of principal and interest on outstanding indebtedness and other obligations and, accordingly, such cash flow will not be available for use in our business; (4) could limit our flexibility in planning for, or reacting to, changes in our business, including demands by some suppliers for more stringent payment terms; (5) result in our being more highly leveraged than many of our competitors, which places us at a competitive disadvantage; (6) will make us more vulnerable in the event of a downturn in our business; (7) could limit our ability to fund our operations due to covenant restrictions; and (8) could result in a default or acceleration or cross-default of indebtedness as a result of the initiation or development of the Reorganization involving us, which we may not be able to bring to an acceptable conclusion for our various stakeholder constituencies.

Because a significant portion of our business is conducted outside the United States, fluctuations in foreign currency exchange rates could adversely affect our results of operations.

A significant portion of our net revenue (81% for the year ended December 31, 2008) is derived from sales and operations outside the United States. The reporting currency for our consolidated financial statements is the United States dollar. The local currency of each country is the functional currency for each of our respective entities operating in that country. In the future, we expect to continue to derive a significant portion of our net revenue and incur a significant portion of our operating costs outside the United States, and changes in exchange rates have had and may have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused by fluctuations in the following exchange rates: USD/AUD, USD/CAD, USD/GBP, and USD/EUR. See "Quantitative and Qualitative Disclosures about Market Risk." Due to the large percentage of our operations conducted outside of the United States, strengthening of the USD relative to one or more of the foregoing currencies could have an adverse impact on future results of operations. We historically have not engaged in hedging transactions. However, during the fourth quarter 2007, we completed a forward currency contract required by the Canadian Financing Facility and an interest rate swap. Despite the counterparty to the forward currency and interest rate swap agreement entering bankruptcy in October 2008, management believed no breach or event of default had occurred in relation to the Canadian Credit Agreement. As of March 10, 2009, under the Waiver and Amendment Agreement described above, the Lenders under the Canadian Financing Facility waived any such possible breach or event of default. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because a majority of the costs that we incur in connection with our foreign operations are also denominated in local currencies. In addition, the operations of affiliates and subsidiaries in foreign countries have been funded with investments and other advances denominated in foreign currencies. Historically, such investments and advances have been long-term in nature, and we accounted for any adjustments resulting from currency translation as a charge or credit to accumulate other comprehensive loss within the stockholders' deficit section of our consolidated balance sheets. In 2002, agreements with certain subsidiaries were put in place for repayment of a portion of the investments and advances made to those subsidiaries. As we anticipate repayment in the foreseeable future of these amounts, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the consolidated statements of operations, and depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on our results of operations.

Our disclosure controls and procedures and internal control over financial reporting were determined not to be effective as of December 31, 2006 and 2007, which condition still existed at December 31, 2008, due to the material weakness that existed in our internal control over accounting for income taxes. Our disclosure controls and procedures and internal control over financial reporting may not be effective in future periods as a result of existing or newly identified material weaknesses in internal control over financial reporting.

In performing an internal control assessment at the end of 2006, our management identified a material weakness in our internal control over financial reporting, which condition still existed at December 31, 2008. A material weakness is a deficiency, or a combination of deficiencies, that adversely affects a company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. For a discussion of the material weakness identified by our management, see "Item 9A. Controls and Procedures" on this Form 10-K. To address the material weakness, we performed additional analysis and other post-closing procedures in order to prepare our consolidated financial statements in accordance with generally accepted accounting principles. The weakness in internal control over accounting for income taxes could be magnified by the loss of, or limitation of, net operating losses for U.S. federal income tax purposes through the Reorganization. See "—Bankruptcy Considerations and Uncertainties." These additional procedures were costly, time consuming and required us to dedicate a significant amount of resources, including the time and attention of our senior management, toward the correction of these problems.

Performing these additional procedures in the future could cause delays in the filing of our periodic and annual reports to the SEC. The potential delay in the filing of our periodic and annual reports could have other adverse effects on our business, including, but not limited to: (1) civil litigation or an investigation by the SEC or other regulatory authorities, which could require us to incur significant legal expenses and other costs or to pay damages, fines or other penalties; (2) covenant defaults, and potentially events of default, under our senior secured credit facilities and the indentures governing our outstanding debt securities, resulting from our failure to file timely our financial statements; (3) negative publicity; and (4) the loss or impairment of investor confidence in our Company.

Given our limited experience in delivering individual and bundled local, wireless, broadband, DSL, Internet, data and hosting and VOIP services, we may not be able to operate successfully or expand these parts of our business.

During the third quarter of 2004 we accelerated initiatives to become an integrated wireline, wireless and broadband service provider in order to counter competitive pricing pressures initiated by large incumbent providers in certain of the principal markets where we operate and to stem the loss of certain of our wireline and dial-up ISP customers to our competitors' bundled wireless, wireline and broadband service offerings. Our experience in providing these products in certain markets and in providing these bundled service offerings is limited. Our primary competitors include incumbent telecommunications providers, cable companies and other ISPs that have a significant national or international presence. Many of these operators have substantially greater resources, capital and operational experience than we do. We are experiencing increased competition from traditional telecommunications carriers and cable companies and other new entrants that have expanded into the market for broadband, VOIP, Internet services, data and hosting and traditional voice services, and regulatory developments may impair our ability to compete. Therefore, future operations involving these individual or bundled services may not succeed in the competitive environment, and we may not be able to expand successfully; may experience margin pressure; may face quarterly revenue and operating results variability; may have limited resources to develop and to market the new services; and have heightened difficulty in establishing future revenues or results. As a result, there can be no assurance that we will reverse revenue declines in our legacy services or maintain or increase revenues or be able to generate sufficient income from operations or net income in the future or on any predictable or timely basis.

We may be exposed to significant liability resulting from our noncompliance with FCC Orders regarding enhanced 911 (E911) services.

In June 2005, the FCC adopted new rules requiring VOIP providers interconnected to the public switched telephone network to provide E911 service in a manner similar to traditional wireline carriers by November 2005. LINGO, a subsidiary of ours which sells such interconnected VOIP services, was unable, like many interconnected VOIP providers in the industry, to meet this deadline for all of its customers. We sought a waiver from the FCC asking for additional time to complete deploying our E911 service, and the FCC has not yet addressed our waiver petition. As of January 20, 2009, approximately 2% of our LINGO customers were without E911 service as required by the FCC's rules. If and to the extent that we are determined to be out of compliance with the FCC order regarding E911 services we may be subject to fines, penalties, and/or cease and desist orders prohibiting LINGO from providing service on the federal and state levels. However, at this time, management has determined the likelihood of incurring such fines or penalties to be remote.

The FCC rules also required interconnected VOIP providers to distribute stickers and labels informing customers of the emergency service limitations associated with the service, as well as to notify and obtain affirmative acknowledgement from customers that they were aware of all of the emergency service limitations associated with the service. The FCC's Enforcement Bureau released an order providing that the Enforcement Bureau will not pursue enforcement against interconnected VOIP providers that have received affirmative acknowledgement from at least 90% of their subscribers. We have received affirmative acknowledgement from substantially all of our customers and have effectively satisfied this requirement of the rule. LINGO's current services are more limited than the 911 services offered by traditional wireline telephone companies. These limitations may cause significant delays, or even failures, in callers' receipt of the emergency assistance. Despite the fact that we have notified our customers and received affirmative acknowledgement from substantially all of our customers that they understand the differences between the access we provide to emergency services as compared to those available through traditional wireline telephony providers, affected parties may attempt to hold us responsible for any loss, damage, personal injury or death suffered as a result of certain failures to comply with the FCC mandated E911 service for interconnected VOIP providers. Our resulting liability could be significant.

On June 1, 2007, the FCC released a Notice of Proposed Rulemaking Proceeding considering the imposition of additional VOIP E911 obligations on interconnected VOIP providers, like us. Specifically, the Commission is considering requiring interconnected VOIP providers to determine automatically the physical location of their customer rather than allowing customers to manually register their location. Moreover, the Notice includes a tentative conclusion that all interconnected VOIP service providers that allow customers to use their service in more than one location (nomadic VOIP service providers such as us) must utilize automatic location technology that meets the same accuracy standards applicable to providers of mobile phone service providers. At this time, we are unable to predict the outcome of this proceeding or its impact on us.

On July 23, 2008, President Bush signed into law the "New and Emerging Technologies 911 Improvement Act of 2008." Prior to enactment, interconnected VOIP providers, like us, did not have the same liability protection as wireline or wireless providers that offer emergency 911 calling services. The new law provides public safety entities, interconnected VOIP providers and others involved in handling 911 calls the same liability protections when handling 911 calls from interconnected VOIP users as from mobile or wired telephone service users. The applicability of the liability protection to 911 calling services that do not conform to the FCC's rules is unclear at this time. Additionally, any liability associated with 911 call placement and handling prior to the enactment of this new law would not be covered but we are currently unaware of any such liability.

The FCC has extended CPNI rules to interconnected VOIP providers, which could limit our marketing efforts.

On April 2, 2007, the FCC extended customer proprietary network information, or CPNI, rules to interconnected VOIP providers, like us. CPNI includes information that appears on customers' bills such as called telephone numbers, the frequency, duration, time and length of calls; and any services or features purchased by the consumer, like caller ID. Pursuant to the CPNI rules, interconnected VOIP providers may not use CPNI without obtaining customer consent except in limited circumstances. Moreover, interconnected VOIP providers are required to adhere to a particular customer approval processes when using CPNI outside of pre-defined limits. Effective December 8, 2007, we were required to adhere to specific CPNI rules when using CPNI for marketing purposes. Accordingly, we had to implement internal processes in order to comply with the FCC's CPNI rules. As required by the new rules, certifications were filed with the FCC regulating our compliance efforts in this regard.

We may be exposed to liability resulting from FCC Orders regarding access for people with disabilities.

On June 15, 2007, the FCC applied the disability access requirements of Sections 225 and 255 of the Communications Act to providers of interconnected VOIP services, like us, and to equipment manufacturers that make equipment to use with those services. Section 255 of the Communications Act requires, if readily achievable, service providers to ensure that its equipment and service is accessible to and usable by individuals with disabilities. Where readily achievable, the relevant regulations also require service providers to ensure that information and documentation provided in connection with equipment or services be accessible to people with disabilities and that employee training account for accessibility requirements. In addition, the FCC said that interconnected VOIP providers were subject to the requirements of Section 225, including contributing to the Telecommunications Relay Services, or TRS, fund and that they must offer 711 abbreviated dialing for access to relay services. At this time, we are not in compliance with these rules. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties. On October 10, 2007, the FCC granted a limited waiver of the 711 call handling requirement. While still mandating that interconnected VOIP providers like us are required to transmit 711 calls to a relay center, the FCC waived the requirement until March 31, 2009, insofar as it requires such providers to transmit the 711 call to an "appropriate relay center," meaning the relay center(s) serving the state in which the caller is geographically located or the relay center(s) corresponding to the caller's last registered address. We are working on implementing a call routing solution which will route 711 calls to the appropriate relay center as defined in the FCC's order but cannot predict whether we will be in compliance at the end of the waiver period.

Our results of operations may be adversely affected or our retail prices may rise due to increased regulation or the imposition of additional taxes, fees and surcharges.

On August 6, 2007, the FCC released a Report and Order regarding the collection of regulatory fees for Fiscal Year 2007 ("Fees Order"). Pursuant to the Fees Order, the FCC mandated the collection of such fees from interconnected VOIP service providers like us. The Fees Order mandates that interconnected VOIP providers pay regulatory fees based on reported interstate and international revenues. The Fees Order became effective in mid-November 2007. The assessment of regulatory fees to our service will increase our costs or cause us to increase the price of our retail service offerings and may have an adverse impact on our profitability.

We cannot predict the impact of any future laws, regulations and orders adopted either domestically or abroad on our operations and services. But increased regulation and the imposition of additional taxes, fees and surcharges increases the costs associated with providing our service and such taxes, fees and surcharges may or may not be recoverable from our customers. If we choose to absorb such costs, our profit margins would likely decrease. Moreover, even if such costs are recoverable or if we choose to maintain profitability, we may need to increase the retail price of our service that could result in making our service less competitive both with other providers of interconnected VOIP service providers and traditional providers of telecommunications services. The net effect could reduce the number of our subscribers, our revenue and our profit margin.

We are substantially smaller than our major competitors, whose marketing and pricing decisions, and relative size advantage, could adversely affect our ability to attract and to retain customers and are likely to continue to cause significant pricing pressures that could adversely affect our net revenues, results of operations and financial condition.

The long distance telecommunications, Internet, broadband, DSL, data and hosting and wireless industry is significantly influenced by the marketing and pricing decisions of the larger long distance, Internet access, broadband, DSL, data and hosting and wireless business participants. Prices in the long distance industry have continued to decline in recent years, and as competition continues to increase within each of our service segments and each of our product lines, we believe that prices are likely to continue to decrease. Competitors in our core markets include, among others: AT&T, Verizon, the regional bell operating companies (RBOCs), cable companies and the major wireless carriers in the United States; Telstra, SingTel Optus and Telecom New Zealand in Australia; Telus, BCE, Allstream (formerly AT&T Canada) and the major wireless and cable companies in Canada; and BT, Cable & Wireless United Kingdom, Colt Telecom, Energis and the major wireless carriers in the United Kingdom. Customers frequently change long distance, wireless, broadband providers, and ISPs in response to the offering of lower rates or promotional incentives, increasingly as a result of bundling of various services by competitors. Moreover, competitors' VOIP and broadband product rollouts have added further customer choice and pricing pressure. As a result, generally, customers can switch carriers and service offerings at any time. Competition in all of our markets is likely to remain intense, or even increase in intensity and, as deregulatory influences are experienced in markets outside the United States, competition in non-United States markets is becoming similar to the intense competition in the United States. Many of our competitors are significantly larger than us and have substantially greater financial, technical and marketing resources, larger networks, a broader portfolio of service offerings, greater control over network and transmission lines, stronger name recognition and customer loyalty, long-standing relationships with our target customers, and lower debt leverage ratios. As a result, our ability to attract and retain customers may be adversely affected. Many of our competitors enjoy economies of scale that result in low cost structures for transmission and related costs that could cause significant pricing pressures within the industry. Several long distance carriers in the United States, Canada and Australia and the major wireless carriers and cable companies have introduced pricing and product bundling strategies that provide for fixed, low rates for calls. This strategy of our competitors could have a material adverse effect on our net revenue per minute, results of operations and financial condition if our pricing, set to remain competitive, is not offset by similar declines in our costs. Companies emerging out of bankruptcy might benefit from a lower cost structure and might apply pricing pressure within the industry to gain market share. We compete 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. If such price pressures and bundling strategies intensify, we may not be able to compete successfully in the future, may face quarterly revenue and operating results variability, and may have heightened difficulty in estimating future revenues or results.

Our repositioning in the marketplace places a significant strain on our resources, and if not managed effectively, could result in operational inefficiencies and other difficulties.

Our repositioning in the marketplace may place a significant strain on our management, operational and financial resources, and increase demand on our systems and controls. To manage this change effectively, we must continue to implement and improve our operational and financial systems and controls, invest in critical network infrastructure to maintain or improve our service quality levels, purchase and utilize other transmission facilities, and 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. As we proceed with our development, operational difficulties could arise from additional demand placed on customer provisioning and support, billing and management information systems, product delivery and fulfillment, on our support, sales and marketing and administrative resources and on our network infrastructure, maintenance and upgrading. For instance, we may encounter delays or cost-overruns or suffer other adverse consequences in implementing new systems when required, such as our off-shoring certain functions. In addition, our operating and financial control systems and infrastructure could be inadequate to ensure timely and accurate financial reporting, which could impact debt covenant compliance as well.

We have experienced significant historical, and may experience significant future, operating losses and net losses which may hinder our ability to meet our debt service or working capital requirements.

As of December 31, 2008, we had an accumulated deficit of $(1,099.8) million. We incurred net losses of $(10.6) million in 2004, $(149.2) million in 2005, $(238.0) million in 2006 and $(25.0) million in 2008. During the year ended December 31, 2007, we recognized net income of $15.7 million, of which $32.7 million was related to the positive impact of foreign currency transaction gains. Even if we are successful in reducing indebtedness through our proposed Reorganization, it is possible that adverse customer or supplier reaction to our Reorganization may have a greater incremental adverse effect on our results of operations in future periods than any interest expense reduction associated with such Reorganization. We cannot assure that we will recognize net income in future periods. If we cannot generate net income or sufficient operating profitability, we may not be able to meet our debt service or working capital requirements.

We experience intense domestic and international competition which may adversely affect our results of operations, financial condition, and cash flows.

The local and long distance telecommunications, data, broadband, Internet, VOIP, data and hosting and wireless industries are intensely competitive with relatively limited barriers to entry in the more deregulated countries in which we operate and with numerous entities competing for the same customers. Recent and pending deregulation in various countries may encourage new entrants to compete, including ISPs, wireless companies, cable television companies, who would offer voice, broadband, Internet access and television, and electric power utilities who would offer voice and broadband Internet access. For example, the United States and many 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, as certain conditions have been met under the Telecommunications Act of 1996, the RBOCs have been allowed to enter the long distance market, and other long distance carriers have been allowed to enter the local telephone services market (although judicial and regulatory developments have diminished the attractiveness of this opportunity), and many entities, including cable television companies and utilities, have been allowed to enter both the local service and long distance telecommunications markets.

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

We primarily connect our customers' telephone calls and data/Internet needs 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 depends on our ability 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, for a variety of reasons including but not limited to our proposed Reorganization, it could have a material adverse effect upon our cost structure, service quality, network diversity, results of operations, financial condition, and cash flows.

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

We have significant international operations and, for the year ended December 31, 2008, derived 81% of our net revenues by providing services outside of the United States. In international markets, we are smaller than the principal or incumbent telecommunications carrier that operates in each of the foreign jurisdictions where we operate. In these markets, incumbent carriers are likely to control access to, and pricing of, the local networks; enjoy better brand recognition and brand and customer loyalty; generally offer a wider range of product and services; and have significant operational economies of scale, including a larger backbone network and more correspondent agreements. Moreover, the incumbent carrier may take many months to allow competitors, including us, to interconnect to our switches within our territory, and we are dependent upon their cooperation in migrating customers onto our network. There can be no assurance that we will be able to obtain the permits and operating licenses required for us to operate; obtain access to local transmission facilities on economically acceptable terms; or market services in international markets.

In addition, operating in international markets generally involves additional risks, including unexpected changes or uncertainties in regulatory requirements, taxes, tariffs, customs and duties. Given the nature of our operations and uncertainties in, or the absence of definitive regulations or interpretations concerning, the taxation of (including value added tax of) certain aspects of our business in certain international jurisdictions in which we conduct (or may be construed by such authorities as conducting or deriving taxable) operations or revenue, we may become subject to assessments for taxes (which may include penalties and interest) which are either unexpected and/or have not been accrued for in our historical results of operations. This circumstance occurred during March 2008, when we concluded it was probable that assessments would be forthcoming concerning past European prepaid calling services operations (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations; Results of operations for the year ended December 31, 2007 as compared to the year ended December 31, 2006), and it is possible that tax uncertainties concerning our international operations could arise in the future. Such developments, in addition to the foregoing, could have adverse consequences that could result in restatement of prior period results of operations and unanticipated liquidity demands. Additional operating risks and uncertainties in operating in international markets include trade barriers, difficulties in staffing and managing foreign operations, problems in collecting accounts receivable, political risks, fluctuations in currency exchange rates, restrictions associated with the repatriation of funds, technology export and import restrictions, and seasonal reductions in business activity. Our ability to operate and grow our international operations successfully could be adversely impacted by these risks and uncertainties particularly in light of the fact that we derive such a large percentage of our revenues from outside of the United States.

The telecommunications industry is rapidly changing, and if we are not able to adjust our strategy and resources effectively in the future to meet changing market conditions, we may not be able to compete effectively.

The telecommunications industry is changing rapidly due to deregulation, privatization, consolidation, technological improvements, availability of alternative services such as wireless, broadband, DSL, Internet, VOIP, data and hosting and wireless DSL through use of the fixed wireless spectrum, and the globalization of the world's economies. In addition, alternative services to traditional fixed wireline services, such as wireless, broadband, Internet and VOIP services, are a substantial competitive threat. If we do not adjust to meet changing market conditions including if we do not have adequate resources to do so, we may not be able to compete effectively. The telecommunications industry is marked by the introduction of new product and service offerings and technological improvements. Achieving successful financial results will depend on our ability to anticipate, assess and adapt to rapid technological changes, and offer, on a timely and cost-effective basis, services including the bundling of multiple services that meet evolving industry standards. If we do not anticipate, 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, our financial results may be materially and adversely affected.

The rapid enhancement of VOIP technology may result in increasing levels of traditional domestic and international voice long distance traffic being transmitted over the Internet, as opposed to traditional telecommunication networks. Currently, there are significant capital investment savings and cost savings associated with carrying voice traffic employing VOIP technology, as compared to carrying calls over traditional networks. Thus, there exists the possibility that the price of traditional long distance voice services will decrease in order to be competitive with VOIP. Additionally, competition is expected to be intense to switch customers to VOIP product offerings, as is evidenced by numerous recent market announcements in the United States and internationally from industry leaders and competitive carriers concerning significant VOIP initiatives. Our ability effectively to retain our existing customer base and generate new customers, either through our traditional network or our own VOIP offerings, may be adversely affected by accelerated competition arising as a result of VOIP initiatives, as well as regulatory developments that may impede our ability to compete, such as restrictions on access to broadband networks owned and operated by others and the requirements to provide E911 services. As competition intensifies as a result of deregulatory, market or technological developments, our results of operations and financial condition could be adversely affected.

If we are not able to operate a cost-effective network, we may not be able to grow our business successfully.

Our long-term success depends on our ability to design, implement, operate, manage, maintain and upgrade a reliable and cost-effective network. In addition, we rely on third parties to enable us to expand and manage our global network and to provide local, broadband Internet, data and hosting and wireless services. If we fail to generate additional traffic on our network, if we experience technical or logistical impediments to our ability to develop necessary network or to migrate traffic and customers onto our network, or if we experience difficulties with our third-party providers, we may not achieve desired economies of scale or otherwise be successful in growing our business.

If we are not able to use and protect intellectual property domestically and internationally, it could have a material adverse effect on our business.

Our ability to compete depends, in part, on our ability to use intellectual property in the United States and internationally. We rely on a combination of trade secrets, trademarks and licenses to protect our intellectual property. We are also subject to the risks of claims and litigation alleging infringement of the intellectual property rights of others. The telecommunications industry is subject to frequent litigation regarding patent and other intellectual property rights. We rely upon certain technology, including hardware and software, licensed from third parties. There can be no assurance that the technology licensed by us will continue to provide competitive features and functionality or that licenses for technology currently used by us or other technology that we may seek to license in the future will be available to us on commercially reasonable terms or at all. Although our existing intellectual property are on standard commercial terms made generally available by the companies providing the licenses and, individually, their costs and terms are not material to our business, the loss of, or our inability to maintain existing licenses, could result in shipment delays or reductions until equivalent technology or suitable alternative products could be developed, identified, licensed and integrated and could cause service disruption to our customers. Such delays or reductions in the aggregate could harm our business. We also generally rely on indemnification provisions in licensing contracts to protect against claims of infringement regarding the licensed technology, which indemnification could be affected by, among other things, the financial strength of the licensor.

The loss of key personnel could have a material adverse effect on our business.

The loss of the services of K. Paul Singh, our Chairman and Chief Executive Officer, or the services of our other key personnel, or our inability to attract and retain additional key management, technical and sales personnel, could have a material adverse effect upon us.

We are subject to potential adverse effects of regulation which may have a material adverse impact on our competitive position, growth and financial performance.

Our operations are subject to constantly changing regulation. There can be no assurance that future regulatory changes will not have a material adverse effect on us, or that regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations, any of which could have a material adverse effect upon us. 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. Enforcement and interpretations of these laws and regulations can be unpredictable and are often subject to the informal views of government officials. Potential future regulatory, judicial, legislative, and government policy changes in jurisdictions where we operate could have a material adverse effect on us. 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. Regulatory considerations that affect or limit our business include (1) United States common carrier requirements not to discriminate unreasonably among customers and to charge just and reasonable rates; (2) general uncertainty regarding the future regulatory classification of and taxation of VOIP telephony, the need to provide emergency calling services in a manner required by the FCC that is not yet available commercially on a nation-wide basis and the ability to access broadband networks owned and operated by others; as regulators decide that VOIP is a regulated telecommunications service, our VOIP services may be subject to burdensome regulatory requirements and fees, we may be obligated to pay carriers additional interconnection fees and operating costs may increase; (3) general changes at the federal and/or state levels affecting access charges, universal service fund fees and regulatory fee payments would affect our cost of providing services; (4) ongoing regulatory proceedings regarding efforts by Telstra in Australia to increase prices and charges and to deny access to essential facilities; (5) the ultimate outcome of the process launched by the Australian government to help fund the construction of a new national broadband network, including whether and the terms upon which (a) we will have access to such network, and (b) the duration upon which the copper wire based last mile infrastructure needed by us to furnish broadband services using our DSLAM network infrastructure will be continued; (6) general changes in access charges and contribution payments could adversely affect our cost of providing long distance, wireless, broadband, VOIP, local and other services; and (7) regulatory proceedings in Canada determining whether and the extent to which regulation should mandate access to networks and interconnection including intra-exchange transport services which we use to interconnect our DSLAM collocation sites and high speed access to business services. Any adverse developments implicating the foregoing could materially adversely affect our business, financial condition, result of operations and prospects.

Natural disasters may affect the markets in which we operate, our operations and our profitability.

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 the business by damaging the network facilities or curtailing voice or data traffic as a result of the effects of such events, such as destruction of homes and businesses.

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

As of February 28, 2009, funds affiliated with American International Group, Incorporated (AIG Entities) beneficially owned 13% of our outstanding common stock, which was acquired through the conversion of their Series C Preferred Stock. As a result of such share ownership, these holders may be deemed to exercise influence over our affairs through the provisions of a certain Governance Agreement between such holders and us, dated November 4, 2003, that provide for their right to nominate a candidate for election by our stockholders to the board of directors and nominate one non-voting board observer, in each case subject to the maintenance of certain minimum ownership levels of our common stock and the board’s right to exercise its fiduciary duties. In addition, certain stockholders, other than the AIG Entities, have from time to time made filings with the SEC to report beneficial ownership of our common stock at levels in excess of 5%. Such persons have reported beneficial ownership concerning approximately 20.4 million shares, in aggregate, as of December 31, 2008, and as a result, individually or in the aggregate, could potentially exercise influence over our business.

If our proposed Reorganization is consummated, ownership of our common stock could be concentrated, following confirmation, among holders of our currently outstanding notes. Large stockholders' significant ownership levels, either now or in the future, could have an influence on: amendments to our certificate of incorporation; other fundamental corporate transactions such as mergers and asset sales; and the general direction of our business and affairs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We currently lease our corporate headquarters facility, which is located in McLean, Virginia. Additionally, we lease administrative, technical and sales office space, as well as space for our switches and data centers, in various locations in the countries in which we operate. Total leased space in the United States, Australia, Canada and the United Kingdom, as well as other countries in which we operate, approximates 654,000 square feet and the total annual lease costs are approximately $17.8 million. The operating leases expire at various times with the longest commitment expiring in 2019. 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, and we further believe that the current leased facilities are adequate to house existing communications equipment.

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

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings Related to the Chapter 11 Cases

On March 16, 2009, each of Group, Holding, PTII and IHC filed Chapter 11 Cases in the United States Bankruptcy Court for the District of Delaware for reorganization relief under Chapter 11 of the Bankruptcy Code. Subsequently, the Debtors sought and received an order directing joint administration of the Debtors' Chapter 11 Cases under the caption, In re: Primus Telecommunications Group, Incorporated, et al., Debtors Case No. 09-10867. A creditors' committee has not been appointed in these cases by the United States Trustee. On March 16, 2009, the Debtors filed a plan of reorganization and subsequently amended such plan by filing the Plan on April 8, 2009. The Debtors will continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

The Debtor's Operating Subsidiaries are not part of the Plan and are expected to continue to manage and to operate their businesses without interruption. Employees, customers, suppliers and partners of these Operating Subsidiaries should be unaffected by the filing of the Chapter 11 Cases.

The Plan and certain agreements, which are subject to conditions and contingencies, and ongoing negotiations with creditors concerning certain outstanding indebtedness of the Debtors and the Reorganization have progressed substantially between the Petition Date and the filing of this Form 10-K and are described in greater detail in the captions below. However, support from all creditors for the Reorganization has not yet been achieved and in any case would be subject to Bankruptcy Court approval. Certain additional risks and uncertainties associated with the Reorganization are described under "Item 1A. Risk Factors—Bankruptcy Considerations and Uncertainties" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview—Going Concern and Voluntary Reorganization Under Chapter 11," "—Short- and Long-Term Liquidity Considerations and Risks" and "—Special Note Regarding Forward Looking Statements." Since the Reorganization is subject to a number of uncertainties and contingencies and is subject to Bankruptcy Court confirmation, we are unable to assess the ultimate outcome of the Chapter 11 Cases.

Plan Support Agreement

On March 16, 2009, the Debtors entered into the Plan Support Agreement with the holders of more than the majority of the outstanding principal amount of IHC's 14 $^{1}/_{4}$% Senior Secured Notes due May 2011 (the "14 $^{1}/_{4}$% Senior Secured Notes") and more than the majority of the combined outstanding principal amount of Holding's 5% Exchangeable Senior Notes due June 2010 and 8% Senior Notes due January 2014 (collectively, the "Senior Notes").

The parties to the Plan Support Agreement have agreed to support the Reorganization of the Debtors on the terms and conditions set forth in the plan term sheet attached as Exhibit C to the Plan Support Agreement (the "Plan Term Sheet") and not to support, directly or indirectly, any other plan, in exchange for the Debtors' agreement to implement all steps necessary to solicit the requisite acceptances of the Reorganization and obtain from the Bankruptcy Court an order confirming the Reorganization in accordance with the terms of the Plan Support Agreement. The Plan Support Agreement may be terminated under certain circumstances, including in the event that the Reorganization and related disclosure statement are not approved by certain deadlines, the Reorganization is not consummated within a certain period of time after its confirmation by the Bankruptcy Court, a party materially breaches the Plan Support Agreement, a trustee or examiner with enlarged powers relating to the Debtors' business is appointed in the Chapter 11 Cases, the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code or the Bankruptcy Court grants relief that is inconsistent with the Plan Support Agreement or the Plan Term Sheet.

Under the proposed Reorganization contemplated by the Plan Term Sheet:

- Holding's Term Loan facility due February 2011 will be reinstated; provided that the terms of the reinstated Term Loan facility may be improved, subject to the consent of the requisite holders of the 14 $^{1}/_{4}$% Senior Secured Notes and Senior Notes, which consent shall not be unreasonably withheld; and provided further that if the holders of the Term Loan facility contest this treatment, the Debtors reserve the right to impair such claims, subject to the consent of the requisite holders of 14 $^{1}/_{4}$% Senior Secured Notes and Senior Notes, which consent shall not be unreasonably withheld;
- holders of 14 $^{1}/_{4}$% Senior Secured Notes will receive (a) their pro rata reinstatement of $123.5 million of 14 $^{1}/_{4}$% Senior Secured Notes, subject to certain modifications, (b) their pro rata share of 50% of the new outstanding equity of Group upon its emergence from bankruptcy ("Reorganized Group") (excluding the management shares described below), and (c) all reasonable fees, expenses and disbursements of their counsel;
- holders of the Senior Notes will receive (a) their pro rata share of 50% of the new outstanding equity of Reorganized Group (excluding the management shares described below), (b) their pro rata share of warrants to purchase up to 30% of the new outstanding equity of Reorganized Group (including the management shares described below) on terms described further in the Plan Term Sheet, and (c) all reasonable fees, expenses and disbursements of their counsel;
- holders of the 3 $^{3}/_{4}$% Senior Notes due September 2010, 12 $^{3}/_{4}$% Senior Notes due October 2009 and Step Up Convertible Subordinated Debentures due August 2009 issued by Group (collectively, the "Group Notes") will receive their pro rata share of warrants to purchase up to 15% of the new outstanding equity of Reorganized Group (including the management shares described below) on terms described further in the Plan Term Sheet;
- holders of Group's outstanding common stock will receive their pro rata share of CVRs to acquire up to approximately 15% of the fully diluted new equity of Reorganized Group after the enterprise value of Reorganized Group reaches or exceeds $700 million; provided, however, that in no case shall the issuance of common stock of Reorganized Group in respect of the CVRs lower the recovery for the holders of 14 $^{1}/_{4}$% Senior Secured Notes, Senior Notes or Group Notes to less than the recovery to such holders prior to the conversion of the CVRs into common stock; and

- restricted stock units comprising 4% of the outstanding new equity of Reorganized Group will be issued to the senior management of the Debtors on terms to be set forth in an exhibit to the plan of reorganization, and warrants to acquire up to 6% of the new outstanding equity of Reorganized Group (including the management shares described above) will be available for distribution to the management of the Debtors through a management compensation plan.

The descriptions of the Plan Support Agreement and Plan Term Sheet set forth above are qualified in their entirety by reference to the actual terms of the Plan Support Agreement and Plan Term Sheet, which are attached hereto as Exhibit 10.10 and incorporated herein by reference.

Term Loan Facility

In February of 2005, Holding entered into a six-year, $100 million Term Loan facility. The Term Loan provided, at the election of Holding at the time of the borrowing, a London Inter-Bank Offered Rate (“LIBOR”) loan (at a rate equal to LIBOR + 6.50%), or a base rate loan (at a rate equal to the greater of the prime rate plus 5.50% or the federal funds effective rate plus 6.00%). The Term Loan contained no financial maintenance covenants. Holding borrowed $100 million under this Term Loan in February 2005. The Term Loan was to be repaid in 24 quarterly installments, which began on June 30, 2005, at the rate of one percent of the original principal per year over the next five years and nine months, and the remaining balance repaid on the sixth anniversary date of the Term Loan, with early redemption at a premium to par at Holding’s option at any time after February 18, 2006. The Term Loan is guaranteed by the Company and certain of Holding’s domestic subsidiaries and is secured by certain assets of Holding and its guarantor subsidiaries and by partial stock pledges of certain foreign subsidiaries.

In February 2007, the Company received unanimous consent to an amendment of its existing $100 million Term Loan, which enabled IHC to issue and have at any one time outstanding up to $200 million of authorized indebtedness in the form of newly authorized secured notes with a second lien security position. Pursuant to this authorization, IHC issued certain 14 $^{1}/_{4}$% Senior Secured Notes. The 2007 Term Loan amendment allowed for an increase of $^{1}/_{4}$% to the interest rate of the Term Loan and adjusted the early call features.

On April 14, 2009, Holding and certain affiliates who are party to the Term Loan (collectively, the “Primus Term Loan Parties”) (i) agreed to a term sheet (the “Term Loan Modification Term Sheet”) with a group of lenders under the Term Loan which comprise a requisite number to support and consent to an amendment to the Term Loan (the “Term Loan Ad Hoc Committee”) and (ii) executed the Forbearance Agreement described separately below. Capitalized terms used but not defined herein shall have the meanings set forth in the Forbearance Agreement and the Term Loan Modification Term Sheet incorporated by reference herein through Exhibit 10.14 and 10.15, respectively, attached hereto, and the descriptions of such documents herein are qualified in their entirety by reference to the actual terms thereof set forth in Exhibit 10.14 and 10.15 hereto.

Under the Forbearance Agreement, Term Loan lenders have agreed to forbear from exercising rights and remedies related to certain defaults and events of default under the Term Loan (including events related to the Chapter 11 Cases and Reorganization) subject to the Forbearance Agreement terms and conditions described below. The Term Loan Modification Term Sheet contemplates a waiver of defaults and events of default under the Term Loan, including those arising out of the Chapter 11 Cases and the Reorganization, subject to the satisfaction of certain conditions precedent to executing an amendment to the Term Loan, certain noteholder consent and confirmation of an amendment to the plan of reorganization reflecting the treatment set forth in the Term Loan Modification Term Sheet.

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The Term Loan Modification Term Sheet contemplates that, subject to approval of the Bankruptcy Court, Holding or a Guarantor will continue to make interest payments as currently provided for in the Term Loan. The Term Loan Modification Term Sheet contemplates that the amortization schedule under the Term Loan will be modified so that principal payments will be due on the dates and in the amounts set forth below:

Payment Date	Principal Payment Amount
March 31, 2009	$ 250,000
June 30, 2009	$ 250,000
September 30, 2009	$ 925,000
December 31, 2009	$ 925,000
March 31, 2010	$1,400,000
June 30, 2010	$1,400,000
September 30, 2010	$1,400,000
December 31, 2010	$1,400,000
February 18, 2011	Remaining Outstanding Principal

In connection with the Term Loan Modification Term Sheet, the interest rate feature would change upon consummation of the Plan to (i) a cash payment of LIBOR + 9.00% with a LIBOR floor of 3.00% or (ii) a cash payment of LIBOR + 7.00% with a LIBOR floor of 3.00% and 4.00% in a payment in kind (“PIK”); either interest rate option shall be selected at Holding’s option with notice 30 days prior to each interest payment date.

The Term Loan Modification Term Sheet provides for:

- the replacement of Lehman Commercial Paper Inc. (“LCPI”) as Administrative Agent under the Term Loan, with a replacement agent reasonably acceptable to the Company and the Term Loan lenders;
- first priority liens in all of the Collateral, except for Permitted Liens, with the same collateral basket as the Term Loan, subject to exceptions for certain specified account control agreements;
- mandatory prepayments from (1) 25% of the proceeds of certain equity issuances (including 25% of the cash of businesses acquired in exchange for equity), (2) proceeds from debt issuances (other than as permitted under the Limitation of Indebtedness covenant), and (3) 80% of net cash proceeds from Asset Sales or insurance recoveries not otherwise reinvested in the business as provided thereunder; and
- the ability of Holding to purchase annually up to $5 million in principal amount of Term Loans by Group or its affiliates at less than par in negotiated transactions without being subject to the pro-rata provisions (or purchases in excess of such annual amount by way of an offer to all holders of Loans) and the obligation to cancel Term Loans purchased by Group or its affiliates (without voting rights in respect of such acquired Term Loans).

The Term Loan Modification Term Sheet provides for the modification of Term Loan covenants concerning the incurrence of debt, including the elimination of most of the exceptions to the limitation on debt incurrence other than

(a) an aggregate of $50 million of specified Indebtedness (of which approximately $40 million is currently outstanding);

(b) an additional unsecured debt basket of up to an aggregate dollar cap of $7.5 million;

(c) debt to finance acquisitions, which would be limited to 2.5 times the annual EBITDA acquired and satisfy Acquisition Debt Standards (described below); and

(d) additional permitted debt, including debt arising from the use of PIK.

The Term Loan Modification Term Sheet provides that permitted acquisition debt must satisfy one of the following additional requirements that such debt is (a) subordinated to the Term Loans with maturity after the 91st day after maturity of the Term Loans, or (b) debt of an acquisition entity that is non-recourse as to the Company or any Restricted Subsidiary (other than the Restricted Subsidiary incurring the subject Indebtedness, subject to limitations on incurrence by such Restricted Subsidiary of non-recourse debt not in excess of $52.5 million in aggregate to any Guarantor), or (c) additional Second Lien Debt (as defined), so long as such Second Lien Debt is subordinated in right of payment to the Term Loans, and in each case, the acquired assets (other than assets of Foreign Subsidiaries) are part of the Collateral security of the Term Loans, and with respect to acquisitions involving a Foreign Subsidiary, the Loans would be secured by a pledge of 65% of the stock of such entity or parent entity (with such debt meeting (a) or (b) or (c) constituting satisfaction of "Acquisition Debt Standards").

The Term Loan Modification Term Sheet provides for modification of a number of other Term Loan covenants, including:

- modification of the Restricted Payments covenant to make clear that any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of any debt, including but not limited to any of the 14 $^{1}/_{4}$% Senior Secured Notes issued by IHC (the "Second Lien Debt"), other than Indebtedness representing the Term Loans and specified Indebtedness will be a "Restricted Payment"; *provided* that "Restricted Payments" shall not include (a) any repayment, repurchase or retirement of any indebtedness in connection with any permitted refinancing or (b) any repurchase of Indebtedness with equity proceeds or Asset Sale proceeds not otherwise required to be applied in prepayment of the Term Loans. The Restricted Payments covenant is to contain customary restrictions, including, but not limited to, a cap of $1 million;
- modification of the Limitation on Liens covenant to delete the incurrence test and expressly prohibit any Liens other than Permitted Liens;
- modification of the Restriction on Certain Purchases of Indebtedness covenant to preclude Group and each Restricted Subsidiary from repaying, prepaying or purchasing debt, excluding specified debt and other certain limited exceptions;

The Term Loan Modification Term Sheet provides for the inclusion of financial covenants concerning Minimum Adjusted EBITDA, Maximum Debt and Maximum Capital Expenditures ("Capex") and provides that

- the Adjusted EBITDA covenant initially will be calculated beginning September 30, 2009 based on the trailing four quarters for the periods ended September 30, 2009 and December 31, 2009, and such calculations will be made using specified constant currency rates (e.g., CAD-0.80; AUD-0.65; EUR-1.275 and GBP-1.40);
- currency rates in effect on December 31, 2009 and June 30, 2010 will be used for purposes of calculating compliance for quarters ended during the next succeeding six month periods, but such currency rates will not be used retroactively for any periods prior to such date;
- Minimum Adjusted EBITDA compliance shall be set at $50 million, calculated quarterly based upon the prior four quarters effective September 30, 2009. Failure to meet the Minimum Adjusted EBITDA covenant will not be an Event of Default, except in circumstances noted in the succeeding proviso, and would result in a financial penalty of $250,000 per quarter in incremental amortization plus a 50 basis point increase in the interest rate during the quarters of non-compliance, *provided however* that if the Adjusted EBITDA is below $42 million it will constitute an Event of Default. The minimum Adjusted EBITDA will be calculated quarterly based upon the last four quarters' results in a manner consistent with the definition used by the Company in past earnings releases, subject to the addition of reorganization cost adjustments and adjustments for divestitures and acquisitions.
- Maximum Debt shall be $270 million plus additional debt accrued from the use of PIK – and for debt arising from acquisitions which debt would be limited to 2.5 times annual EBITDA acquired and as

long as such debt satisfies Acquisition Debt Standards; the Maximum Debt covenant will be required to be maintained at all times following substantial consummation of the plan of reorganization; and

- Maximum Capex shall be $18 million in 2009 and $23 million in 2010, calculated annually effective December 31, 2009, and subject to adjustment for divestitures and acquisitions.

The Term Loan Modification Term Sheet is not an effective amendment to the Term Loan and represents an agreement in principle with the Term Loan Ad Hoc Committee. The Company expects to finalize the terms of an amendment to the Term Loan with the Term Loan Ad Hoc Committee and a replacement administrative agent by May 15, 2009, on the terms set forth in the Term Loan Modification Term Sheet. The Plan currently provides for potential elective treatment of the Term Loan in a manner consistent with, and the Debtors plan to file a second amended joint plan of reorganization (after the filing of this Form 10-K) reflecting treatment of the Term Loan in a manner consistent with, the terms in the Term Loan Modification Term Sheet; this will be subject to Bankruptcy Court approval and the requisite approval of certain creditors in the Chapter 11 Cases. Therefore, there can be no assurance that the Company will obtain the benefits of the waivers set forth in the Term Loan Modification Term Sheet. See also certain risks and uncertainties related thereto and arising under the Reorganization, as described herein and cross-referenced below. In addition, amendment of the Term Loan is subject to a number of conditions precedent, including establishing certain additional events of default to include any of the following:

- the release of LCPI as Administrative Agent and the appointment of a replacement Administrative Agent;
- the bring-down of certain representations and warranties under the Term Loan agreement (excluding no default and bankruptcy representations and warranties);
- an accounting of Borrowers' and Guarantors' intercompany receivables and payables; and
- delivery of certain account control agreements and officer certificates.

The Term Loan is guaranteed by Group, PTII, IHC, Holding and certain of Holding's United States operating subsidiaries and is secured by certain assets of Holding and of certain United States operating subsidiaries and by partial stock pledges of certain foreign subsidiaries. The Chapter 11 filings by the Debtors have effectively stayed any rights the Term Loan lenders may have with respect to Group's foreign subsidiaries. If we are unsuccessful in reaching a Term Loan amendment with the Term Loan lenders (and consent of certain noteholders) on terms consistent with the Term Loan Modification Term Sheet, or other mutually agreeable resolution, we will evaluate and take such action as is appropriate under the circumstances, including action to seek a stay from the Bankruptcy Court to prevent creditors from seeking to enforce any claim against United States non-Debtor guarantors, including the related collateral. For a description of other Reorganization related risks and uncertainties, See "Item 1A. Risk Factors—Bankruptcy Considerations and Uncertainties" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview—Short- and Long-Term Liquidity Considerations and Risks" and "—Special Note Regarding Forward Looking Statements."

Forbearance Agreement

On April 14, 2009, the Primus Term Loan Parties and certain lenders under the Term Loan (the "Required Lenders") entered into the Forbearance Agreement (which is referred to under this caption as the "Term Loan Forbearance Agreement"). Capitalized terms used but not defined herein shall have the meanings set forth in the Term Loan Forbearance Agreement incorporated by reference herein through Exhibit 10.14 attached hereto.

Subject to the terms and conditions of this Agreement, the Required Lenders agreed to forbear and to direct the Administrative Agent to forbear from exercising any or all of their respective rights and remedies under the Term Loan documents in respect of the Forbearance Defaults and Covenants, including rights associated with Defaults or Events of Default as a result of, arising in connection with, or related to the filing of Petitions by the Debtors in connection with the Reorganization ("Forbearance").

While the Required Lenders agreed to forbear enforcement of and waive the Forbearance Defaults and Covenants, subject to the terms of the Term Loan Forbearance Agreement, such forbearance nonetheless is subject to termination for the following failures that occur on or before the date listed below, or such later date as mutually agreed upon by the Debtors and the required Lenders:

Failure Event	Trigger Date
Failure of Debtors to file amended plan of reorganization with treatment set forth in Term Loan Modification Term Sheet (”Amended Plan”) and amended disclosure statement (“Amended Disclosure Statement”) with Bankruptcy Court on or before	April 20, 2009
Failure of Bankruptcy Court to enter Order approving Amended Disclosure Statement, in form and substance reasonably satisfactory to the Required Lenders, on or before	May 15, 2009
Failure of Debtors and Required Lenders to modify agreements under Term Loan consistent with Term Loan Modification Term Sheet “(Modified Loan Documents”) on or before	May 15, 2009
Failure of Bankruptcy Court to enter Order confirming the Amended Plan (“Confirmation Order”) on or before	June 30, 2009
Failure of Debtors to consummate the Amended Plan on or before	July 15, 2009 (“Plan Effective Date”)
Failure of Debtors or non-Debtor subsidiaries to timely make, or fail payment of, scheduled principal or interest required under Term Loan (“Loan Document Payments”)	Prior to Plan Effective Date

Termination of Forbearance also can occur in the event:

- of certain noteholder, or indenture trustee, objection to Loan Document Payments;
- any Chapter 11 Case is converted to case under Chapter 7 of Bankruptcy Code;
- the Bankruptcy Court shall enter an order in the Chapter 11 Cases ordering the appointment of (i) a trustee, (ii) a responsible officer, or (iii) an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in subclauses (3) and (4) of Section 1106(a)) under Section 1106(b) of the Bankruptcy Code;
- any of the Chapter 11 Cases are dismissed;
- the Confirmation Order is reversed on appeal or vacated;
- any Primus Term Loan Party has failed to perform any material provision of the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet subject to notice and cure;
- any court or governmental authority shall enter a final, non-appealable judgment or order declaring the Term Loan Forbearance Agreement or any material portion thereof to be unenforceable or enjoining the consummation of a material portion of the transactions contemplated hereby;
- the Debtors shall withdraw the Amended Plan or publicly announce their intention not to support the Amended Plan, or propose a reorganization or plan under the Bankruptcy Code other than the Amended Plan;
- the Debtors inform the Required Lenders in writing of their determination that there is sufficient risk of non-performance by the Debtors with respect to the financial obligations contemplated by the Amended Plan with respect to the Lenders and the Loan Documents such that the amendments to the Loan Documents contemplated by the Term Sheet are no longer in the best interests of the Debtors’ estates;

- the Debtors lose the exclusive right to file and solicit acceptances of the Amended Plan;
- the conditions precedent required to be met prior to the closing of the amendment to the Term Loan agreement, consistent with and as contemplated in the Term Loan Modification Term Sheet, including any modification or amendment thereof, have not been satisfied on or before the Plan Effective Date or waived by the Required Lenders;
- the Debtors file any motion or pleading with the Bankruptcy Court that is not consistent in any material respect with the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet and such motion or pleading has not been withdrawn prior to the earlier of (i) two (2) business days of the Debtors receiving notice that such motion or pleading is inconsistent with the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet and (ii) entry of an order of the Bankruptcy Court approving such motion;
- the Bankruptcy Court grants relief that is inconsistent with the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet in any material respect;
- the commencement of an avoidance action by any or all of the Debtors affecting the rights of any Term Loan lender or the commencement of such an action by any other party;
- the filing by any or all of the Debtors or by any other party of an objection to the allowance of the Term Loan lenders' claims against the Debtors' estates in respect of the Term Loan Agreement;
- subject to the execution of an appropriate and otherwise reasonable confidentiality agreement, to the extent necessary, the failure by the Debtors to provide to the Required Lenders and their advisors (i) reasonable access to the books and records of the Debtors, and (ii) reasonable access to the respective management and advisors of the Debtors for the purposes of evaluating the Debtors' respective business plans and participating in the plan process with respect to the Reorganization;
- the occurrence of a "Termination Event" as that term is defined in the Plan Support Agreement entered into as of March 16, 2009 between the Second Lien Noteholders, the 8% Noteholder, the 5% Noteholders and the Debtors that has resulted in a termination of the Plan Support Agreement;
- failure to replace LCPI with an administrative agent reasonably acceptable to the Company and the Required Lenders on or before the Plan Effective Date;
- the failure of the Debtors or any non-Debtor subsidiaries to pay all invoiced and unpaid fees and expenses of the Required Lenders' advisors on or before the Plan Effective Date;
- the Bankruptcy Court shall enter an order approving the use of cash collateral or otherwise approving the Debtors' use of cash to fund the Chapter 11 Cases without the prior written consent of the Required Lenders; or
- the filing of a petition for relief under the Bankruptcy Court by a non-Debtor Guarantor.

While the Term Loan Forbearance Agreement is in effect, Forbearance shall be operative with respect to Forbearance Defaults and Covenants, but shall not constitute a forbearance with respect to any failure of the Company, Holding, PTII or any Guarantor to comply with any other covenant or other provision in the Term Loan Agreement or any of the Loan Documents or the occurrence of other present or future Default or Event of Default.

Canadian Financing Facility

In March 2007, we entered into a Senior Secured Credit Agreement ("Canadian Financing Facility") with a financial institution, to refinance an existing Canadian credit facility. The Canadian Financing Facility provides for a $35.0 million non-amortizing loan bearing interest at a rate of LIBOR plus 4.25% and matures in March 2012. The loan proceeds were used to refinance the existing Canadian credit facility, including certain costs related to the transaction, and to finance certain capital expenditures. The Canadian Financing Facility is secured by the assets of our Canadian operations and certain guarantees. At December 31, 2008, we had an outstanding liability of $35.0 million under the Canadian Financing Facility.

In October 2007, we entered into a cross-currency principal and interest rate swap agreement, a portion of which was required by the Canadian Financing Facility, which fixed the interest rate at 9.21% starting from October 31, 2007. The cross-currency principal and interest rate swap agreement's counter party is Lehman Brothers Special Financing, Inc. ("Lehman SFI"). Lehman SFI entered into bankruptcy in early October 2008 following its ultimate parent entering bankruptcy in mid-September 2008. Since September 2008, month end interest rate swap payments were not made by Lehman SFI to Primus nor, correspondingly, were payments made from Primus to Lehman SFI. While the covenant language is arguably ambiguous, management believed that the swap agreement with Lehman SFI continued to be in force with respect to the requirements under the Canadian Financing Facility and, accordingly, that no breach or event of default had occurred. Because of the possible multiple interpretations of the covenant language, management specifically addressed these points in the Waiver and Amendment Agreement summarized below; such summary is qualified in its entirety by reference to the actual terms thereof incorporated by reference herein through Exhibit 10.9 hereto.

On March 10, 2009, Group's indirect wholly-owned Canadian subsidiary, Primus Telecommunications Canada Inc. ("Primus Canada"), 3082833 Nova Scotia Company and certain affiliate guarantors entered into a Waiver and Amendment Agreement (the "Waiver and Amendment") to their $35 million Canadian Financing Facility with Guggenheim Corporate Funding, LLC, as Administrative Agent and Collateral Agent.

Capitalized terms used but not defined herein shall have the meanings set forth in the Waiver and Amendment incorporated by referenced herein through Exhibit 10.9 attached hereto.

The Lenders under the Waiver and Amendment waived Events constituting Events of Default and potential Events of Default under the Canadian Financing Facility, subject to the terms and conditions of the Waiver and Amendment. Such Events included waivers covering certain Specified Events that have occurred and may constitute an Event of Default under the Canadian Financing Facility and Anticipated Events, including anticipated Events of Default. Anticipated Events include events related to the plan of reorganization involving one or more of the Guarantors and contemplated by the Waiver and Amendment (the "Contemplated Plan"), the occurrence of a Material Adverse Effect arising as a result of the Chapter 11 Cases, the failure of a Guarantor to make payment when due with respect to Indebtedness (or the acceleration of Indebtedness) of a Guarantor at any time before the Contemplated Plan is effective and certain provisions of the Guarantee being deemed invalid or unenforceable against a Guarantor in connection with the Chapter 11 Cases for the Canadian Financing Facility. Specified Events include:

- the failure of Primus Canada to maintain certain Hedging Agreements, Lehman Unsecured Hedging Agreements or Unsecured Hedging Agreements reasonably satisfactory to the Administrative Agent to hedge the full amount of its currency rate exposures with respect to the aggregate principal amount outstanding under the Canadian Financing Facility;
- the actions the Guarantors have taken to authorize or effect certain actions related to the Reorganization; and
- the failure to deliver to the Administrative Agent an Officer's Certificate in connection with the events described in the preceding bullets.

The Waiver and Amendment permits Primus Canada to incur certain second-lien secured term loans that do not exceed $5 million and guarantees by the Credit Parties. The Canadian Financing Facility, as amended, obligates Primus Canada to pay principal loan amounts under the Canadian Financing Facility on the dates and in the amounts set forth below:

Payment Date	Principal Payment Amount
March 31, 2009	$ 500,000
April 30, 2009	$ 500,000
May 31, 2009	$ 500,000
June 30, 2009	$ 2,250,000
The last day of each calendar month from and including July 2009 to and including April 2011	$ 500,000

Additionally, a principal payment of $1,750,000 was due and paid upon execution of the Waiver and Amendment.

In connection with the Waiver and Amendment, the Applicable Margin under the Canadian Financing Facility was increased to LIBOR +3.750% for the Term A Loans and LIBOR +6.375% for Term B Loans, with a 2.50% LIBOR floor, and the Maturity Date was changed to May 21, 2011.

The Waiver and Amendment established certain additional Events of Default under the Canadian Financing Facility to include any of the following:

- the Bankruptcy Court shall enter an order denying confirmation of the plan or the Chapter 11 Cases shall be converted to a case under Chapter 7 of Title 11 of the United States Code;
- the plan shall not have been confirmed by the Bankruptcy Court and become effective on or before August 31, 2010;
- the plan shall be confirmed or become effective without the reinstatement after effectiveness of each Guarantee on terms identical to such Guarantee existing on the date hereof as a valid, unsubordinated obligation of the applicable Guarantor, or the plan is confirmed without any Guarantor holding, directly or indirectly, substantially all of its current assets and businesses;
- the Bankruptcy Court shall enter any order that impairs the enforceability of this Agreement or any Loan Document (except as provided herein in connection with the obligations of the guarantors under the Guarantee), as reasonably determined by the Administrative Agent;
- any representation or warranty made by a Credit Party in this Agreement shall prove to be untrue in any material respect as of the date hereof;
- any Credit Party shall default in the performance of any obligation under this Agreement that is not cured within 10 business Days following notice thereof from the Administrative Agent; and
- the Guarantee or any other Loan Document executed by a Guarantor shall cease to be valid and binding on or enforceable against any Guarantor.

Other Legal Proceedings

Group and its subsidiaries are subject to claims and legal proceedings unrelated to the Chapter 11 Cases that arise in the ordinary course of its business (“Other Proceedings”). Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably. The Company believes that any aggregate liability that may result from the resolution of the Other Proceedings will not have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Primus Telecommunications Group, Incorporated ("we" or "us") common stock was traded on the Nasdaq Capital Market under the symbol "PRTL" until July 27, 2006. Effective at the open of trading on July 28, 2006, our common stock was delisted from the Nasdaq Capital Market. Since this time, our common stock has traded in the over-the-counter market, both through listings on the OTC Bulletin Board and in the National Quotation Bureau "Pink Sheets." On February 28, 2009, the last sale price of our common stock was $0.03. Trading has ceased since our March 16, 2009 filing of the Chapter 11 Cases. The following table provides the high and low sale prices for our common stock on the over-the-counter market for the applicable periods indicated below. These prices do not include retail markups, markdowns or commissions.

Period	High	Low
2008		
1st Quarter	$ 0.46	$ 0.27
2nd Quarter	$ 0.45	$ 0.24
3rd Quarter	$ 0.39	$ 0.23
4th Quarter	$ 0.27	$ 0.05
2007		
1st Quarter	$ 0.63	$ 0.35
2nd Quarter	$ 1.09	$ 0.40
3rd Quarter	$ 1.00	$ 0.55
4th Quarter	$ 0.70	$ 0.34

Dividend Policy

We have not paid any cash dividends on our common stock to date. The payment of dividends, if any, in the future is within the discretion of the Board of Directors and will depend on our earnings, our capital requirements and financial condition. Dividends are currently restricted by the term loan, senior secured notes and senior note indentures, and may be restricted by other credit arrangements entered into in the future by us. It is the present intention of the Board of Directors to retain all earnings, if any, for use in our business operations, and accordingly, the Board of Directors does not expect to declare or pay any dividends in the foreseeable future.

Holders

As of February 28, 2009, we had approximately 641 holders of record of our common stock.

Recent Sales of Unregistered Securities

There are no unregistered sales of securities for 2008, other than the transactions that have been previously reported in our periodic filings with the SEC.

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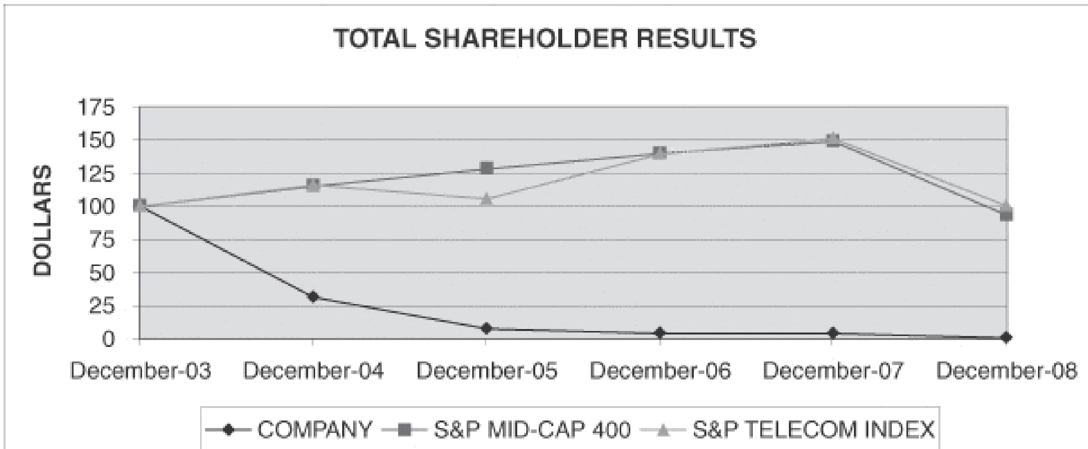
Stock Price Performance Graph

The graph below compares the Company's cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's Midcap 400 Index and the Standard & Poor's Telecommunications Index for the period from December 31, 2003, through March 13, 2006 (the period the Company was on the NASDAQ National Market), from March 14, 2006 through July 27, 2006 (the period the Company was on the NASDAQ Capital Market), and from July 28, 2006 through December 31, 2008 (the period the Company was on the Over-the-Counter Bulletin Board and in the National Quotation Bureau "Pink Sheets"). The comparison assumes $100 was invested on December 31, 2003 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends. The stockholder return shown on the graph below is not indicative of future performance.



	Comparison of Cumulative Total Return For the Year Ended December 31,					
	2003	2004	2005	2006	2007	2008
Primus Telecommunications Group, Incorporated	$ 100.00	$ 31.30	$ 7.38	$ 4.13	$ 3.84	$ 0.59
Standard & Poor's Midcap 400 Index	$ 100.00	$ 115.16	$ 128.13	$ 139.64	$ 148.99	$ 93.45
Standard & Poor's Telecommunications Index	$ 100.00	$ 115.98	$ 105.48	$ 139.38	$ 151.16	$ 100.34

Notwithstanding anything to the contrary set forth in any of the Company's filings under the Securities Act of 1933 or the Securities Exchanges Act of 1934 that might incorporate SEC filings, in whole or in part, the above Performance Graph will not be incorporated by reference into any such filings.

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ITEM 6. SELECTED FINANCIAL DATA

The following sets forth our selected consolidated financial data for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 as derived from our historical financial statements:

Statement of Operations Data:

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except per share amounts)				
NET REVENUE	$ 895,863	$ 896,029	$ 993,034	$ 1,153,253	$ 1,312,666
OPERATING EXPENSES					
Cost of revenue (exclusive of depreciation included below)	569,865	551,303	653,905	766,963	802,391
Selling, general and administrative	260,430	281,010	278,951	369,666	382,106
Depreciation and amortization	32,791	30,529	47,002	85,952	90,416
(Gain) loss on sale or disposal of assets	(6,028)	1,463	14,158	13,364	1,941
Asset impairment write-down	—	—	206,139	—	1,624
Total operating expenses	857,058	864,305	1,200,155	1,235,945	1,278,478
INCOME (LOSS) FROM OPERATIONS	38,805	31,724	(207,121)	(82,692)	34,188
INTEREST EXPENSE	(53,888)	(61,347)	(54,128)	(53,394)	(50,449)
ACCRETION ON DEBT PREMIUM (DISCOUNT), NET	583	(449)	(1,732)	—	—
CHANGE IN FAIR VALUE OF DERIVATIVES EMBEDDED WITHIN CONVERTIBLE DEBT	—	—	5,373	—	—
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	36,872	(7,652)	7,409	(1,693)	(10,982)
INTEREST AND OTHER INCOME	120	5,665	3,694	2,479	11,405
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(47,563)	32,699	10,668	(12,285)	6,611
INCOME (LOSS) BEFORE INCOME TAXES	(25,071)	640	(235,837)	(147,585)	(9,227)
INCOME TAX BENEFIT (EXPENSE)	366	9,232	(4,863)	(3,809)	(5,682)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(24,705)	9,872	(240,700)	(151,394)	(14,909)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(326)	(268)	(4,673)	2,157	4,328
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	—	6,132	7,415	—	—
NET INCOME (LOSS)	(25,031)	15,736	(237,958)	(149,237)	(10,581)
BASIC INCOME (LOSS) PER COMMON SHARE:					
Income (loss) from continuing operations	$ (0.17)	$ 0.07	$ (2.14)	$ (1.59)	$ (0.17)
Income (loss) from discontinued operations	(0.01)	(0.00)	(0.05)	0.03	0.05
Gain from sale of discontinued operations	—	0.05	0.07	—	—
Net income (loss)	$ (0.18)	$ 0.12	$ (2.12)	$ (1.56)	$ (0.12)
DILUTED INCOME (LOSS) PER COMMON SHARE:					
Income (loss) from continuing operations	$ (0.17)	$ 0.06	$ (2.14)	$ (1.59)	$ (0.17)
Income (loss) from discontinued operations	(0.01)	(0.00)	(0.05)	0.03	0.05
Gain from sale of discontinued operations	—	0.03	0.07	—	—
Net income (loss)	$ (0.18)	$ 0.09	$ (2.12)	$ (1.56)	$ (0.12)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:					
Basic	142,643	128,771	112,366	95,384	89,537
Diluted	142,643	196,470	112,366	95,384	89,537

* Refer to discussion in Notes 16, 17 and 18 of the Notes to Consolidated Financial Statements for more information.

Balance Sheet Data:

	December 31,				
	2008	2007	2006	2005	2004
			(in thousands)		
Total assets	$ 330,444	$ 460,403	$ 392,250	$ 641,089	$ 758,600
Total long-term obligations (including current portion)	$ 604,837	$ 673,903	$ 644,074	$ 635,212	$ 559,352
Total stockholders' deficit	$ (461,539)	$ (447,540)	$ (468,255)	$ (236,334)	$ (108,756)

Discontinued Operations Data:

	Year Ended December 31,				
	2008	2007	2006	2005	2004
			(in thousands)		
Net revenue	$3,851	$9,961	$24,086	$ 34,143	$38,206
Operating expenses	4,610	10,233	28,640	31,372	33,336
Income (loss) from operations	(759)	(272)	(4,554)	2,771	4,870
Interest expense	—	(26)	(47)	(47)	(77)
Interest income and other income (expense)	60	39	(2)	(120)	(198)
Foreign currency transaction gain (loss)	376	(6)	10	(258)	(51)
Income (loss) before income tax	(323)	(265)	(4,593)	2,346	4,544
Income tax expense	(3)	(3)	(80)	(189)	(216)
Income (loss) from discontinued operations	$ (326)	$ (268)	$ (4,673)	$ 2,157	$ 4,328

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OVERVIEW

Introduction and Overview of Operations

We are an integrated facilities based telecommunications services provider offering a portfolio of international and domestic voice, wireless, Internet, voice-over-Internet protocol (VOIP), data and hosting services to customers located primarily in the United States, Australia, Canada, the United Kingdom and western Europe. Our focus is to service the demand for high quality, competitively priced communications services that is being driven by the globalization of the world's economies, the worldwide trend toward telecommunications deregulation and the growth of broadband, Internet, VOIP, wireless and data traffic.

Generally, we price our services competitively with the major carriers and service providers operating in our principal service regions. We seek to generate net revenue through sales and marketing efforts focused on customers with significant communications needs, including small- and medium-sized enterprises (SMEs), multinational corporations, residential customers, and other telecommunications carriers and resellers and through acquisitions.

Our challenge to growing net revenue in recent years has been to overcome declines in long distance voice minutes of use per customer as more customers are using wireless devices and the Internet as alternatives to the use of wireline phones. Also, product substitution (e.g., wireless/Internet for fixed line voice; broadband for dial-up Internet service provider (ISP) services) has resulted in revenue declines in our legacy long distance voice and dial-up ISP businesses. Additionally, we believe that because deregulatory influences have begun to affect telecommunications markets outside the United States, the deregulatory trend is resulting in greater competition from the existing wireline and wireless competitors and from more recent entrants, such as cable companies and VOIP companies, which could continue to affect adversely our net revenue per minute, as well as minutes of use.

In order to manage our traffic network transmission costs, we pursue a flexible approach with respect to the management of our network capacity. In most instances, we optimize the cost of traffic by using the least expensive cost routing; negotiate lower variable usage based costs with domestic and foreign service providers and negotiate additional and lower cost foreign carrier agreements with the foreign incumbent carriers and others; and continue to expand/reduce the capacity of our network when traffic volumes justify such actions.

Our overall margin may fluctuate based on the relative volumes of international versus domestic long distance services; carrier services versus business and residential long distance services; prepaid services versus traditional post-paid voice services; Internet, VOIP and data services versus fixed line voice services; the amount of services that are resold; and the proportion of traffic carried on our network versus resale of other carriers' services. Our margin is also affected by customer transfer and migration fees. We generally pay a charge to install and transfer a new customer onto our network, and to migrate DSL and local customers. However, installing and migrating customers to our own networks, such as the local and DSL networks in Australia and Canada, enable us to increase our margin on such services as compared to resale of services using other carriers' networks.

SG&A expenses are comprised primarily of salaries and benefits, commissions, occupancy costs, sales and marketing expenses, advertising, professional fees, and administrative costs. All SG&A expenses are expensed when incurred. Emphasis on cost containment or the shift of expenditures from non-revenue producing expenses to sales and marketing expenses has been heightened since growth in net revenue has been under significant pressure.

Going Concern and Voluntary Reorganization Under Chapter 11

On March 16, 2009, Group, and three of its subsidiaries and affiliates, Holding, PTII and IHC, each filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware for Reorganization under chapter 11 of title 11 of the United States Bankruptcy Code. A creditors' committee has not been appointed in these cases by the United States Trustee. On April 8, 2009, the Debtors filed an amended plan of reorganization and disclosure statement. The Debtors will continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

As part of the relief sought or to be sought in the chapter 11 cases, the Debtors have entered into agreements or understandings with its creditors in an effort to advance Bankruptcy Court confirmation of this Reorganization. See Item 3, "Legal Proceedings: Legal Proceedings Related to the Chapter 11 Cases". Certain of these agreements or understandings are not definitive and/or are subject to certain creditors' consent. The Reorganization remains subject to Bankruptcy Court confirmation.

The consolidated financial statements have been prepared assuming that we will continue as a going concern. The factors described herein, including within Item 1, Item 1A, Item 3 and this Item 7, raise substantial doubt about our ability to continue as a going concern, and therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business. These financial statements do not include any adjustments that might result from this uncertainty, including those relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

2008 Results and First Quarter 2009 Plans

The recent upheaval in the global capital markets has spawned recessionary forces and caused a volatile disruption in currency exchange rates, and we have not been spared. More than 81% of our revenue is generated outside of the United States. When the United States (US) dollar was declining, our reported consolidated revenues and income were favorably impacted. The decline of the United States dollar also had the effect of increasing in US dollar terms the funds available to be up-streamed from our foreign operating subsidiaries. These funds are utilized, among other things, to service our predominantly US dollar denominated debt. Since mid-year 2008, there has been a volatile shift in currencies as the US dollar strengthened markedly against the local currencies in our major operating regions. In particular, from June 30, 2008 to December 31, 2008 the Canadian dollar declined by 17%, the Australian dollar by 28%, the Euro by 11%, and the British Pound by 27%. While the movement of these exchange rates remains volatile, the near term impact has been to reduce substantially the amount in US dollars that we report in consolidated revenues and income and the amount of US dollars available to the parent entities from its foreign operating subsidiaries.

This material adverse currency development also, in effect, dramatically reduced the impact of significant cost reductions that were implemented in late September and early October 2008. After reporting results for the second quarter 2008, management defined and began to implement a plan to attain free cash flow in 2009. We instituted cost reductions that included a reduction of 13% in total headcount which, together with additional savings in other sales, general and administrative expenses, were expected to generate approximately $15 million in annual savings. With the recent adverse change in currency exchange rates, these factors dramatically reduced or offset the benefits that these cost reductions would have otherwise had on our future operating results. Therefore, additional cost reductions have been implemented, which include further headcount reductions and salary reductions or freezes.

The combined impact of the recent global financial turmoil and the strengthening US dollar have, thus, put strains on our liquidity. The global revaluation of assets, combined with the contraction of credit, has also frustrated our efforts to generate $50 million in cash proceeds from selective asset sales. We had planned to use those proceeds, among other things, to retire $23 million of debt maturing in the latter half of 2009.

As a result, as discussed in Note 2 to the Consolidated Financial Statements and in this item under the heading, Going Concern and Voluntary Reorganization Under Chapter 11, the Debtors have sought reorganization relief under chapter 11 of the bankruptcy code. Under the current circumstances, our immediate priorities are focused on the following actions:

- complete the reorganization in the most expeditious time-frame; and
- manage our business with a focus on cash flow and growth.

Foreign Currency

Foreign currency can have a major impact on our financial results. Currently in excess of 81% of our net revenue is derived from sales and operations outside the United States. The reporting currency for our consolidated financial statements is the United States dollar (USD). The local currency of each country is the functional currency for each of our respective entities operating in that country. 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 have had and may continue to have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused primarily by fluctuations in the following exchange rates: USD/Canadian dollar (CAD), USD/Australian dollar (AUD), USD/British pound (GBP), and USD/Euro (EUR). Due to the large percentage of our revenue derived outside of the United States, changes in the USD relative to one or more of the foregoing currencies could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the consolidated statements of operations. We historically have not engaged in hedging transactions. However, during the fourth quarter 2007, we completed a forward currency contract required by the Canadian Financing Facility and an interest rate swap. Despite the counterparty to the interest rate swap agreement entering bankruptcy in October 2008, management believed no breach or event of default had occurred in relation to the Canadian Credit Agreement. As of March 10, 2009, under the Waiver and Amendment Agreement described above, the Lenders under the Canadian Financing Facility waived any such possible breach or event of default. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because a majority of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

We are exposed to financial statement gains and losses as a result of translating the operating results and financial position of our international subsidiaries. We translate the local currency statements of operations of our foreign subsidiaries into USD using the average exchange rate during the reporting period. Changes in foreign exchange rates affect the reported profits and losses and cash flows and may distort comparisons from year to year. By way of example, when the USD strengthens compared to the EUR, there could be a negative or positive effect on the reported results for Europe, depending upon whether Europe is operating profitably or at a loss. It takes more profits in EUR to generate the same amount of profits in USD and a greater loss in EUR to generate the same amount of loss in USD. The opposite is also true. For instance, when the USD weakens there is a positive effect on reported profits and a negative effect on the reported losses for Europe.

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In the year ended December 31, 2008, as compared to the year ended December 31, 2007, the USD was weaker on average as compared to the CAD, AUD and EUR, notwithstanding a significant strengthening of the USD relative to such currencies between June 30, 2008 and December 31, 2008 (see "—2008 Results and First Quarter 2009 Plans"), and stronger on average as compared to the GBP. The following tables demonstrate the impact of currency fluctuations on our net revenue for the year ended December 31, 2008 and 2007 (in thousands, except percentages):

Net Revenue by Location—in USD

	2008 Net Revenue	2007 Net Revenue	Variance	Variance %
Canada	$ 260,834	$262,412	$ (1,578)	(1)%
Australia	$276,414	$284,935	$ (8,521)	(3)%
United Kingdom	$ 87,706	$ 89,363	$(1,657)	(2)%
Europe *	$ 87,623	$ 81,891	$ 5,732	7%

Revenue by Country—in Local Currencies

	2008 Net Revenue	2007 Net Revenue	Variance	Variance %
Canada (in CAD)	276,294	281,419	(5,125)	(2)%
Australia (in AUD)	324,724	340,579	(15,855)	(5)%
United Kingdom (in GBP)	48,331	44,759	3,572	8%
Europe * (in EUR)	59,640	59,771	(131)	(0)%

* Europe includes only subsidiaries whose functional currency is the EUR.

Recent Operating Highlights and Other Events

In order to better understand our discussion of results of operations, financial condition and liquidity presented herein, we refer you to "Item 1—Business—Operating Highlights and Accomplishments" concerning certain operating highlights and other events.

Critical Accounting Policies

To aid in the understanding of our financial reporting, our most critical accounting policies are described below. These policies have the potential to have a more significant impact on our financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature.

Revenue Recognition and Deferred Revenue—Net revenue is derived from carrying a mix of business, residential and carrier long distance traffic, data and Internet traffic, and also from the provision of local, hosting and wireless services.

For voice and wholesale VOIP, net revenue is earned based on the number of minutes during a call and is recorded upon completion of a call, adjusted for allowance for doubtful accounts receivable, service credits and service adjustments. Revenue for a period is calculated from information received through our network switches. Customized software has been designed to track the information from the switch and analyze the call detail records against stored detailed information about revenue rates. This software provides us the ability to do a timely and accurate analysis of revenue earned in a period. Separate prepaid services software is used to track additional information related to prepaid service usage such as activation date, monthly usage amounts, fees and charges, and expiration date. Revenue on these prepaid services is recognized as service is provided until expiration when all unused minutes, which are no longer available to the customers, are recognized as revenue.

Net revenue is also earned on a fixed monthly fee basis for unlimited local and long distance plans and for the provision of data/Internet (including retail VOIP) and hosting services. Data/Internet and hosting services include monthly fees collected for the provision of dedicated and dial-up access at various speeds and bandwidths and collocation services. These fees are recognized as access and collocation is provided on a monthly basis. Additionally, service activation and installation fees are deferred and amortized over the longer of the average customer life or the contract term. We record payments received in advance for prepaid services and services to be provided under contractual agreements, such as Internet broadband and dial-up access, as deferred revenue until such related services are provided.

A portion of revenue, representing less than 1% of total revenue, is earned from the sale of wireless handsets and VOIP routers. We apply the provisions of Emerging Issues Task Force (EITF) Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," which provides guidance on when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. We have concluded that EITF No. 00-21 requires us to account for the sale of wireless handsets and VOIP routers and the related cost of handset and router revenues as a separate unit of accounting when title to the handset or router passes to the customer. Revenue recognized is the portion of the activation fees allocated to the router or handset unit of accounting in the statement of operations when title to the router or handset passes to the customer. We defer the portion of the activation fees allocated to the service unit of accounting, and recognize such deferred fees on a straight-line basis over the contract life in the statement of operations.

Net revenue represents gross revenue, net of allowance for doubtful accounts receivable, service credits and service adjustments.

Allowance for doubtful accounts receivable—Determining our allowance for doubtful accounts receivable requires significant estimates. Due to the large number of customers that we serve, it is impractical to review the creditworthiness of each of our customers, although a credit review is performed for larger carrier and retail business customers. We consider a number of factors in determining the proper level of the allowance, including historical collection experience, current economic trends, the aging of the accounts receivable portfolio and changes in the creditworthiness of our customers. Systems to detect fraudulent call activity are in place within our network, but if these systems fail to identify such activity, we may realize a higher degree of uncollectible accounts. If the estimate of uncollectible revenue was 10% higher than our current estimates, net revenue would have been reduced by approximately $1.2 million for the year ended December 31, 2008.

Cost of revenue—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 the most significant expense. Call activity is tracked and analyzed with customized software that analyzes the traffic flowing through our network switches and calculates the variable cost of revenue with predetermined contractual rates. If the domestic or foreign telecommunications carriers have tracked and invoiced the volume of minutes at levels different than what our activity shows or have invoiced at different rates, we will dispute the charges invoiced. There is no guarantee that we will prevail in such disputes. We use significant estimates to determine the level of success in dispute resolution and consider past historical experience, basis of dispute, financial status and current relationship with vendor, and aging of prior disputes in quantifying our estimates.

Valuation of long-lived assets—We review intangible and other long-lived assets whenever events or changes indicate that the carrying amount of an asset may not be recoverable. In making such evaluations, we compare the expected undiscounted future cash flows to the carrying amount of the assets. If the total of the expected undiscounted future cash flows is less than the carrying amount of the assets, we are required to make estimates of the fair value of the long-lived assets in order to calculate the impairment loss equal to the difference between the fair value and carrying value of the assets.

We make significant assumptions and estimates in this process regarding matters that are inherently uncertain, such as determining asset groups and estimating future cash flows, remaining useful lives, discount rates and growth rates. The resulting undiscounted cash flows are projected over an extended period of time, which subjects those assumptions and estimates to an even larger degree of uncertainty. While we believe that our estimates are reasonable, different assumptions could materially affect the valuation of the long-lived assets. During 2006, we completed an evaluation of our expected future cash flows compared to the carrying value of our assets based on estimates of our expected results of operations. As part of that evaluation, we derived future cash flow estimates from our historical experience and our internal business plans, which included consideration of industry trends, competitive actions, technology changes, regulatory actions, available financial resources for marketing and capital expenditures and changes in our underlying cost structure. Although we believe our estimates to be reasonable, if future cash flow estimates used in our 2006 impairment evaluation were reduced 5%, then our estimated fair value of the long-lived assets and the indefinite lived intangible assets, in aggregate, would have been reduced by approximately $7 million.

We have concluded that we have one asset group; the network. This is due to the nature of our telecommunications network which utilizes all of the POPs, switches, cables and various other components throughout the network to form seamlessly the telecommunications gateway over which our products and services are carried for any given customer's phone call or data or Internet transmission. Furthermore, outflows to many of the external network providers are not separately assignable to revenue inflows for any phone call or service plan.

We make assumptions about the remaining useful life of our long-lived assets. The assumptions are based on the average life of our historical capital asset additions, our historical asset purchase trend and that our primary assets, our network switches, have an 8-year life. Because of the nature of our industry, we also assume that the technology changes in the industry render all equipment obsolete with no salvage value after their useful lives. In certain circumstances in which the underlying assets could be leased for an additional period of time, we have included such estimated cash flows in our estimate. In 2006, if we had projected that the remaining useful lives of our long-lived assets were one-half year shorter, then our estimated fair value of the long-lived assets and the indefinite lived intangible assets, in aggregate, would have been reduced by approximately $12 million.

The estimate of the appropriate discount rate to be used to apply the present value technique in determining fair value was our weighted average cost of capital which is based on the effective rate of our long-term debt obligations at the current market values as well as the current volatility and trading value of our common stock. In 2006, if we had projected the discount rate to be 500 basis points higher, then our estimated fair value of the long-lived assets and the indefinite lived intangible assets, in aggregate, would have been approximately $15 million less.

Valuation of goodwill—Under Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually (October 1 for Primus) for impairment, or more frequently, if impairment indicators arise. Such indication occurred as of December 31, 2008 when the fair value of the Company's publicly traded debt dropped significantly since October 1, 2008; however, after performing Step 1 of the impairment test under SFAS No. 142, no impairment was identified as the fair value was greater than the book value of each reporting unit. Intangible assets that have finite lives will be amortized over their useful lives and are subject to the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Impairment analysis for goodwill and other indefinite lived intangible assets is also triggered by the performance of a SFAS No. 144 analysis.

Our reporting units are the same as our operating segments as each segment's components have been aggregated and deemed a single reporting unit because they have similar economic characteristics. Each component is similar in that they each provide telecommunications services for which all of the resources and costs are drawn from the same pool, and are evaluated using the same business factors by management.

Furthermore, segment management measures results and allocates resources for the segment as a whole and utilizes country by country financials for statutory reporting purposes.

Goodwill impairment is tested using a two-step process that begins with an estimation of the fair value of each reporting unit. The first step is a screen for potential impairment by comparing the fair value of a reporting unit with its carrying amount. The second step measures the amount of impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with its carrying amount.

In estimating fair value of our reporting units, we compare market capitalization of our common stock, distributed between the reporting units based on adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) projections, to the equivalent carrying value (total assets less total liabilities) of such reporting unit. When our carrying value of a reporting unit is a negative value, we proceed to use alternative valuation techniques. These techniques include comparing total fair value of invested capital, distributed between the reporting units based on adjusted EBITDA projections, to the equivalent carrying value (book equity plus book long-term obligations). The carrying value of each reporting unit includes an allocation of the corporate invested capital based on relative size of the reporting units' intercompany payables and invested capital. Using our adjusted EBITDA projections is a judgment item that can significantly affect the outcome of the analysis, both in basing the allocation on the most relevant time period as well as in allocating fair value between reporting units. For the interim test performed as of December 31, 2008 as discussed above, we used other methods that indicated a control premium on the value of the Company, as opposed to an allocation of the market capitalization. To develop the fair value used for the December 31, 2008 evaluation, we used an average value calculated under the discounted cash flow method and the comparative transaction method. We derive future cash flow estimates from our historical experience and our internal business plans, which include consideration of industry trends, competitive actions, technology changes, regulatory actions, available financial resources for marketing and capital expenditures and changes in our underlying cost structure.

*Accounting for income taxes—*We recognize deferred tax assets and liabilities for the expected future tax consequences of transactions and events. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement bases and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. If necessary, deferred tax assets are reduced by a valuation allowance to an amount that is determined to be more likely than not recoverable. We must make significant estimates and assumptions about future taxable income and future tax consequences when determining the amount of the valuation allowance. The additional guidance provided by FIN No. 48, "Accounting for Uncertainty in Income Taxes" clarifies the accounting for uncertainty in income taxes recognized in the financial statements. At January 1, 2007, its implementation resulted in adjustments to increase our total unrecognized tax benefits by $106.4 million. Expected outcomes of current or anticipated tax examinations, refund claims and/or tax related litigation and estimates regarding additional tax liability (including interest and penalties thereon) or refunds resulting therefrom will be recorded based on the guidance provided by FIN No. 48.

At present, our subsidiaries in the major jurisdictions in which we operate have significant deferred tax assets resulting from tax loss carryforwards. With the exception of our Canadian companies, these deferred tax assets are fully offset with valuation allowances. The appropriateness and amount of these valuation allowances are based on our assumptions about the future taxable income of each affiliate or available tax planning strategies. Except in the case of our Canadian companies, if our assumptions have significantly underestimated future taxable income with respect to a particular affiliate, all or part of the valuation allowance for the affiliate would be reversed and additional income may result. With the exception of our Canadian affiliates, if our assumptions have significantly overestimated future taxable income with respect to a particular affiliate, there would be no change in the net value of the deferred tax asset and no additional income or tax expense would result. If our assumptions with respect to our Canadian affiliates have significantly overestimated future taxable income, a full or partial valuation allowance would be applied to the corresponding deferred tax assets and additional tax expense would result.

Discontinued Operations

In the second and fourth quarter 2008, we determined to sell our German retail operations and Japan retail operations, respectively, and therefore, are reporting these units as discontinued operations.

In August 2007, we sold our 51% interest in our German telephone installation system subsidiaries. The sale price was $0.8 million (0.6 million Euros), which included $0.5 million (0.4 million Euros) in cash and $0.3 million (0.2 million Euros) for payment of outstanding intercompany debt. For the intercompany debt payment, we received $0.1 million (0.1 million Euros) in cash at closing. The balance owing is represented by a note receivable and is paid in fifteen equal monthly installment payments. As a result, we recorded a $0.2 million gain from sale of assets. Net assets held for sale were $0.6 million at the closing date.

In February 2007, we sold our Australian domain name registry and web hosting subsidiary, Planet Domain. The sale price was $6.5 million ($8.3 million AUD). We received $5.5 million in net cash proceeds from the transaction after closing adjustments. As a result, we recorded a $6.0 million gain from sale of assets. The net assets of Planet Domain were $0.2 million at the closing date.

In May 2006, we entered into a Share Purchase Agreement (SPA) with Videsh Sanchar Nigam Limited (VSNL), a leading international telecommunications company and member of the TATA Group, whereby VSNL purchased 100% of the stock of Direct Internet Limited (DIL), whose wholly-owned subsidiary, Primus Telecommunications India Limited (PTIL), was primarily engaged in providing fixed broadband wireless Internet services to enterprise and retail customers in India. We owned approximately 85% of the stock of DIL through an indirect wholly-owned subsidiary. The remaining approximately 15% of the stock of DIL was owned by the manager of DIL and PTIL, who had founded the predecessor companies. The total purchase consideration was $17.5 million. We received $13.0 million in net cash proceeds from the transaction at closing on June 23, 2006, after closing adjustments. Under the SPA, we agreed to certain non-compete provisions regarding the business of DIL and PTIL and the party to the SPA for the purpose of guaranteeing indemnity obligations of our subsidiary selling the stock of DIL. The net assets of DIL were $8.9 million at June 23, 2006.

As a result of these events, our consolidated financial statements reflect the Germany retail operations, Japan retail operations, discontinued German subsidiary, Planet Domain and the India operations as discontinued operations for the years ended December 31, 2008, 2007 and 2006. Accordingly, revenue, costs, and expenses of the discontinued operations have been excluded from the respective captions in the consolidated statements of operations. The net operating results of the discontinued operations have been reported, net of applicable income taxes as income from discontinued operations.

Summarized operating results of the discontinued operations for the year ended December 31, 2008, 2007 and 2006 are as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Net revenue	$3,851	$9,961	$24,086
Operating expenses	4,610	10,233	28,640
Loss from operations	(759)	(272)	(4,554)
Interest expense	—	(26)	(47)
Interest income and other income (expense)	60	39	(2)
Foreign currency transaction gain (loss)	376	(6)	10
Loss before income tax	(323)	(265)	(4,593)
Income tax expense	(3)	(3)	(80)
Loss from discontinued operations	$ (326)	$ (268)	$ (4,673)

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Results of Operations

The following information for the years ended December 31, 2008, 2007 and 2006 reflects all the items included in consolidated statements of operations as a percentage of net revenue:

	Year Ended December 31,		
	2008	2007	2006
NET REVENUE	100.0%	100.0%	100.0%
OPERATING EXPENSES			
Cost of revenue (exclusive of depreciation included below)	63.6%	61.5%	65.8%
Selling, general and administrative	29.1%	31.4%	28.1%
Depreciation and amortization	3.7%	3.4%	4.7%
(Gain) loss on sale or disposal of assets	(0.7)%	0.2%	1.4%
Asset impairment write-down	0.0%	0.0%	20.8%
Total operating expenses	95.7%	96.5%	120.8%
INCOME (LOSS) FROM OPERATIONS	4.3%	3.5%	(20.8)%
INTEREST EXPENSE	(6.0)%	(6.8)%	(5.5)%
ACCRETION ON DEBT PREMIUM (DISCOUNT), NET	0.1%	(0.1)%	(0.0)%
CHANGE IN FAIR VALUE OF DERIVATIVES EMBEDDED WITHIN CONVERTIBLE DEBT	0.0%	0.0%	0.5%
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	4.1%	(0.9)%	0.7%
INTEREST AND OTHER INCOME	0.0%	0.8%	0.3%
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(5.3)%	3.6%	1.1%
INCOME (LOSS) BEFORE INCOME TAXES	(2.8)%	0.1%	(23.7)%
INCOME TAX BENEFIT (EXPENSE)	0.0%	1.0%	(0.5)%
INCOME (LOSS) FROM CONTINUING OPERATIONS	(2.8)%	1.1%	(24.2)%
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(0.0)%	(0.0)%	(0.5)%
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	0.0%	0.7%	0.7%
NET INCOME (LOSS)	(2.8)%	1.8%	(24.0)%

The following information reflects net revenue by product line for the years ended December 31, 2008, 2007 and 2006 (in thousands, except percentages) and is provided for informational purposes and should be read in conjunction with the Consolidated Financial Statements and Notes.

	2008	%	2007	%	2006	%
Voice	$566,791	63%	$ 597,404	67%	$ 704,971	71%
Data/Internet	180,308	20%	179,809	20%	166,520	17%
VOIP	148,764	17%	118,816	13%	121,543	12%
Total	$ 895,863	100%	$896,029	100%	$ 993,034	100%

Results of operations for the year ended December 31, 2008 as compared to the year ended December 31, 2007

Net revenue decreased $0.1 million to $895.9 million for the year ended December 31, 2008 from $896.0 million for the year ended December 31, 2007. Our revenue from broadband, VOIP, local, wireless, data and hosting services contributed $231.1 million for the year ended December 31, 2008, as compared to $216.1 million for the year ended December 31, 2007. Our wholesale carrier and prepaid services contributed $197.3 million and $39.4 million, respectively, for the year ended December 31, 2008, as compared to $170.4 million and $42.2 million, respectively, for the year ended December 31, 2007.

United States: United States retail net revenue decreased $12.8 million or 11.7% to $96.7 million for the year ended December 31, 2008 from $109.5 million for the year ended December 31, 2007. The decrease is primarily attributed to a decrease of $13.4 million in retail voice services (for residential and small businesses) and a decrease of $1.5 million in Internet services, which was partially offset by an increase of $2.1 million in retail VOIP.

Canada: Canada net revenue decreased $1.4 million or 0.5% to $260.8 million for the year ended December 31, 2008 from $262.2 million for the year ended December 31, 2007. The decrease is primarily attributed to a decrease of $8.7 million in voice, a decrease of $1.1 million in prepaid card, which was partially offset by an increase of $7.4 million from growth products, which include $3.7 million in local service, $3.7 million in Internet, data and hosting services and $0.8 million in VOIP services. The strengthening of the CAD against the USD accounted for a $3.6 million increase to revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This overall strengthening of the CAD for 2008 occurred notwithstanding a significant weakening of the CAD relative to the USD between June 30, 2008 and December 31, 2008 (see "—2008 Results and First Quarter 2009 Plans").

The following table reflects net revenue for each major country in the Americas (in thousands, except percentages):

Revenue by Country (Excluding Wholesale)—in USD

	For the year ended		Year-over-Year	
	December 31, 2008 Net Revenue	December 31, 2007 Net Revenue	Variance	Variance %
United States	$ 86,579	$ 101,583	$(15,004)	(15)%
Canada	$ 260,834	$ 262,200	$ (1,366)	(1)%
Other	$ 10,129	$ 7,918	$ 2,211	28%

Europe: Europe net revenue decreased $4.3 million or 6.3% to $64.6 million for the year ended December 31, 2008 from $68.9 million for the year ended December 31, 2007. The decrease is primarily attributable to a $1.7 million decrease in low margin prepaid services, a $4.3 million decrease in retail voice, and a $1.6 million decrease in wireless service, partially offset by an increase of $1.9 million in VOIP. The strengthening of the European currencies against the USD accounted for a $1.4 million increase to revenue, which is included in the above explanation, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This overall strengthening of the European currencies for 2008 occurred notwithstanding a significant weakening of the European currencies relative to the USD between June 30, 2008 and December 31, 2008 (see "—2008 Results and First Quarter 2009 Plans").

The following table reflects net revenue for each major country in Europe (in thousands, except percentages):

Revenue by Country (Excluding Wholesale)—in USD

	For the year ended December 31, 2008		For the year ended December 31, 2007		Year-over-Year	
	Net Revenue	% of Europe	Net Revenue	% of Europe	Variance	Variance %
United Kingdom	$26,092	40%	$ 39,037	56%	$(12,945)	(33)%
Netherlands	2,765	4%	139	0%	2,626	1,889%
Spain	3,966	6%	4,613	7%	(647)	(14)%
France	19,202	30%	11,038	16%	8,164	74%
Italy	2,599	4%	2,022	3%	577	29%
Belgium	7,936	12%	9,383	14%	(1,447)	(15)%
Other	2,069	4%	2,711	4%	(642)	(24)%
Europe Total	$64,629	100%	$68,943	100%	$ (4,314)	(6)%

Asia-Pacific: Asia-Pacific net revenue decreased $8.5 million or 3.0% to $276.4 million for the year ended December 31, 2008 from $284.9 million for the year ended December 31, 2007. The decrease is primarily attributable to a $9.1 million decrease in residential voice services and a $7.7 million decrease in dial-up Internet services, partially offset by a $6.0 million increase in business voice services, a $0.5 million increase in Australia DSL services and a $0.9 million increase in wireless service. The strengthening of the AUD against the USD accounted for a $6.5 million increase to revenue, which is included in the above explanation, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This overall strengthening of the AUD for 2008 occurred notwithstanding a significant weakening of the AUD relative to the USD between June 30, 2008 and December 31, 2008 (see "—2008 Results and First Quarter 2009 Plans"). The following table reflects net revenue for each major country in Asia-Pacific (in thousands, except percentages):

Revenue by Country (Excluding Wholesale)—in USD

	For the year ended December 31, 2008		For the year ended December 31, 2007		Year-over-Year	
	Net Revenue	% of Asia-Pacific	Net Revenue	% of Asia-Pacific	Variance	Variance %
Australia	$276,414	100%	$284,935	100%	$(8,521)	(3)%

Wholesale: Wholesale net revenue increased $26.9 million or 15.7% to $197.3 million for the year ended December 31, 2008 from $170.4 million for the year ended December 31, 2007. Total network capacity has increased with the installation of the new soft switches, allowing the wholesale segment more flexibility to sell more profitable wholesale traffic. The strengthening of the European currencies against the USD accounted for a $0.9 million increase to revenue, which is included in the above explanation, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The following table reflects net revenue for each major country (in thousands, except percentages):

Wholesale Revenue by Country—in USD

	For the year ended December 31, 2008		For the year ended December 31, 2007		Year-over-Year	
	Net Revenue	% of Total Wholesale	Net Revenue	% of Total Wholesale	Variance	Variance %
United States	$ 83,974	43%	$65,216	38%	$18,758	29%
United Kingdom	61,614	31%	50,326	30%	11,288	22%
Germany	18,254	9%	21,003	12%	(2,749)	(13)%
France	7,081	4%	8,395	5%	(1,314)	(16)%
Spain	7,462	4%	11,218	6%	(3,756)	(33)%
Italy	18,719	9%	13,053	8%	5,666	43%
Other	174	0%	1,239	1%	(1,065)	(86)%
Total	$197,278	100%	$170,450	100%	$26,828	16%

Cost of revenue increased $18.6 million to $569.9 million, or 63.6% of net revenue, for the year ended December 31, 2008 from $551.3 million, or 61.5% of net revenue, for the year ended December 31, 2007. Our mix of revenue has moved towards a greater proportion of wholesale services revenue. We also received a benefit of $6.3 million in 2008 from the 2008 ACCC Ruling which reduced our cost of revenue and partially offset the increase experienced in line with the revenue growth.

United States: United States cost of revenue increased $1.2 million primarily due to a $3.4 million increase in retail VOIP partially offset by a $1.9 million decrease in retail voice services.

Canada: Canada cost of revenue decreased $1.7 million primarily due to a decrease of $1.2 million in retail voice services, and a decrease of $1.4 million in local services. The decreases were partially offset by increases of $1.1 million in prepaid card services. The strengthening of the CAD against the USD accounted for a $1.7 million increase to cost of revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

Europe: Europe cost of revenue decreased by $1.3 million. The decrease is primarily attributable to a $2.7 million decrease in low margin prepaid services and a $1.4 million decrease in wireless services, offset by a $1.3 million increase in retail voice and a $1.6 million increase in VOIP services. The strengthening of the European currencies against the USD accounted for a $1.1 million increase to cost of revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

Asia-Pacific: Asia-Pacific cost of revenue decreased $5.8 million primarily due to a decrease of $10.4 million in residential voice services, a decrease of $4.3 million in dial-up Internet services, and a decrease of $1.5 million in DSL services, partially offset by an increase of $4.4 million in business services. We realized a $6.3 million reduction to cost of revenue in 2008 from the 2008 ACCC Ruling and a $7.5 million reduction to the cost of revenue in 2007 from the 2007 ACCC Ruling and related settlement. The strengthening of the AUD against the USD accounted for a $5.2 million increase to cost of revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

Wholesale: Wholesale cost of revenue increased $26.1 million or 15.9% to $190.2 million for the year ended December 31, 2008 from $164.1 million for the year ended December 31, 2007 in line with the revenue increase. The strengthening of the European currencies against the USD accounted for a $0.8 million increase to cost of revenue, which is included in the above variance, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

Selling, general and administrative expense decreased $20.6 million to $260.4 million, or 29.1% of net revenue, for the year ended December 31, 2008 from $281.0 million, or 31.4% of net revenue, for the year ended December 31, 2007. The decrease in selling, general and administrative expense is mainly attributable to a decrease of $7.6 million in salaries and benefits, a decrease of $3.4 million in advertising expenses, a decrease of $6.7 million in professional fees (described below), and a decrease of $2.7 million for general and administrative expenses.

United States: United States selling, general and administrative expense decreased $7.7 million to $50.3 million for the year ended December 31, 2008 from $58.0 million for the year ended December 31, 2007. The decrease is attributable to a decrease of $2.2 million in salaries and benefits expense due to staff reduction efforts, a decrease of $4.3 million professional fees as the first quarter 2007 included significant expenses for litigation defense and the FIN No. 48 implementation, a decrease of $1.0 million in sales and marketing expenses and a decrease of $1.2 million in general and administrative expense. These decreases were offset by an increase of $1.1 million in advertising.

Canada: Canada selling, general and administrative expense decreased $2.3 million to $97.9 million for the year ended December 31, 2008 from $100.2 million for the year ended December 31, 2007. The decrease is attributable to a decrease of $5.9 million in advertising, and a decrease of $0.9 million in professional fees, partially offset by an increase of $2.7 million in sales and marketing expenses, an increase of $0.6 million in salaries and benefits and an increase of $1.0 million in occupancy expense.

Europe: Europe selling, general and administrative expense decreased $10.4 million to $21.8 million for the year ended December 31, 2008 from $32.2 million for the year ended December 31, 2007. The decrease is mainly attributable to a decrease of $4.5 in salaries and benefits, a decrease of $2.1 million in sales and marketing expense, a decrease of $1.5 million in occupancy, and a decrease of $2.3 million in general and administrative expenses.

Asia-Pacific: Asia-Pacific selling, general and administrative expense was stable at $82.0 million for the year ended December 31, 2008 as compared to $81.8 million for the year ended December 31, 2007. The change included an increase of $1.4 million advertising, an increase of $0.6 million in sales and marketing expense an increase of $0.5 million in occupancy expense, offset by a decrease of $1.2 million in salaries and benefits and a decrease of $1.2 million in professional fees.

Wholesale: Wholesale selling, general and administrative expense decreased $0.5 million or 5.6% to $8.4 million for the year ended December 31, 2008 from $8.9 million for the year ended December 31, 2007.

Depreciation and amortization expense increased $2.3 million to $32.8 million for the year ended December 31, 2008 from $30.5 million for the year ended December 31, 2007. The increase consists of an increase in depreciation expense of $2.9 million for assets placed in service as we enhanced our network infrastructure and expanded our data centers.

(Gain) loss on sale or disposal of assets was a $6.0 million gain for the year ended December 31, 2008 compared to a $1.5 million loss for the year ended December 31, 2007. In the year ended December 31, 2008, we recognized a gain of $0.8 million associated with the sale of certain surplus fiber assets in the United States, a gain of $1.7 million associated with a sale of a minority equity investment in a Japanese entity, and a gain of $4.6 million associated with the sale of primarily WIMAX spectrum assets, offset by a loss of $0.9 million associated with disposal of equipment owned by a minority equity investment in Canada.

Interest expense and accretion on debt premium (discount), net decreased $8.5 million to $53.3 million for the year ended December 31, 2008 from $61.8 million for the year ended December 31, 2007. There was an increase of $3.4 million mainly resulting from issuance and exchange of our 14 1/4% Senior Secured Notes, offset by a $10.9 million decrease mainly resulting from reductions in principal outstanding balances of our 12 3/4% Senior Notes, Step Up Convertible Subordinated Debentures, 8% Senior Notes, 5% Exchangeable Senior Notes, and 3 3/4% Convertible Senior Notes and from a decreased interest rate on our variable rate senior secured term loan facility.

Gain (loss) on early extinguishment or restructuring of debt was a $36.9 million gain for the year ended December 31, 2008 compared to a $7.7 million loss for the year ended December 31, 2007. In the second quarter 2008, we exchanged $49.0 million principal amount of our 8% Senior Notes, $33.0 million principal amount of our 5% Exchangeable Senior Notes, $43.1 million principal amount of our 3 3/4% Convertible Senior Notes, $5.3 million principal amount of our 12 3/4% Senior Notes for $67.1 million principal amount of our newly issued 14 1/4% Senior Secured Notes and $4.7 million of cash, resulting in a gain on restructuring of debt of $32.3 million including the expensing of related financing costs. We made open market purchases of $0.8 million principal amount of our 12 3/4% Senior Notes, $13.8 million principal amount of our Step Up Convertible Subordinated Debentures, and $2.1 million principal amount of our 14 1/4% Senior Secured Notes, resulting in a $4.2 million gain on early extinguishment of debt including the write-off of related deferred financing costs.

In 2007, we converted $5.0 million principal amount of our Step Up Convertible Subordinated Debentures to 6.0 million shares of our common stock, resulting in an induced debt conversion expense of $2.3 million, which includes deferred financing cost and discount write-offs. In first quarter 2007, we issued in a private transaction $57.2 million principal amount of the 14 1/4% Senior Secured Notes in exchange for $40.7 million principal amount of the outstanding 12 3/4% Senior Notes and $23.6 million in cash. This exchange was deemed a debt modification, resulting in a $5.1 million loss on restructuring of debt for financing costs incurred. The remaining $0.9 million of expense in the three months ended June 30, 2007, resulted from costs related to the early retirement of a Canadian credit facility. The losses were offset by our open market purchases of $10.5 million principal amount of our 12 3/4% Senior Notes resulting in a $0.3 million gain on early extinguishment of debt including the write-off of related deferred financing costs and a $0.5 million gain on forgiveness of equipment financing in Brazil.

Interest and other income of $0.1 million for the year ended December 31, 2008 was mainly interest income, offset by minority interest expense recognized for the gain from the sale of the Canadian WIMAX spectrum assets.

Foreign currency transaction gain (loss) was $47.6 million loss for the year ended December 31, 2008 as compared to $32.7 million gain for the year ended December 31, 2007. The gain and loss are attributable to the impact of foreign currency exchange rate changes on intercompany debt balances and on receivables and payables denominated in a currency other than the subsidiaries' functional currency.

Income tax benefit (expense) was a benefit of $0.4 million for year ended December 31, 2008 as compared to a benefit of $9.2 million for the year ended December 31, 2007. In 2008, we closed certain federal and provincial income tax examinations in Canada for the years 2000 through 2005 (federal) and 2001 through 2005 (provincial) with all assessments being received. We also concluded an examination in the Netherlands for the years 2002, 2003, 2004, 2005 and 2006. Based on the final settlement, we reversed our remaining liability in the fourth quarter of 2008.

Results of operations for the year ended December 31, 2007 as compared to the year ended December 31, 2006

Net revenue decreased $97.0 million or 9.8% to $896.0 million for the year ended December 31, 2007 from $993.0 million for the year ended December 31, 2006. Our revenue from broadband, VOIP, local, wireless, data and hosting services contributed $216.1 million for the year ended December 31, 2007, as compared to $182.2 million for the year ended December 31, 2006. Our wholesale carrier and prepaid services contributed $170.5 million and $42.2 million, respectively, for the year ended December 31, 2007, as compared to $207.7 million and $86.6 million, respectively, for the year ended December 31, 2006, causing most of the year over year decline.

United States: United States net revenue decreased $5.9 million or 5.1% to $109.5 million for the year ended December 31, 2007 from $115.4 million for the year ended December 31, 2006. The decrease is primarily attributed to a decrease of $8.7 million in retail voice services (for residential and small businesses and from prepaid services) and a decrease of $2.5 million in Internet services, which was partially offset by an increase of $5.5 million in retail VOIP.

Canada: Canada net revenue decreased $12.1 million or 4.4% to $262.2 million for the year ended December 31, 2007 from $274.3 million for the year ended December 31, 2006. The decrease is primarily attributed to a decrease of $9.1 million in voice, a decrease of $16.0 million in prepaid card, which was partially offset by an increase of $12.9 million from growth products, which include local, VOIP, broadband Internet, data and hosting and wireless services. The strengthening of the CAD against the USD accounted for a $16.0 million increase to revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

The following table reflects net revenue for each major country in the Americas (in thousands, except percentages):

Revenue by Country (Excluding Wholesale)—in USD

	For the year ended		Year-over-Year	
	December 31, 2007 Net Revenue	December 31, 2006 Net Revenue	Variance	Variance %
United States	$ 101,583	$ 111,320	$ (9,737)	(9)%
Canada	$ 262,200	$ 274,318	$(12,118)	(4)%
Other	$ 7,918	$ 4,086	$ 3,832	94%

Europe: European net revenue decreased $25.2 million or 26.7% to $68.9 million for the year ended December 31, 2007 from $94.1 million for the year ended December 31, 2006. The decrease is primarily attributable to a decrease in low margin prepaid services of $29.2 million, partially offset by an increase of $3.7 million in retail voice services and $1.5 million in VOIP. The European prepaid services business declined primarily in Netherlands and the business has ceased operations as of December 31, 2007. The strengthening of the European currencies against the USD accounted for an $8.6 million increase to revenue, which is included in the above explanation, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006. The following table reflects net revenue for each major country in Europe (in thousands, except percentages):

Revenue by Country (Excluding Wholesale)—in USD

	For the year ended December 31, 2007		For the year ended December 31, 2006		Year-over-Year	
	Net Revenue	% of Europe	Net Revenue	% of Europe	Variance	Variance %
United Kingdom	$ 39,037	56%	$ 28,145	30%	$ 10,892	39%
Netherlands	139	0%	34,457	37%	(34,318)	(100)%
Spain	4,613	7%	9,648	10%	(5,035)	(52)%
France	11,038	16%	6,352	7%	4,686	74%
Italy	2,022	3%	2,839	3%	(817)	(29)%
Belgium	9,383	14%	8,635	9%	748	9%
Other	2,711	4%	4,038	4%	(1,327)	(33)%
Europe Total	$ 68,943	100%	$ 94,114	100%	$(25,171)	(27)%

Asia-Pacific: Asia-Pacific net revenue decreased $16.6 million or 5.5% to $284.9 million for the year ended December 31, 2007 from $301.5 million for the year ended December 31, 2006. The decrease is primarily attributable to a $15.2 million decrease in residential voice services, a $6.0 million decrease in dial-up Internet services, an $8.0 million decrease in business voice services, partially offset by a $12.2 million increase in Australia DSL services. The strengthening of the AUD against the USD accounted for a $34.3 million increase to revenue, which is included in the above explanation, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006. The following table reflects net revenue for each major country in Asia-Pacific (in thousands, except percentages):

Revenue by Country (Excluding Wholesale)—in USD

	For the year ended December 31, 2007		For the year ended December 31, 2006		Year-over-Year	
	Net Revenue	% of Asia-Pacific	Net Revenue	% of Asia-Pacific	Variance	Variance %
Australia	$284,935	100%	$301,506	100%	$(16,571)	(5)%

Wholesale: Wholesale net revenue decreased $37.2 million or 17.9% to $170.5 million for the year ended December 31, 2007 from $207.7 million for the year ended December 31, 2006 caused by our deemphasis on lower-margin revenue streams. The strengthening of the European currencies against the USD accounted for an $11.4 million increase to revenue, which is included in the above explanation, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006. The following table reflects net revenue for each major country (in thousands, except percentages):

Wholesale Revenue by Country—in USD

	For the year ended December 31, 2007		For the year ended December 31, 2006		Year-over-Year	
	Net Revenue	% of Total Wholesale	Net Revenue	% of Total Wholesale	Variance	Variance %
United States	$65,216	38%	$ 80,915	39%	$(15,699)	(19)%
United Kingdom	50,326	30%	56,251	27%	(5,925)	(11)%
Germany	21,003	12%	34,607	17%	(13,604)	(39)%
France	8,395	5%	10,481	5%	(2,086)	(20)%
Spain	11,218	6%	8,795	4%	2,423	28%
Italy	13,053	8%	11,569	6%	1,484	13%
Other	1,239	1%	5,073	2%	(3,834)	(76)%
Total	$170,450	100%	$207,691	100%	$ (37,241)	(18)%

Cost of revenue decreased $102.6 million to $551.3 million, or 61.5% of net revenue, for the year ended December 31, 2007 from $653.9 million, or 65.8% of net revenue, for the year ended December 31, 2006. We continued to shed certain low margin revenue while growing revenue from our higher margin services. We also received certain regulatory benefits with retro-active treatment in Australia which reduced our cost of revenue.

United States: United States cost of revenue decreased $13.8 million primarily due to a decrease of $9.6 million in retail voice services and a decrease of $1.4 million in Internet services.

Canada: Canada cost of revenue decreased $9.8 million primarily due to a decrease of $6.8 million in retail voice services and a decrease of $8.6 million in prepaid services. The decreases were partially offset by increases of $3.4 million in growth products, which include local, VOIP, data and hosting and wireless services and $3.0 million in Internet services. The strengthening of the CAD against the USD accounted for a $7.3 million increase to cost of revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

Europe: European cost of revenue decreased by $20.4 million. The decrease is primarily attributable to a $23.1 million decrease in low margin prepaid services, offset by a $1.2 million increase in VOIP services. The strengthening of the European currencies against the USD accounted for a $5.8 million increase to cost of revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

Asia-Pacific: Asia-Pacific cost of revenue decreased $23.4 million primarily due to a decrease of $11.0 million in residential voice services, a decrease of $1.8 million in dial-up Internet services, and a decrease of $5.4 million in business services. We also realized $7.5 million reduction to cost of revenue in the third and fourth quarter 2007 from the 2007 ACCC ruling and related settlement reflecting recovery of payments related to retroactive price reductions. These decreases were partially offset by an increase of $6.1 million for new DSL services. The strengthening of the AUD against the USD accounted for a $22.6 million increase to cost of revenue, which is included in the services explanation above, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

Wholesale: Wholesale cost of revenue decreased $35.3 million or 17.7% to $164.1 million for the year ended December 31, 2007 from $199.4 million for the year ended December 31, 2006. The strengthening of the European currencies against the USD accounted for an $11.0 million increase to cost of revenue, which is included in the above variance, and which reflects changes in the exchange rates for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

Selling, general and administrative expense increased $2.0 million to $281.0 million, or 31.4% of net revenue, for the year ended December 31, 2007 from $279.0 million, or 28.1% of net revenue, for the year ended December 31, 2006. The increase in selling, general and administrative expense is attributable to an increase of $2.4 million contingency tax accrual related to the European prepaid services business, an increase of $7.6 million for salaries and benefits, an increase of $4.0 million in sales and marketing, an increase of $2.7 million in professional fees, and an increase of $2.2 million in occupancy expenses, partially offset by a decrease of $12.9 million for agent commissions related to prepaid services, a decrease of $1.1 million in advertising expenses, and a decrease of $1.0 million for general and administrative expenses.

United States: United States selling, general and administrative expense was stable at $58.0 million for the year ended December 31, 2007 as compared to $57.9 million for the year ended December 31, 2006. The increase of $1.2 million in advertising expenses primarily attributable to LINGO and an increase of $1.0 million in professional fees was offset by a decrease of $1.4 million in salaries and benefits expense due to cost cutting/staff reduction efforts which is net of $0.5 million of related severance expense in 2007 and a decrease of $0.9 million in sales and marketing expense primarily for agent commissions related to prepaid services.

Canada: Canada selling, general and administrative expense increased $1.9 million to $100.2 million for the year ended December 31, 2007 from $98.3 million for the year ended December 31, 2006. The increase is attributable to an increase of $2.6 million in salaries and benefits which reflects $1.4 million of severance expense on eliminated positions in 2007, an increase of $0.9 million in professional fees, an increase of $0.8 million in occupancy, an increase of $0.6 million in sales and marketing expense, and an increase of $0.6 million in general and administrative expenses. These increases were partially offset by a decrease of $3.8 million in agent commissions related to prepaid services. Canada’s 2007 spending reflected an increased shift to direct sales personnel and telemarketing expenses.

Europe: Europe selling, general and administrative expense decreased $7.5 million to $31.8 million for the year ended December 31, 2007 from $39.3 million for the year ended December 31, 2006. The decrease is mainly attributable to a decrease of $8.2 million in sales and marketing expense primarily for agent commissions related to prepaid services, offset by an increase of $0.4 million in salaries and benefits expense which is net of $0.7 million of severance expense in 2007, and a increase of $0.7 million in advertising and a $2.4 million contingency tax accrual related to the European prepaid services business.

Asia-Pacific: Asia-Pacific selling, general and administrative expense increased $6.5 million to $81.8 million for the year ended December 31, 2007 from $75.3 million for the year ended December 31, 2006. The increase is attributable to an increase of $9.3 million in salaries and benefits expense primarily for increased direct sales, sales support, telemarketing and customer care personnel, which includes $0.5 million of severance expense in 2007 and an increase of $1.7 million in occupancy, offset by a decrease of $3.0 million in advertising and a decrease of $1.9 million in general and administrative expenses.

Wholesale: Wholesale selling, general and administrative expense increased $0.8 million or 10.0% to $8.9 million for the year ended December 31, 2007 from $8.1 million for the year ended December 31, 2006.

Depreciation and amortization expense decreased $16.5 million to $30.5 million for the year ended December 31, 2007 from $47.0 million for the year ended December 31, 2006. The decrease consisted of a decrease in depreciation expense of $14.2 million and a decrease in amortization expense of $2.3 million. The decrease is primarily due to the asset impairment recognized in the second quarter 2006.

Loss on sale or disposal of assets decreased $12.7 million to $1.5 million for the year ended December 31, 2007 from $14.2 million for the year ended December 31, 2006. In 2006, we recognized a charge associated with the sale or disposal of specific long-lived assets which were taken out of service. The charge included $8.9 million in the United States, $2.2 million in the United Kingdom, $1.8 million in Canada and $1.2 million in various other countries and is comprised of network fiber, peripheral switch equipment, software development costs and other network equipment.

Asset impairment write-down was $206.1 million for 2006. During the second quarter 2006, the Company adjusted the carrying value of its long-lived assets and indefinite lived intangible assets to their estimated fair value of $108.7 million and $34.9 million, respectively. The $206.1 million write-down consists of a write-down of $149.3 million in property and equipment, $5.3 million in customer lists and other intangible assets, and $51.6 million in goodwill under the provisions of SFAS No. 144 and SFAS No. 142.

Interest expense, including accretion of debt discount, increased $5.9 million to $61.8 million for the year ended December 31, 2007 from $55.9 million for the year ended December 31, 2006. The increase is the result of $14.0 million from issuance of our 14 $^{1}/_{4}$% Senior Secured Notes, offset by an $8.1 million decrease mainly resulting from reductions in the outstanding principal amount of our 12 $^{3}/_{4}$% Senior Notes and the retirement in full in early 2007 of our 2000 Convertible Subordinated Debentures with a stated interest rate of 5 $^{3}/_{4}$%.

Change in fair value of derivatives embedded within convertible debt was a gain of $5.4 million for the year ended 2006. Our Step Up Convertible Subordinated Debentures, 2000 Convertible Subordinated Debentures and 3 $^{3}/_{4}$% Convertible Senior Notes contained embedded derivatives that required bifurcation from the debt host from February 27 to June 20, 2006. We recognized these embedded derivatives as a current liability in our balance sheet, measured them at their estimated fair value and recognized changes in the fair value of the derivative instruments in earnings. We estimated the fair value of these embedded derivatives using a theoretical model based on the historical volatility of our common stock of 100% as of June 20, 2006. On June 20, 2006, the embedded derivatives no longer qualified for bifurcation. We estimated that the embedded derivatives had a June 20, 2006 (the final valuation date) fair value of $10.3 million. The embedded derivatives derived their value primarily based on changes in the price and volatility of our common stock. The estimated fair value of the embedded derivatives decreased as the price of our common stock decreased. The closing price of our common stock decreased to $0.64 on June 20, 2006 from $0.88 on February 27, 2006, causing the overall value of the derivative instrument to decline. As a result, during the year ended December 31, 2006, we recognized a gain of $5.4 million from the change in estimated fair value of the embedded derivatives.

Gain (loss) on early extinguishment or restructuring of debt was a $7.7 million loss for the year ended December 31, 2007 comparing to $7.4 million gain for the year ended December 31, 2006. In 2007, we converted $5.0 million principal amount of our Step Up Convertible Subordinated Debentures to 6.0 million shares of our common stock resulting in an induced debt conversion expense of $2.3 million, which included deferred financing cost and discount write-offs. We also issued in a private transaction $57.2 million principal amount of the 14 $^{1}/_{4}$% Senior Secured Notes, in exchange for $40.7 million principal amount of the Company’s outstanding 12 $^{3}/_{4}$% Senior Notes and $23.6 million in cash . This exchange was deemed a debt modification, resulting in a $5.1 million loss on restructuring of debt for financing costs incurred. The remaining $0.9 million of expense resulted from costs related to the early retirement of the Canadian credit facility. The losses were offset by our open market purchases of $10.5 million principal amount of our 12 $^{3}/_{4}$% Senior Notes resulting in a $0.3 million gain on early extinguishment of debt including the write-off of related deferred financing costs and a $0.5 million gain on forgiveness of equipment financing in Brazil.

In June 2006, we exchanged $54.8 million principal amount of the Company’s 3 $^{3}/_{4}$% Convertible Senior Notes and $20.5 million of cash for $56.3 million principal amount of Holding’s 5% Exchangeable Senior Notes and $11.3 million of future cash payments resulting in a gain on restructuring of debt of $4.8 million including the expensing of related financing costs. In March 2006, we exchanged $27.4 million principal amount of our 2000 Convertible Subordinated Debentures for $27.5 million principal amount of our Step Up Convertible

Subordinated Debentures resulting in a gain on early extinguishment of debt of $1.5 million including the write-off of related deferred financing costs. In January 2006, we exchanged 1,825,000 shares of our common stock for the extinguishment of $2.5 million in principal amount of the 12 3/4% Senior Notes resulting in a $1.2 million gain on early extinguishment of debt including the write-off of related deferred financing costs.

Foreign currency transaction gain increased by $22.0 million to $32.7 million for the year ended December 31, 2007 from $10.7 million for the year ended December 31, 2006. The gain is attributable to the impact of foreign currency exchange rate changes on intercompany debt balances and on receivables and payables denominated in a currency other than the subsidiaries' functional currency.

Income tax benefit (expense) decreased to a benefit of $9.2 million for the year ended December 31, 2007 from $4.9 million expense for the year ended December 31, 2006. The expense for both periods includes foreign withholding tax on intercompany interest and royalty fees owed to our United States subsidiaries by our Canadian and Australian subsidiaries. Income tax expense for 2007 also includes a $5.6 million increase of unrecognized tax benefits relating to an ongoing foreign audit and reassessment of foreign tax positions, offset by a $1.7 million release of unrecognized tax benefits as a foreign statutory audit period expired and an $11.1 million release of the Canadian deferred tax valuation allowance.

Liquidity and Capital Resources

Changes in Cash Flows

Our principal liquidity requirements arise from cash used in operating activities, purchases of network equipment including switches, related transmission equipment and capacity, development of back-office systems, expansion of data center facilities, interest and principal payments on outstanding debt and other obligations, taxes and acquisitions. We have financed our growth and operations to date through public offerings and private placements of debt and equity securities, vendor financing, capital lease financing and other financing arrangements.

Net cash provided by operating activities was $8.8 million for the year ended December 31, 2008 as compared to net cash provided by operating activities of $11.5 million for the year ended December 31, 2007. For the year ended December 31, 2008, net loss, net of non-cash operating activity, provided $34.1 million of cash. In addition, cash was increased by a reduction in prepaid expenses and other current assets of $10.2 million, a reduction in other assets of $1.9 million, and an increase in accrued interconnection costs of $2.2 million. In 2008, $15.7 million was used with an increase to accounts receivable. We used $5.9 million to reduce accounts payable, $10.6 to reduce our accrued income tax, $5.6 million to reduce our deferred revenue, accrued expenses, and other liabilities and $1.8 million to reduce our accrued interest. For the year ended December 31, 2007, net cash provided by operating activities was $11.5 million for the year ended December 31, 2007 as compared to net cash provided by operating activities of $12.9 million for the year ended December 31, 2006. For the year ended December 31, 2007, net income, net of non-cash operating activity, provided $13.2 million of cash. In addition, cash was increased by a reduction in accounts receivable of $5.3 million, a reduction in other assets of $2.3 million and an increase in accrued income tax for $4.4 million. In 2007, we used $1.6 million to increase prepaid expenses and other current assets, $2.7 million to reduce accounts payable, $6.2 million to reduce accrued interconnection costs, $2.0 million to reduce our deferred revenue, accrued expenses, and other liabilities and $1.2 million to reduce our accrued interest.

Net cash used in investing activities was $18.7 million for the year ended December 31, 2008 compared to $39.5 million for the year ended December 31, 2007. Net cash used in investing activities during the year ended December 31, 2008 included $25.4 million of capital expenditures and $0.6 million for a customer list acquisition in Australia, offset by $4.9 million from the sale of certain primarily rural Canadian WIMAX spectrum assets (the cash proceeds from which can be used for operations within the variable interest entity but requires unanimous shareholder consent for a dividend distribution), $1.7 million net cash proceeds from the disposition of a minority equity investment in Japan and $0.8 million from the disposition of surplus fiber assets. Net cash used in investing activities during the year ended December 31, 2007 included $44.7 million of capital expenditures, $0.7 million to increase restricted cash, and $0.2 million to acquire an additional 39% of a subsidiary, offset by $6.1 million net cash proceeds from the disposition of our Australian Planet Domain subsidiary and a German subsidiary.

Net cash used in financing activities was $28.1 million for the year ended December 31, 2008 as compared to $41.5 million provided by financing activities for the year ended December 31, 2007. During the year ended December 31, 2008, $11.5 million was used to purchase and retire $0.8 million principal amount of our 12 3/4% Senior Notes, $13.8 million principal amount of our Step Up Convertible Subordinated Debentures and $2.1 million principal amount of our 14 1/4% Senior Secured Notes. We also used $16.5 million for payments on capital leases, leased fiber capacity, financing facilities and other long-term obligations. During the year ended December 31, 2007, net cash provided by financing activities consisted of $102.7 million from the issuance of debt, net of issuance costs, which was comprised of $75.2 million principal amount of 14 1/4% Senior Secured Notes for $69.2 million in net cash, and $35.0 million from a credit facility with a financial institution (less $1.5 million in financing costs), and $19.2 million from the sale of 22.5 million shares of our registered common stock; partially offset by the retirement in full of $22.7 million principal amount of our 2000 Convertible Subordinated Debentures, the retirement of $10.5 million principal amount of our 12 3/4% Senior Notes, the repayment in full of a $29.9 million Canadian loan facility and a $4.9 million capital lease financing, and $12.4 million principal payments of capital leases, leased fiber capacity, financing facilities and other long-term obligations.

Short- and Long-Term Liquidity Considerations and Risks

As of December 31, 2008, we had $37.0 million of cash and cash equivalents. On March 16, 2009 the Debtors each filed a voluntary petition for reorganization relief under chapter 11 of the United States bankruptcy code as described in this item under the caption, "—Going Concern and Voluntary Reorganization Under Chapter 11." The filings for bankruptcy constituted an event of default that triggered repayment obligations under a number of debt instruments. As a result of the event of default, all obligations under the affected debt agreements became automatically and immediately due and payable. The affected debt has been classified as a current liability under current portion of long-term obligations on the consolidated balance sheet of the Company as of December 31, 2008. The recent severe downturns in global economic conditions and contraction of capital markets, as well as the significant exchange rate appreciation of the United States dollar, have impaired our near-term possibilities to strengthen the balance sheet opportunistically and improve cash flows through potential refinancing and equity capital infusions. Further, such conditions have made the sale of non-strategic assets and businesses to generate enhanced liquidity difficult to complete on acceptable terms or at all. Additionally, given that the preponderance of our Debtors' holding company obligations are in United States dollars, the recent sharp strengthening of the United States dollar as compared to other foreign currencies has added further concern to our liquidity position with payments from our foreign Operating Subsidiaries yielding less United States dollars recently, as it has become more expensive to such Operating Subsidiaries to purchase United States dollars as the United States dollar has strengthened significantly to such foreign currencies since June 30, 2008 (see "—2008 Results and First Quarter 2009 Plans").

In the third quarter 2008, we instituted cost reductions that included a reduction in total headcount which, together with additional savings in other sales, general and administrative expenses, were expected to generate approximately $15 million in annual savings. Since then, we have experienced significant adverse changes in currency exchange rates that dramatically reduced or offset the benefits that these cost reductions would have otherwise had on our results. As a result, among other things, we are currently focused on completing additional cost reductions that were begun in the fourth quarter 2008. These include efforts to reduce headcount; to moderate advertising and marketing costs to the most productive programs; to reduce the non-sales and marketing cost structure; to focus on improving sales productivity and margin enhancements by leveraging existing network assets and increasing the revenue mix in favor of higher margin growth services; and to reduce administrative costs. We also continue to focus on minimizing capital expenditures and managing working capital. In addition to our cost reduction efforts, we consider the feasibility and timing of transactions, including assets sales, that could raise capital. The sum of these efforts, along with the reorganization of the companies filing bankruptcy petitions, should strengthen our ability to resume growth and a positive cash flow outlook. However, we are uncertain as to the outcome of our petitions for reorganization relief, so at this time, we cannot predict if and when we would emerge as a restructured company. Therefore, substantial doubt exists about our ability to continue as a going concern, and therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business.

Regardless of the results of our Reorganization efforts, we expect to continue to have significant debt service obligations on a long-term basis. From time to time, we consider the feasibility and timing of transactions that could raise capital for additional liquidity, debt reduction, debt extension, refinancing of existing indebtedness and for additional working capital and growth opportunities. There can be no assurance we will be successful in any of these efforts to consummate timely any such transactions or at all or to obtain any such financing on acceptable terms or at all, especially in consideration of the state of the current global economic and credit situation. Additionally, the Reorganization may result in additional limitations in levels of debt and debt transactions. If we are successful in raising additional financing or issuing our securities in exchange for or extension of debt, securities comprising a significant percentage of our diluted equity capital may be issued in connection with the completion of such transactions. Additionally, if our plans or assumptions change or prove inaccurate, including those with respect to our debt levels, currency exchange rates, competitive developments, developments affecting our network or product initiatives, services, operations or cash from operating activities, if we consummate additional investments or acquisitions, if we experience unexpected costs or competitive pressures or if existing cash and any other borrowings prove to be insufficient, we may need to obtain such financing and/or relief sooner than expected. In such circumstances, there can be no assurance we will be successful in these efforts to obtain new capital at acceptable terms or to exchange or to extend debt. Also there can be no assurance that changes in assumptions or conditions, including those referenced herein and under “Item 1A. Risk Factors,” “Item 3. Legal Proceedings. Legal Proceedings Related to the Chapter 11 Cases” and “—Special Note Regarding Forward-Looking Statements” will not adversely affect our financial condition or short-term or long-term liquidity.

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As of December 31, 2008, we have $42.9 million in future minimum purchase obligations, $64.9 million in future operating lease payments and $604.8 million of indebtedness. At December 31, 2008, approximately $90.4 million of unrecognized tax benefits have been recorded in accordance with FIN No. 48. We are uncertain as to if or when such amounts may be settled, so we have not included these amounts in the table below. Included in the unrecognized tax benefits not included in the table below, we have recorded a liability for potential penalties and interest of $0.1 million. This table is prepared assuming we will continue as a going concern without the possible effects of our reorganization efforts under Chapter 11 or the effects of the changes to the Canadian Financing Facility which became effective March 10, 2009 (both of which are described above in this item). Although a substantial portion of the debt has been classified as current portion of long-term obligations due to the default provisions triggered by the bankruptcy filings, the following table reflects the contractual payments of principal and interest that existed prior to the bankruptcy filings as of December 31, 2008 for all long-term obligations as follows:

Year Ending December 31,	Vendor Financing and Other	Senior Secured Term Loan Facility (1)	Financing Facility	12 3/4% and 8% Senior Notes	3 3/4% Convertible and 5% Exchangeable Senior Notes (2)	Step Up Subordinated Debentures	Senior Secured Notes	Purchase Obligations	Operating Leases	Total
2009	$2,528	$ 9,993	$ 2,583	$ 30,875	$ 2,451	$ 9,332	$ 24,679	$26,583	$17,319	$ 126,343
2010	4,913	9,899	2,583	14,880	59,436	—	24,679	13,957	13,724	144,071
2011	278	94,250	2,583	14,880	—	—	184,657	1,893	10,186	308,727
2012	95	—	35,646	14,880	—	—	—	486	8,559	59,666
2013	62	—	—	14,880	—	—	—	—	6,038	20,980
Thereafter	33	—	—	193,440	—	—	—	—	9,075	202,548
Total Minimum Principal & Interest Payments	7,909	114,142	43,395	283,835	61,887	9,332	234,015	42,919	64,901	862,335
Less: Amount Representing Interest	(886)	(17,892)	(8,395)	(83,649)	(4,318)	(691)	(60,858)	—	—	(176,689)
face Value of Long-Term Obligations	7,023	96,250	35,000	200,186	57,569	8,641	173,157	42,919	64,901	685,646
Less: Amount Representing Discount	—	—	—	—	(194)	(351)	4,224	—	—	3,679
Add: Exchangeable Notes Interest Treated as Long-Term Obligations (2)	—	—	—	—	1,753	—	21,579	—	—	23,332
Total Long-Term Obligations	$ 7,023	$ 96,250	$ 35,000	$200,186	$ 59,128	$ 8,290	$198,960	$42,919	$64,901	$ 712,657

(1) For preparation of this table, we have assumed the interest rate of the Senior Secured Term Loan Facility to be 9.38%, which is the interest rate at December 31, 2008.

(2) For preparation of this table, the Company has shown separately the cash interest payments of the 5% Exchangeable Senior Notes and the portion of the 14 1/4% Senior Secured Notes that were issued through troubled debt restructurings as a portion of long-term obligations (see Footnote 5 " *Senior Notes, Senior Secured Notes, Convertible Senior Notes, Exchangeable Senior Notes, Step Up Convertible Subordinated Debentures and Convertible Subordinated Debentures*" of our Consolidated Financial Statements set forth under Item 8 of this report on Form 10-K). The interest due on the 5% Exchangeable Senior Notes in 2009 and 2010 is $1.2 million and $0.6 million, respectively. The interest due on this portion of the 14 1/4% Senior Secured Notes in 2009, 2010 and 2011 is $8.7 million, $8.7 million and $4.1 million, respectively.

We have contractual obligations to utilize network facilities from certain carriers with terms greater than one year. We generally do not purchase or commit to purchase quantities in excess of normal usage or amounts that cannot be used within the contract term. We have minimum annual purchase obligations of $26.6 million, $14.0 million, $1.9 million and $0.5 million remaining in 2009, 2010, 2011 and 2012, respectively.

The indentures governing the senior notes, senior secured notes, senior secured term loan facility, convertible and exchangeable senior notes, and step up convertible subordinated debentures, as well as certain other credit arrangements, contain certain financial and other covenants which, among other things, by their terms restrict our ability to incur further indebtedness and make certain payments, including the payment of dividends and repurchase of subordinated debt held by us. In addition, outstanding indentures and certain credit arrangements include provisions that by their terms would create, after the defined passage of time, and under certain instruments, after the entry of final judgment, an event of default for each of the instruments, should there be an event of default on any one or more of the instruments that have an aggregate principal amount outstanding in excess of certain thresholds as defined in the various indentures and certain credit arrangements. Currently, the lowest such threshold is $20 million. We believe we were in compliance with the above covenants at December 31, 2008.

However, the filing of the Chapter 11 Cases on March 16, 2009 described in this filing constituted an event of default that triggered repayment obligations under a number of debt instruments of the Debtors (the “Debt Documents”). As a result of the event of default, all obligations under the Debt Documents became automatically and immediately due and payable. The Debtors believe that any efforts to enforce the payment obligations under the Debt Documents against the Debtors are stayed as a result of the filing of such Chapter 11 Cases in the Bankruptcy Court (subject to exceptions contemplated by the Term Loan Modification Term Sheet following Bankruptcy Court approval) and the Debtors will reserve rights and shall take such action as appropriate to stay any efforts to enforce the payment obligations against non-Debtor guarantors. The Debt Documents and the approximate principal amount of debt currently outstanding thereunder are as follows:

1. $96 million Senior Secured Term Loan Facility of Group due February 2011.
2. $173 million 14 1/4% Senior Secured Notes of IHC due May 2011.
3. $23 million 5% Exchangeable Senior Notes of Holding due June 2010.
4. $186 million 8% Senior Notes of Holding due January 2014.
5. $34 million 3 3/4% Convertible Senior Notes of Group due September 2010.
6. $14 million 12 3/4% Senior Notes of Group due October 2009.
7. $9 million Step Up Convertible Subordinated Debentures of Group due August 2009.

Additionally, the filing of the Chapter 11 Cases constituted an event of default through a cross default provision of the Canadian Financing Facility, which was addressed through a waiver under, and subject to the terms of, the Waiver and Amendment (see “Item 3. Legal Proceedings; Legal Proceedings Related to the
Chapter 11 Cases—Canadian Financing Facility”).

The Debtors have received the support of a majority of the impaired noteholders entitled to a distribution under a Plan Support Agreement, which provides for a recovery to subordinated security holders upon the achievement of certain threshold enterprise values of the Reorganized Group. The requisite lenders under the $100 million senior secured Term Loan have agreed to the Term Loan Modification Term Sheet concerning a Term Loan amendment that is to be documented and executed upon satisfaction of a number of conditions precedent, including replacement Administrative Agent approval. The Term Loan amendment is subject to the consent of certain noteholders of the Debtors. While the Term Loan Modification Term Sheet is not an effective amendment to the Term Loan, it does represent an agreement in principle with the Term Loan Ad Hoc Committee and it reflects the elevated nature of negotiations with the senior secured Term Loan lenders and support by the Term Loan lenders of possible modifications to the Plan.

The filing of the Chapter 11 Cases did not create a need to seek debtor-in-possession financing due to the fact that all business expenses are handled at the Operating Subsidiary level and should not be affected by filing. Thus, our Operating Subsidiaries are unaffected by, and are not part of, the Plan and are expected to continue to manage and to operate their businesses without interruption. Employees, customers, suppliers and partners of these Operating Subsidiaries should be unaffected by the filing of the Chapter 11 Cases. We believe that the Operating Subsidiaries, as well as the Debtors, have adequate cash available to support their operations while the Debtors seek Bankruptcy Court confirmation of the Plan. However, if the Debtors remain in Chapter 11 beyond the anticipated 90-120 day period following the Petition Date, the Debtors may be faced with the need to secure DIP Financing. It is not certain that we can secure DIP Financing and, if we can, at what cost. The Reorganization is subject to a number of uncertainties and contingencies (see the following paragraph, "Item 1A. Risk Factors—Bankruptcy Considerations and Uncertainties" and "Item 3. Legal Proceedings; Legal Proceedings Related to the Chapter 11 Cases"), and is subject to Bankruptcy Court confirmation.

The Term Loan is guaranteed by Group, PTII, IHC, Holding and certain of Holding's United States operating subsidiaries and is secured by certain assets of Holding and of certain United States operating subsidiaries and by partial stock pledges of certain foreign subsidiaries. The Chapter 11 filings by the Debtors have effectively stayed any rights the Term Loan lenders may have with respect to Group's foreign subsidiaries. However, if we are unsuccessful in reaching a Term Loan amendment or other mutually agreeable resolution with the Term Loan lenders, we intend to assert our rights and may seek certain relief in connection therewith, but we cannot give any assurances as to the ultimate outcome of such actions. See "Item 3. Legal Proceedings; Legal Proceedings Related to the Chapter 11 Cases". See also "—Special Note Regarding Forward Looking Statements".

Newly Adopted Accounting Principle

Effective January 1, 2008, we adopted the provisions of SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. We elected not to apply fair value on our existing financial assets and liabilities upon adoption. Therefore, this adoption did not have a material effect on our results of operations, financial position or cash flows.

Effective January 1, 2008, we adopted SFAS No. 157, "Fair Value Measurements," for all financial instruments accounted for at fair value on a recurring basis. We do not have any non-financial instruments accounted for at fair value on a recurring basis. SFAS No. 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS No. 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS No. 157 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

In February 2008, the FASB issued a final FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-2 delays the effective date of SFAS No. 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In addition, FSP No. 157-2 removes certain leasing transactions from the scope of SFAS No. 157. The effective date of SFAS No. 157 for nonfinancial assets and liabilities has been delayed by one year to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS No. 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

In July 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes," which is effective for fiscal years beginning after December 15, 2006. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS Statement No. 109, "Accounting for Income Taxes." This Interpretation prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. See Note 6—"Income Taxes."

New Accounting Pronouncements

In May 2008, the FASB issued FSP No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP No. 14-1 requires issuers of convertible debt securities to separate securities into a debt component and an equity component, resulting in the debt component being recorded at fair value without consideration given to the conversion feature. Issuance costs are also allocated between the debt and equity components. FSP No. 14-1 requires that convertible debt within its scope reflect a company's nonconvertible debt borrowing rate when interest expense is recognized. FSP No. 14-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. We anticipate that the adoption of this standard will not have a material impact on our results of operations, financial position and cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact of SFAS No. 162 on our financial statements and anticipate that the adoption of this standard will not have a material impact on our results of operations, financial position and cash flows.

In March 2008, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging" with the intent to provide users of financial statements with an enhanced understanding of use of derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial statements. SFAS No. 161 is effective for financial statements issued for fiscal years after July 1, 2009. We anticipate that the adoption of this standard will not have a material impact on our results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until January 1, 2009. We anticipate that the adoption of this standard will have an impact on our consolidated financial statements for prospective business combinations, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," an amendment to ARB No. 51, "Consolidated Financial Statements." This statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. Due to the immaterial size of the noncontrolling interest in

Globility Communications Corporations as discussed under the *Principles of Consolidation* section of Footnote 2 to the consolidated financial statements, which is approximately $2.8 million, we anticipate that the adoption of this standard will not have a material impact on our results of operations, financial position and cash flows.

Special Note Regarding Forward Looking Statements

Certain statements in this Annual Report on Form 10-K and elsewhere constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on current expectations, and are not strictly historical statements. In some cases, you can identify forward-looking statements by terminology such as “if,” “may,” “should,” “believe,” “anticipate,” “future,” “forward,” “potential,” “estimate,” “reinstate,” “opportunity,” “goal,” “objective,” “exchange,” “growth,” “outcome,” “could,” “expect,” “intend,” “plan,” “strategy,” “provide,” “commitment,” “result,” “seek,” “pursue,” “ongoing,” “include” or in the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on our current plans or assessments which are believed to be reasonable as of the date of this filing. Forward-looking statements include, without limitation, statements set forth in this document and elsewhere regarding, among other things:

- the Debtors’ plan of reorganization or any amended plan of reorganization;
- the Term Loan Modification Term Sheet;
- pre- and post-restructuring financial condition, financing requirements, prospects, cash flow and ongoing impacts of the Reorganization on our operations;
- expectations of future growth, creation of shareholder value, revenue, foreign revenue contributions and net income, as well as income from operations, margins, earnings per share, cash flow and cash sufficiency levels, working capital, network development, customer migration and related costs, spending on and success with growth products, including broadband Internet, VOIP, wireless, local, data and hosting services, traffic development, capital expenditures, selling, general and administrative expenses, income tax and withholding tax expense, fixed asset and goodwill impairment charges, service introductions, cash requirements and potential asset sales;
- increased competitive pressures, declining usage patterns, and our growth products, bundled service offerings, the pace and cost of customer migration onto our networks, the effectiveness and profitability of the growth products;
- financing, refinancing, debt extension, de-leveraging, restructuring, exchange or tender plans or initiatives, and potential dilution of existing equity holders from such initiatives, whether in connection with the Reorganization or otherwise;
- liquidity and debt service forecast;
- assumptions regarding currency exchange rates;
- timing, extent and effectiveness of cost reduction initiatives and management’s ability to moderate or control discretionary spending;
- management’s plans, goals, expectations, guidance, objectives, strategies, and timing for future operations, acquisitions, asset dispositions, product plans, performance and results;
- management’s assessment of market factors and competitive developments, including pricing actions and regulatory rulings; and
- ability to generate net cash proceeds from the disposition of selective assets without material impairment to profitability.

Factors and risks that could cause actual results or circumstances to differ materially from those set forth or contemplated in forward looking statements include those set forth in “Risk Factors” as well as, without limitation:

- the ability of the Debtors to obtain requisite consent and support of the Term Loan lenders to the Reorganization, whether by amendment to the Term Loan in a manner consistent with the Term Loan Modification Term Sheet, or otherwise, and to obtain consent of certain noteholders to the treatment of the Term Loan lenders by amendment of the Term Loan agreement on the terms contemplated by the Term Loan Modification Term Sheet;
- the occurrence of any termination event under the Forbearance Agreement;
- the occurrence of a default or event of default under the Term Loan that is not covered by the waiver of Forbearance Defaults and Covenants under the Forbearance Agreement;
- to confirm and consummate the contemplated Chapter 11 plans of reorganization timely;
- the potential adverse impact of the Chapter 11 filings on the operations, management and employees of the Debtors and their subsidiaries, and the risks associated with operating businesses under Chapter 11 protection;
- the potential need to modify or amend the contemplated Chapter 11 plans of reorganization;
- professional fees incurred in the Chapter 11 Cases in excess of estimates;
- the potential need to secure an approved debtor-in-possession financing facility;
- customer, vendor, carrier and third-party responses to the Chapter 11 filings;
- potential adverse actions that may be pursued by certain senior lenders, including the Term Loan group;
- risk factors or uncertainties listed or identified in Bankruptcy Court filings or SEC filings in the future, as well as the factors affecting our ongoing business, as described below;
- changes in business conditions causing changes in the business direction and strategy by management;
- heightened competitive pricing and bundling pressures in the markets in which we operate;
- the ability to service substantial indebtedness;
- accelerated decrease in minutes of use on wireline phones;
- fluctuations in the exchange rates of currencies, particularly of the USD relative to foreign currencies of the countries where we conduct our foreign operations;
- adverse interest rate developments affecting our variable interest rate debt;
- difficulty in maintaining or increasing customer revenues and margins through our product initiatives and bundled service offerings, and difficulties in migrating and provisioning broadband and local customers to DSL networks;
- inadequate financial resources to promote and to market product initiatives;
- fluctuations in prevailing trade credit terms or revenues due to the adverse impact of, among other things, further telecommunications carrier bankruptcies or adverse bankruptcy related developments affecting our large carrier customers;
- the possible inability to raise additional capital when needed, on attractive terms, or at all;
- possible claims under our existing debt instruments which could impose constraints and limit our flexibility;

- the inability to service substantial indebtedness and to reduce, refinance, extend, exchange, tender for or restructure debt significantly, or in amounts sufficient to conduct regular ongoing operations, whether in connection with the Reorganization or otherwise;
- the impact of the delisting of our common stock from the Nasdaq Capital Market which may impair our ability to raise capital;
- further changes in the telecommunications or Internet industry, including rapid technological changes, regulatory and pricing changes in our principal markets and the nature and degree of competitive pressure that we may face;
- adverse tax or regulatory rulings from applicable authorities;
- enhanced broadband, DSL, Internet, wireless, VOIP, date and hosting and local and long distance voice telecommunications competition;
- changes in financial, capital market and economic conditions;
- changes in service offerings or business strategies, including the need to modify business models if performance is below expectations;
- difficulty in retaining existing long distance wireline and dial-up ISP customers;
- difficulty in migrating or retaining customers associated with acquisitions of customer bases, or integrating other assets;
- difficulty in selling new services in the marketplace;
- difficulty in providing broadband, DSL, local, VOIP, data and hosting or wireless services;
- changes in the regulatory schemes or requirements and regulatory enforcement in the markets in which we operate;
- restrictions on our ability to execute certain strategies or complete certain transactions as a result of our inexperience with new products, or limitations imposed by available cash resources, our capital structure or debt covenants;
- risks associated with our limited DSL, Internet, VOIP, data and hosting and wireless experience and expertise, including effectively utilizing new marketing channels such as interactive marketing employing the Internet;
- entry into developing markets;
- aggregate margin contribution from the new products is not sufficient in amount or timing to offset the margin decline in our legacy long distance voice and dial-up ISP businesses;
- the possible inability to hire and/or retain qualified executive management, sales, technical and other personnel;
- risks and costs associated with our effort to locate certain activities and functions off-shore;
- risks associated with international operations;
- dependence on effective information and billing systems;
- possible claims for patent infringement on products or processes employed in providing our services;
- dependence on third parties for access to their networks to enable us to expand and manage our global network and operations and to offer broadband, DSL, local, VOIP and wireless services, including dependence upon the cooperation of incumbent carriers relating to the migration of customers;
- dependence on the performance of our global standard asynchronous transfer mode and Internet-based protocol (ATM+IP) communications network; risks associated with maintaining and upgrading networks;

- adverse regulatory rulings or actions affecting our operations, including the imposition of taxes and fees, the imposition of obligations upon VOIP providers to provide enhanced 911 (E911) services and restricting access to broadband networks owned and operated by others, including the development of a national broadband network in Australia; and
- the potential further elimination or limitation of a substantial amount or all of our United States or foreign operating loss carryforwards due to the Reorganization, future significant issuances of equity securities, changes in ownership or other circumstances, which carryforwards would otherwise be available to reduce future taxable income.

As such, actual results or circumstances may vary materially from such forward looking statements or expectations. Readers are also cautioned not to place undue reliance on these forward looking statements which speak only as of the date these statements were made. We are not obligated to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposures relate to changes in foreign currency exchange rates, valuations of derivatives and to changes in interest rates.

Foreign currency can have a major impact on our financial results. Currently in excess of 81% of our net revenue was derived from sales and operations outside the United States. The reporting currency for our consolidated financial statements is the USD. The local currency of each country is the functional currency for each of our respective entities operating in that country. 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 have had and may continue to have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused primarily by fluctuations in the following exchange rates: USD/CAD, USD/AUD, USD/GBP, and USD/EUR. Due to the large percentage of our revenue derived outside of the United States, changes in the USD relative to one or more of the foregoing currencies could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the consolidated statements of operations. We historically have not engaged in hedging transactions. However, during the fourth quarter 2007, we completed a forward currency contract required by the Canadian Financing Facility and an interest rate swap. Despite the counterparty to the interest rate swap agreement entering bankruptcy in October 2008, management believed no breach or event of default had occurred in relation to the Canadian Credit Agreement. As of March 10, 2009, under the Waiver and Amendment Agreement described in Item 3 under caption “Canadian Financing Facility”, the Lenders under the Canadian Financing Facility waived any such possible breach or event of default. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because a majority of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

We are exposed to financial statement gains and losses as a result of translating the operating results and financial position of our international subsidiaries. We translate the local currency statements of operations of our foreign subsidiaries into USD using the average exchange rate during the reporting period. Changes in foreign exchange rates affect the reported profits and losses and cash flows and may distort comparisons from year to year. By way of example, when the USD strengthens compared to the EUR, there could be a negative or positive effect on the reported results for Europe, depending upon whether Europe is operating profitably or at a loss. It takes more profits in EUR to generate the same amount of profits in USD and a greater loss in EUR to generate the same amount of loss in USD. The opposite is also true. For instance, when the USD weakens there is a positive effect on reported profits and a negative effect on reported losses for Europe.

In the year ended December 31, 2008, as compared to the year ended December 31, 2007, the USD was weaker on average as compared to the AUD, CAD, and EUR, and stronger on average as compared to the GBP. As a result, our revenue of the subsidiaries whose local currency is AUD, CAD, GBP and EUR increased (decreased) (5)%, (2)%, 8% and (0)% in local currency compared to the year ended December 31, 2007, but increased (decreased) (3)%, (1)%, (2)% and 7% in USD, respectively.

Interest rates—The majority of our long-term debt obligations are at fixed interest rates at December 31, 2008. In February 2005, we obtained a $100 million senior secured loan facility, which has a variable interest rate feature. In March 2007, we entered into a $35 million senior secured credit agreement with a variable interest rate. The interest rate on the $35 million senior secured credit agreement had been fixed effective October 2007 after we completed a cross-currency interest rate swap agreement. The counter party to this agreement has filed for bankruptcy and we are now, again, paying a variable interest rate, effective with the Waiver and Amendment Agreement. We are exposed to interest rate risk as additional financing may be required. Our primary exposure to market risk stems from fluctuations in interest rates. See the discussion regarding the Senior Secured Credit Agreement within Management’s Discussion and Analysis-Short and Long-Term Liquidity Considerations and Risks.

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The interest rate sensitivity table below summarizes our market risks associated with fluctuations in interest rates for the year ended December 31, 2008 in USD, which is our reporting currency. The table presents principal cash flows and related weighted average interest rates by year of expected maturity for our senior notes, senior secured notes, senior secured term loan, convertible senior notes, exchangeable senior notes, step up convertible subordinated debentures, leased fiber capacity, and other long-term obligations in effect at December 31, 2008. This table is prepared assuming we will continue as a going concern without the possible effects of our Reorganization under Chapter 11 or the effects of the changes to the Canadian Financing Facility which became effective March 10, 2009 or changes to the Term Loan if modified pursuant to the Term Loan Modification Term Sheet. In the case of the convertible senior notes, exchangeable senior notes, step up convertible subordinated debentures and senior secured notes, the table excludes the potential exercise of the relevant redemption and conversion features and excludes an unamortized debt premium (net of discount) of $3.7 million and future cash interest payments of $23.3 million from our 5% Exchangeable Senior Notes and 14 1/4% Senior Secured Notes that are treated as long-term obligations (see Note 5—"Long-Term Obligations").

	Year of Maturity							
	2009	2010	2011	2012	2013	Thereafter	Total	Fair Value
				(in thousands, except percentages)				
Fixed Rate	$24,784	$62,200	$173,413	$35,087	$ 59	$186,033	$481,576	$ 90,430
Average Interest Rate	10.8%	4.8%	14.2%	9.2%	8.9%	8.0%	10.1%	
Variable Rate	$ 1,000	$ 1,000	$ 94,250	$ —	$—	$ —	$ 96,250	$62,563
Average Interest Rate	9.4%	9.4%	9.4%	0.0%	0.0%	0.0%	9.4%	

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, as a result of the material weakness described below, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Internal Control Over Financial Reporting.

As part of our compliance efforts relative to Section 404 of Sarbanes-Oxley Act of 2002, management assessed the effectiveness of internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*. Based on the assessment, management identified a material weakness in our internal control over accounting for income taxes. The material weakness in internal control related to a lack of documentation and insufficient historical analysis, primarily caused by insufficient time in the position for the new Corporate Tax Director, who started in the position on November 17, 2008. This short time period did not allow the new Corporate Tax Director enough time to establish a consistent application of controls surrounding documentation and historical analysis. His hiring was part of the remediation efforts related to the material weakness that was reconfirmed as of December 31, 2007. This material weakness was first identified as of December 31, 2006. On October 1, 2007, a Corporate Tax Director was hired as part of our remediation efforts. However, it was determined that his relatively brief tenure during 2007 did not allow him sufficient time to establish the necessary processes and reviews surrounding income tax accounting as of December 31, 2007. His resignation on September 5, 2008 and the fourth quarter resignation of our Canada controller, who was the key preparer for the Canadian entity's tax provision, led to a knowledge gap with respect to historical issues and conclusions and severely hampered our remediation efforts for 2008. These deficiencies represent a material weakness in internal control over financial reporting on the basis that there is more than a remote likelihood that a material misstatement in our interim or annual financial statements due to errors in accounting for income taxes could occur and would not be prevented or detected by our internal control over financial reporting. Because of this material weakness in internal control over financial reporting, management concluded that, as of December 31, 2008, our internal control over financial reporting was not effective based on the criteria set forth by COSO.

Management's report on internal control over financial reporting as of December 31, 2008 appears on page F-2 and is incorporated herein by reference. This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Discussion on Income Tax Material Weakness.

Our income tax accounting has significant complexity due to our business being property and equipment intensive, our varied types of refinancing and debt transactions, the significant number of foreign subsidiary legal entities and various tax planning strategies. To address this complexity, we restructured the United States tax department and hired both a senior manager of taxation for non-income tax matters and a Corporate Tax Director for oversight of the domestic, foreign and consolidated income tax responsibilities. In addition, we utilize third party tax advisors both to assist in the administrative and consolidation duties of preparing the income tax provision and disclosures and also to advise on matters beyond our in-house expertise. We believe that the personnel hired into these positions have the appropriate knowledge, experience and skills to maintain the proper controls over accounting for income taxes. However, the current Corporate Tax Director has been in the position only since November 17, 2008, which is not enough time to remediate our internal controls over accounting for income taxes.

To address the control weakness described above, we performed additional analysis and other procedures in order to prepare the consolidated financial statements in accordance with generally accepted accounting principles in the United States. Additionally, during the interim period without a Corporate Tax Director, we engaged a multi-national accounting firm to complete the third quarter income tax accounting and reporting responsibilities and also engaged them to assist the new Corporate Tax Director with the year-end requirements. Accordingly, management believes that the consolidated financial statements included in the Annual Report on Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

Changes in Internal Control.

Other than the changes in accounting for income taxes noted above, there have been no changes in our internal control over financial reporting or in other factors that could significantly affect internal controls over financial reporting, that occurred during the quarter ended December 31, 2008, that have materially affected, or is reasonably likely to affect materially, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain of the information required by Part III will be provided in our definitive proxy statement for our 2009 annual meeting of stockholders (involving the election of directors and possibly other matters), which definitive proxy statement will be filed pursuant to Regulation 14A not later than April 30, 2009 ("2009 Proxy Statement"), and is incorporated herein by this reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our directors is set forth under the caption entitled "Election of Directors" in our 2009 Proxy Statement and is incorporated herein by reference. Information relating to our executive officers is set forth in our 2009 Proxy Statement under the caption "Executive Officers, Directors and Key Employees" and is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

Our executive officer, directors and 10% stockholders are required under the Securities Exchange Act of 1934 to file with the Securities and Exchange Commission reports of ownership and changes in ownership in their holdings in our stock. Based solely on an examination of these reports, all such reports have been timely filed.

Code of Ethics

We have adopted a Code of Ethics applicable to all directors, officers and employees, including the chief executive officer, senior financial officers and other persons performing similar functions. The Code of Ethics is a statement of business practices and principles of behavior that support our commitment to conducting business while maintaining the highest standards of business conduct and ethics. Our Code of Ethics covers topics including, but not limited to, compliance resources, conflicts of interest, compliance with laws, rules and regulations, internal reporting of violations and accountability for adherence to the Code. A copy of the Code of Ethics is available on our website at www.primustel.com. Any amendment of the Code of Ethics or any waiver of its provisions for a director, executive officer or senior financial officer must be approved by the Board of Directors. We will publicly disclose any such waivers or amendments pursuant to applicable SEC and the Over-the-Counter Bulletin Board regulations.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding compensation of our officers and directors is set forth under the caption entitled "Executive Compensation" in our 2009 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding ownership of certain of our securities is set forth under the captions entitled "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in our 2009 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions with us is set forth under the caption entitled "Certain Relationships and Related Transactions" in our 2009 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table summarizes the aggregate fees paid by us to Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (in thousands):

	2008	2007
Audit fees (a)	$ 2,902.5	$ 4,087.1
Audit-related fees	—	—
Tax fees (b)	629.4	1,097.3
All other fees (c)	9.9	26.9
Total	$ 3,541.8	$ 5,211.3

(a) Fees for audit services include audit of annual financial statements, attestation of management's assessment of internal control, as required by the Sarbanes-Oxley Act of 2002, Section 404, reviews of quarterly financial statements, statutory and regulatory audits, comfort letters, consents and other matters related to SEC filings.

(b) Fees for tax services include corporate tax compliance and tax planning and advice for subsidiaries in the United States, Australia, the United Kingdom, Ireland, Switzerland and Denmark.

(c) Fees for other services include fees billed for permitted non-audit services.

In considering the nature of the services provided by Deloitte & Touche LLP, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the independent registered public accounting firm and management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

Pre-Approval Policy

The services performed by the independent registered public accounting firm in 2008 were pre-approved in accordance with the pre-approval policy and procedures adopted by the Audit Committee at its February 4, 2004 meeting, as amended at its February 9, 2005 meeting. This policy describes the permitted audit, audit-related, tax, and other services (collectively, the "Disclosure Categories") that the independent auditor may perform.

On a quarterly basis, the Audit Committee reviews a description of services (the "Service List") expected to be performed by the independent registered public accounting firm in each of the Disclosure Categories, the status of services and fees incurred year-to-date against the original Service List and pre-approval limits and the forecast of remaining services and fees for the fiscal year.

Services provided by the independent registered public accounting firm during the year and included in the Service List were pre-approved in accordance with the policies and procedures of the Audit Committee.

Any requests for audit, audit-related, tax, and other services contemplated on the Service List must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the Chairman of the Audit Committee. The Chairman must update the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

a) Financial Statements and Schedules

The financial statements as set forth under Item 8 of this report on Form 10-K are incorporated herein.

Financial Statement Schedules:	Page
(II) Valuation and Qualifying Accounts	S-1

All other financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

b) Exhibit listing

Exhibit Number	Description
2.1	First Amended Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors pursuant to Chapter 11 of the Bankruptcy Code, as filed with the Bankruptcy Court on April 8, 2009.*
2.2	Debtors' Disclosure Statement concerning First Amended Joint Plan of Reorganization, as filed with the Bankruptcy Court on April 8, 2009.*
3.1	First 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	Certificate of Amendment to First Amended and Restated Certificate of Incorporation of Primus; incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "2004 10-K").
3.3	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").
3.4	Registration Rights Agreement dated December 31, 2002, concerning the rights of the former holders of the Company's Series C Convertible Preferred Stock (the "2002 Registration Rights Agreement"); incorporated by reference to the Company's Form 8-K filed with the SEC on January 2, 2003.
3.5	Amendment No. 1 to the 2002 Registration Rights Agreement; incorporated by reference to Exhibit 4.2 to Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-3, No. 333-110234 (the "Resale S-3").
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, between Primus and Wachovia, N.A. including therein the form of the 8% senior notes; incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-4, No. 333-114981; filed with the SEC on April 29, 2004.
4.3	Supplemental Indenture dated as of February 26, 2007; incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 28, 2007.
4.4	Intentionally left blank.
4.5	Contractual/Governance Agreement dated November 4, 2003, the Company and certain stockholders; incorporated by reference to Exhibit 99.4 to the Schedule 13D/A filed by AIG Global Sports and Entertainment Fund, L.P. and related entities.

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Exhibit Number	Description
4.6	Indenture, dated February 27, 2006, between the Company and U.S. Bank National Association, as Trustee, concerning the Step Up Convertible Subordinated Debentures due 2009, including therein the form of the debentures; incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K file on March 2, 2006.
4.7	Intentionally left blank.
4.8	Intentionally left blank.
4.9	Intentionally left blank.
4.10	Intentionally left blank.
4.11	Intentionally left blank.
4.12	Intentionally left blank.
4.13	Intentionally left blank.
4.14	Indenture, dated October 15, 1999, between the Company and First Union National Bank including therein the form of the 12 3/4% senior notes; Incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-4, No. 333-90179, filed with the SEC on November 2, 1999.
4.15	Intentionally left blank.
4.16	Intentionally left blank.
4.17	Intentionally left blank.
4.18	Indenture among Primus Telecommunications Holding, Inc., Primus Telecommunications Group, Incorporated and U.S. Bank National Association, as Trustee, relating to the 5.00% Exchangeable Senior Notes due 2009 of Primus Telecommunications Holding, Inc.; incorporated by reference to Exhibit 4.24 to the Company's Registration Statement on Form S-3 dated July 18, 2006.
4.19	Form of Registration Rights Agreement dated June 28, 2006 among Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc. and the Purchasers of 5.00% Exchangeable Senior Notes due 2009 of Primus Telecommunications Holding, Inc.; incorporated by reference to Exhibit 4.25 to the Company's Registration Statement on Form S-3 dated July 18, 2006.
4.20	Indenture dated as of September 15, 2003 between the Company and Wachovia Bank, National Association, concerning the Company's 3 3/4% convertible notes, including therein the forms of the notes; incorporated by reference to Exhibit 4.1 of Post-Effective Amendment No.1 (No. 333-109902) to the Company's Registration Statement on Form S-3, filed with the SEC on February 2, 2004.
4.21	Registration Rights Agreement dated as of September 15, 2003 between the Company, Lehman Brothers Inc. and Harris Nesbitt Corp; incorporated by reference to Exhibit 4.2 of Post-Effective Amendment No.1 (No. 333-109902) to the Company's Registration Statement on Form S-3, filed with the SEC on February 2, 2004.
4.22	Form of Senior Debt Indenture under Universal Shelf Registration Statement on Form S-3 (No. 333-110241) (the "Universal S-3"); incorporated by reference to Exhibit 4.3 of the Universal S-3.
4.23	Form of Subordinated Debt Indenture under Universal S-3; incorporated by reference to Exhibit 4.4 of the Universal S-3.
4.24	Indenture, dated as of February 26, 2007, between Primus Telecommunications IHC, Inc., Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc., and U.S. Bank National Association, as Trustee (the "14 1/4% Notes Indenture"); incorporated by reference to Exhibit 4.2 of the Company's amended current report on Form 8-K/A dated March 16, 2007.

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Exhibit Number	Description
4.25	Registration Rights Agreement of Primus Telecommunications IHC, Inc., dated February 26, 2007 concerning its 14 $^{1}/_{4}$% Senior Secured Notes due 2011 (the "14 $^{1}/_{4}$% Senior Secured Notes"); incorporated by reference to Exhibit 4.3 of the Company's amended current report on Form 8-K/A dated March 16, 2007.
4.26	Collateral Agreement, dated as of February 26, 2007, made by each of the signatories (together with any future party hereto), in favor of U.S. Bank National Association, as collateral agent for the holders of the 14 $^{1}/_{4}$% Senior Secured Notes issued by Primus Telecommunications IHC, Inc. pursuant to the 14 $^{1}/_{4}$% Notes indenture; incorporated by reference to Exhibit 4.4 of the Company's amended current report on Form 8-K/A dated March 16, 2007.
4.27	Intercreditor Agreement, dated as of February 26, 2007, among Primus Telecommunications Holding, Inc., Primus Telecommunications Group, Incorporated, Primus Telecommunications IHC, Inc., Lehman Commercial Paper Inc., as administrative agent for the participants under the Term Loan Agreement, and U.S. Bank National Association, as collateral agent for the 14 $^{1}/_{4}$% Senior Secured Notes; incorporated by reference to Exhibit 4.5 of the Company's amended current report on Form 8-K/A dated March 16, 2007.
10.1	Senior Secured Credit Agreement dated as of March 27, 2007 (the "Credit Agreement") among Primus Telecommunications Canada, Inc. ("Primus Canada") as Borrower, 3082833 Nova Scotia Company, as an Obligor, Guggenheim Corporate Funding, LLC, as administrative agent and collateral agent, and the Lenders from time to time parties thereto; incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 2, 2007.
10.2	Term Loan Agreement, dated as of February 18, 2005; incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K dated February 25, 2005.
10.3	Guarantee and Collateral Agreement, dated as of February 18, 2005; incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K dated February 25, 2005.
10.4	Employment Agreement, dated April 26, 2007, between Primus and K. Paul Singh; incorporated by reference to Exhibit 10.4 of the Company's annual report on Form 10-K for the year ended December 31, 2007.
10.5	Primus Equity Incentive Plan, as amended (formerly known as Primus Stock Option Plan); incorporated by reference to Exhibit 10.5 of the 2004 10-K.**
10.6	Primus Director Compensation Plan; incorporated by reference to Exhibit 10.6 of the 2004 10-K.**
10.7	Form of Subscription Agreement, pursuant to the Company's Registration Statement on Form S-3 (File No. 333-110241), as supplemented by the Prospectus Supplement dated March 13, 2006; incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K dated March 15, 2006.
10.8	Second Amendment, dated as of February 22, 2007, to the Term Loan Agreement, dated as of February 18, 2005 (as amended, supplemented or otherwise modified in writing from time to time), among Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Lehman Brothers Inc., as advisor, Lehman Commercial Paper Inc., as syndication agent and administrative agent; incorporated by reference to Exhibit 10.1 of the Company's amended current report on Form 8-K/A dated March 16, 2007.

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Exhibit Number	Description
10.9	Waiver and Amendment Agreement to the Credit Agreement, dated as of March 10, 2009, among Primus Canada, as Borrower, 3082833 Nova Scotia Company, as an Obligor, Guggenheim Corporate Funding, LLC, as administrative agent and collateral agent, and the Lenders from time to time parties thereto; incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 16, 2009 (the "March 2009 8-K").
10.10	Plan Support Agreement dated March 16, 2009 (including Plan Term Sheet attached thereto).*
10.11	Supplemental Indenture Exhibit to Exhibit C of the Plan Support Agreement dated March 16, 2009.*
10.12	Primus Employee Stock Purchase Plan; incorporated by reference to Exhibit 10.15 of the 1997 Senior Note Registration Statement.**
10.13	Primus 401(k) Plan as amended; incorporated by reference to Exhibit 4.4 of the Primus Registration Statement on Form S-8 (No. 333-35005) and as amended on Post Effective Amendment No. 1 to Form S-8 filed with the SEC on March 26, 2003.
10.14	Term Loan Forbearance Agreement dated as of April 14, 2009, to the Term Loan Agreement dated as of February 18, 2005 (as amended, supplemented or otherwise modified in writing from time to time), among Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc., and other parties thereto.*
10.15	Term Loan Agreement Modification Term Sheet concerning the Term Loan Agreement dated as of February 18, 2005 (as amended, supplemented or otherwise modified in writing from time to time), among Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc., and other parties thereto.*
10.16	The Company's 1998 Restricted Stock Plan; incorporated by reference to Exhibit 10.33 to Amendment No. 1 to the Company's Registration Statement on Form S-3, No. 333-86839, filed with the Commission on September 17, 1999.
12.1	Ratio of Earnings to Fixed Charges.*
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Independent Registered Public Accounting Firm.*
31	Certifications.*
32	Certification.***

* Filed herewith.

** Compensatory benefit plan.

*** This certification is being "furnished" and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act (15 U.S.C. 78r) and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 15, 2009.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: /s/ K. PAUL SINGH

K. Paul Singh
Chairman of the Board, President and
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints K. Paul Singh, Thomas R. Kloster and Tracy B. Lawson, and each of them, his and her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and her and in his and her name, place and stead, in any and all capacities to sign any and all amendments to this Form 10-K of the Securities and Exchange Commission for the fiscal year of Primus Telecommunications Group, Incorporated ended December 31, 2008, and to file the same, with all exhibits thereto, and other documents in connection therewith, with authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his and her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ K. PAUL SINGH K. Paul Singh	Chairman, President and Chief Executive Officer (Principal Executive Officer) and Director	April 15, 2009
/s/ JOHN F. DEPODESTA John F. DePodesta	Executive Vice President, Chief Legal Officer, Chief Corporate Development Officer, Secretary and Director	April 15, 2009
/s/ THOMAS R. KLOSTER Thomas R. Kloster	Chief Financial Officer (Principal Financial Officer)	April 15, 2009
/s/ TRACY B. LAWSON Tracy B. Lawson	Vice President—Corporate Controller (Principal Accounting Officer)	April 15, 2009
/s/ DAVID E. HERSHBERG David E. Hershberg	Director	April 15, 2009
/s/ DOUGLAS M. KARP Douglas M. Karp	Director	April 15, 2009
/s/ PRADMAN KAUL Pradman Kaul	Director	April 15, 2009
/s/ PAUL G. PIZZANI Paul G. Pizzani	Director	April 15, 2009
/s/ JOHN PUENTE John Puente	Director	April 15, 2009

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Primus Telecommunications Group, Incorporated ("Primus" or the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on management's assessment and those criteria, management concludes that Primus did not maintain effective internal control over financial reporting as of December 31, 2008, due to the material weakness in the Company's internal control over accounting for income taxes (details provided in Item 9A. Controls and Procedures of the Company's Annual Report on Form 10-K for the period ended December 31, 2008). This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

/s/ K. PAUL SINGH **K. Paul Singh** **Chairman, President and Chief Executive Officer and Director**	April 15, 2009
/s/ THOMAS R. KLOSTER **Thomas R. Kloster** **Chief Financial Officer (Principal Financial Officer)**	April 15, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Primus Telecommunications Group, Incorporated and subsidiaries
McLean, Virginia

We have audited the accompanying consolidated balance sheets of Primus Telecommunications Group, Incorporated and subsidiaries (in reorganization under Chapter 11 of the Federal Bankruptcy Code since March 16, 2009—See Note 2) (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the financial statements, the Company has filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (3) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (4) as to operations, the effect of any changes that may be made in its business.

The accompanying consolidated financial statements for the year ended December 31, 2008, have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's negative working capital, stockholders' deficit, and inability to generate sufficient cash flow to meet its obligations that resulted in its filing for bankruptcy raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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As discussed in Note 6 to the consolidated financial statements, in 2007 the Company changed its method of accounting for uncertain tax positions to conform to Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

/s/ Deloitte & Touche LLP

McLean, Virginia
April 15, 2009

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	For the Year Ended December 31, 2008	2007	2006
NET REVENUE	$ 895,863	$896,029	$ 993,034
OPERATING EXPENSES			
Cost of revenue (exclusive of depreciation included below)	569,865	551,303	653,905
Selling, general and administrative	260,430	281,010	278,951
Depreciation and amortization	32,791	30,529	47,002
(Gain) loss on sale or disposal of assets	(6,028)	1,463	14,158
Asset impairment write-down	—	—	206,139
Total operating expenses	857,058	864,305	1,200,155
INCOME (LOSS) FROM OPERATIONS	38,805	31,724	(207,121)
INTEREST EXPENSE	(53,888)	(61,347)	(54,128)
ACCRETION ON DEBT PREMIUM (DISCOUNT), NET	583	(449)	(1,732)
CHANGE IN FAIR VALUE OF DERIVATIVES EMBEDDED WITHIN CONVERTIBLE DEBT	—	—	5,373
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT, NET	36,872	(7,652)	7,409
INTEREST AND OTHER INCOME	120	5,665	3,694
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(47,563)	32,699	10,668
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(25,071)	640	(235,837)
INCOME TAX BENEFIT (EXPENSE)	366	9,232	(4,863)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(24,705)	9,872	(240,700)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(326)	(268)	(4,673)
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	—	6,132	7,415
NET INCOME (LOSS)	$ (25,031)	$ 15,736	$ (237,958)
BASIC INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations	$ (0.17)	$ 0.07	$ (2.14)
Loss from discontinued operations	(0.01)	(0.00)	(0.05)
Gain from sale of discontinued operations	—	0.05	0.07
Net income (loss)	$ (0.18)	$ 0.12	$ (2.12)
DILUTED INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations	$ (0.17)	$ 0.06	$ (2.14)
Loss from discontinued operations	(0.01)	(0.00)	(0.05)
Gain from sale of discontinued operations	—	0.03	0.07
Net income (loss)	$ (0.18)	$ 0.09	$ (2.12)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	142,643	128,771	112,366
Diluted	142,643	196,470	112,366

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,000	$ 81,282
Restricted cash	—	362
Accounts receivable (net of allowance for doubtful accounts receivable of $9,710 and $12,039)	99,483	113,588
Prepaid expenses and other current assets	15,846	28,660
Total current assets	152,329	223,892
RESTRICTED CASH	8,133	9,677
PROPERTY AND EQUIPMENT—Net	112,152	144,599
GOODWILL	32,688	40,134
OTHER INTANGIBLE ASSETS—Net	746	1,557
OTHER ASSETS	24,396	40,544
TOTAL ASSETS	$ 330,444	$ 460,403
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 58,671	$ 74,893
Accrued interconnection costs	41,422	44,911
Deferred revenue	13,303	16,513
Accrued expenses and other current liabilities	42,440	54,420
Accrued income taxes	18,213	30,791
Accrued interest	10,248	12,460
Current portion of long-term obligations	564,797	11,228
Total current liabilities	749,094	245,216
LONG-TERM OBLIGATIONS	40,040	662,675
OTHER LIABILITIES	2,849	52
Total liabilities	791,983	907,943
COMMITMENTS AND CONTINGENCIES (See Note 8.)		
STOCKHOLDERS' DEFICIT:		
Preferred stock: Not Designated, $0.01 par value—1,410,050 shares authorized; none issued and outstanding; Series A and B, $0.01 par value—485,000 shares authorized; none issued and outstanding; Series C, $0.01 par value—559,950 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value—300,000,000 shares authorized; 142,695,390 and 142,632,540 shares issued and outstanding	1,427	1,426
Additional paid-in capital	718,956	718,695
Accumulated deficit	(1,099,809)	(1,074,778)
Accumulated other comprehensive loss	(82,113)	(92,883)
Total stockholders' deficit	(461,539)	(447,540)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 330,444	$ 460,403

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Deficit
BALANCE, JANUARY 1, 2006	105,255	$ 1,053	$686,196	$ (844,895)	$ (78,688)	$ (236,334)
Common shares issued for cash	6,667	66	4,934	—	—	5,000
Common shares issued under employee stock purchase plan	102	1	57	—	—	58
Common shares issued in exchange for the Company's senior notes	1,825	18	1,333	—	—	1,351
Stock option compensation expense	—	—	545	—	—	545
Offering cost for sale of stock	—	—	(124)	—	—	(124)
Foreign currency translation adjustment	—	—	—	—	(793)	(793)
Net loss	—	—	—	(237,958)	—	(237,958)
BALANCE, DECEMBER 31, 2006	113,849	1,138	692,941	(1,082,853)	(79,481)	(468,255)
Common shares issued in private equity offering	22,500	225	19,124	—	—	19,349
Offering cost for sale of stock	—	—	(179)	—	—	(179)
Common shares issued for compensation	284	3	(3)	—	—	—
Common shares issued in exchange for the Company's debentures	6,000	60	6,566	—	—	6,626
Stock option compensation expense	—	—	246	—	—	246
Adjustment from implementation of FIN No. 48	—	—	—	(7,661)	—	(7,661)
Foreign currency translation adjustment	—	—	—	—	(13,402)	(13,402)
Net income	—	—	—	15,736	—	15,736
BALANCE, DECEMBER 31, 2007	142,633	1,426	718,695	(1,074,778)	(92,883)	(447,540)
Common shares issued for vesting of restricted stock units	62	1	(1)	—	—	—
Stock option compensation expense	—	—	262	—	—	262
Foreign currency translation adjustment	—	—	—	—	10,770	10,770
Net loss	—	—	—	(25,031)	—	(25,031)
BALANCE, DECEMBER 31, 2008	142,695	$ 1,427	$ 718,956	$(1,099,809)	$ (82,113)	$ (461,539)

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended December 31,		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (25,031)	$ 15,736	$ (237,958)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for doubtful accounts receivable	11,940	10,493	15,094
Stock compensation expense	262	246	545
Depreciation and amortization	32,798	30,594	48,156
(Gain) loss on sale or disposal of assets	(6,028)	(4,668)	8,706
Asset impairment write-down	—	—	209,248
Accretion of debt discount	(583)	449	1,732
Change in fair value of derivatives embedded within convertible debt	—	—	(5,373)
Deferred income taxes	5,838	(12,463)	—
(Gain) loss on early extinguishment of debt	(36,872)	7,652	(7,409)
Minority interest share of gain (loss)	3,159	—	(1,110)
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	48,588	(34,862)	(11,736)
Changes in assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable	(15,658)	5,275	14,825
(Increase) decrease in prepaid expenses and other current assets	10,191	(1,556)	9,367
Decrease in other assets	1,877	2,309	1,173
Increase in accounts payable	(5,930)	(2,652)	(18,427)
Increase (decrease) in accrued interconnection costs	2,243	(6,244)	(18,210)
Increase (decrease) in accrued expenses, deferred revenue, other current liabilities and other liabilities	(5,640)	(2,029)	1,823
Increase (decrease) in accrued income tax	(10,625)	4,352	2,000
Increase (decrease) in accrued interest	(1,750)	(1,165)	424
Net cash provided by operating activities	8,779	11,467	12,870
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(25,441)	(44,745)	(33,016)
Sale of property and equipment and intangible assets	5,756	—	—
Cash from disposition of business, net of cash disposed	1,676	6,140	12,947
Cash used in business acquisitions, net of cash acquired	(583)	(200)	(227)
(Increase) decrease in restricted cash	(102)	(668)	2,427
Net cash used in investing activities	(18,694)	(39,473)	(17,869)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of the Company's debt securities	(11,534)	—	—
Proceeds from issuance of long-term obligations	—	109,275	35,291
Deferred financing costs	—	(6,570)	(2,850)
Principal payments on long-term obligations	(16,545)	(80,415)	(11,907)
Proceeds from sale of common stock, net of issuance costs	—	19,170	4,934
Net cash provided by (used in) financing activities	(28,079)	41,460	25,468
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(6,288)	3,511	849
NET CHANGE IN CASH AND CASH EQUIVALENTS	(44,282)	16,965	21,318
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	81,282	64,317	42,999
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 37,000	$ 81,282	$ 64,317
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	$ 53,442	$ 59,933	$ 51,487
Cash paid for taxes	$ 1,908	$ 1,056	$ 2,971
Non-cash investing and financing activities:			
Capital lease additions	$ 775	$ 2,418	$ 135
Leased fiber capacity additions	$ —	$ 1,786	$ —
Property and equipment, accrued in current liabilities	$ —	$ 883	$ —
Settlement of outstanding debt with issuance of common stock	$ —	$ 6,626	$ 1,351
Settlement of outstanding debt with issuance of new convertible debt	$ —	$ —	$ (27,417)
Issuance of new convertible debt in exchange for convertible subordinated debentures	$ —	$ —	$ 27,481
Settlement of outstanding debt with issuance of new exchangeable debt	$ —	$ —	$ (54,750)
Issuance of new exchangeable debt in exchange for convertible senior debentures	$ —	$ —	$ 47,102
Settlement of outstanding debt with issuance of new senior secured debt	$ (133,159)	$ —	$ —
Issuance of new senior secured debt in exchange for outstanding debt	$ 88,794	$ —	$ —
Business disposition proceeds in note receivable	$ —	$ 845	$ —
Business acquisition financed with note payable	$ 247	$ —	$ —

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	For the Year Ended December 31,		
	2008	2007	2006
NET INCOME (LOSS)	$ (25,031)	$ 15,736	$ (237,958)
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	10,770	(13,402)	(444)
Reclassification of foreign currency translation adjustment for loss from the foreign business disposition included in net loss	—	—	(349)
COMPREHENSIVE INCOME (LOSS)	$ (14,261)	$ 2,334	$ (238,751)

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Primus Telecommunications Group, Incorporated, ("Primus" or the "Company") is an integrated telecommunications services provider offering a portfolio of international and domestic voice, wireless, Internet, voice-over-Internet protocol (VOIP), data and hosting services to business and residential retail customers and other carriers located primarily in the United States, Australia, Canada, the United Kingdom and western Europe. The Company's focus is to service the demand for high quality, competitively priced communications services that is being driven by the globalization of the world's economies, the worldwide trend toward telecommunications deregulation and the growth of broadband, Internet, VOIP, wireless and data traffic.

The Company targets customers with significant telecommunications needs, including small- and medium-sized enterprises (SMEs), multinational corporations, residential customers, and other telecommunications carriers and resellers. The Company provides services over its global network, which consists of:

- 18 carrier-grade international gateway and domestic switching systems (the hardware/software devices that direct the voice traffic across the network) in the United States, Canada, Europe and the Asia-Pacific region;
- approximately 500 interconnection points to the Company's network, or points of presence (POPs), which includes digital subscriber line access (DSLAM), within its service regions and other markets;
- undersea and land-based fiber optic transmission line systems that the Company owns or leases and that carry voice and data traffic across the network; and
- global network and data centers that use a high-bandwidth network standard (asynchronous transfer mode) and Internet-based protocol (ATM+IP) to connect with the network. The global VOIP network is based on routers and gateways with an open network architecture which connects the Company's partners in over 150 countries.

The Company is incorporated in the state of Delaware and operates as a holding company of wholly-owned operating subsidiaries primarily in the United States, Canada, Australia, the United Kingdom and western Europe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern and Voluntary Reorganization under Chapter 11—The consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which reflects the realization of assets and liquidation of liabilities in the normal course of business. The Company's negative working capital, stockholders' deficit, and inability to generate sufficient cash flow to meet its obligations give rise to substantial doubt about the Company's ability to meet cash needs for operations and debt service over the next twelve months and have resulted in filing for voluntary reorganization under Chapter 11 of the bankruptcy code on March 16, 2009 as described below. The Company is uncertain as to the outcome of its petitions for reorganization relief, so at this time, it can not predict if and when it would emerge as a restructured company. Therefore, substantial doubt exists about the Company's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that might result from this uncertainty, including those relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

On March 16, 2009 (the "Petition Date"), Primus Telecommunications Group, Incorporated ("Group" or "PTGI"), and three of its subsidiaries, Primus Telecommunications Holding, Inc. ("Holding" or "PTHI"), Primus

Telecommunications International, Inc. ("PTII") and Primus Telecommunications IHC, Inc., ("IHC" and together with Group, Holding and PTII, collectively, the "Debtors") each filed a voluntary petition (collectively, the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") for reorganization relief ("Reorganization") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as amended (the "Bankruptcy Code"). The Reorganization remains subject to Bankruptcy Court confirmation and a creditors' committee has not been appointed in these cases by the United States Trustee. Also on the Petition Date, the Debtors filed a plan of reorganization and disclosure statement with respect thereto. On April 8, 2009, the Debtors filed the First Amended Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors (the "Plan") and the disclosure statement with respect to the Plan (the "Disclosure Statement").

As petitioned, the Debtors will continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Group's subsidiaries other than Holding, IHC and PTII are not part of the plan of reorganization of the Debtors. Operating subsidiary companies, including those in the United States, Australia, Canada, India, Europe and Brazil (the "Operating Subsidiaries"), are not party to the Reorganization and are expected to continue to manage and to operate their businesses without interruption. Employees, customers, suppliers and partners of these Operating Subsidiaries should be unaffected by the filing of the Chapter 11 Cases.

On March 16, 2009, the Debtors entered into a plan support agreement (the "Plan Support Agreement") with the holders of more than the majority of the outstanding principal amount of IHC's 14 1/4% Senior Secured Notes due May 2011 (the "14 1/4% Senior Secured Notes") and more than the majority of the combined outstanding principal amount of Holding's 5% Exchangeable Senior Notes due June 2010 and 8% Senior Notes due January 2014 (collectively, the "Senior Notes"). The parties to the Plan Support Agreement have agreed to support a plan of reorganization of the Debtors on the terms and conditions set forth in the plan term sheet to the Plan Support Agreement (the "Plan Term Sheet") and not to support, directly or indirectly, any other plan, in exchange for the Debtors' agreement to implement all steps necessary to solicit the requisite acceptances of such plan and obtain from the Bankruptcy Court an order confirming such plan in accordance with the terms of the Plan Support Agreement. The Plan Support Agreement may be terminated under certain circumstances, including in the event that such plan and related disclosure statement are not approved by certain deadlines, such plan is not consummated within a certain period of time after its filing with the Bankruptcy Court, a party materially breaches the Plan Support Agreement, a trustee or examiner with enlarged powers relating to the Debtors' business is appointed in the Chapter 11 Cases, the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code or the Bankruptcy Court grants relief that is inconsistent with the Plan Support Agreement or the Plan Term Sheet.

Certain lenders, who were not party to the Plan Support Agreement, under the $100 million senior secured term loan among Holding and Group (as obligors) and certain affiliated subsidiary guarantors (the "Term Loan") have (i) agreed to a term sheet dated April 14, 2009 concerning a Term Loan amendment that is to be documented and executed upon satisfaction of a number of conditions precedent, including replacement of the Administrative Agent and establishment of a replacement Administrative Agent, and (ii) executed a forbearance agreement in which Term Loan lenders have agreed to forbear from exercising rights and remedies related to certain defaults and events of default under the Term Loan. The Term Loan amendment is subject to the consent of certain noteholders of the Debtors. The Term Loan forbearance agreement and Term Loan term sheet reflect the elevated nature of negotiations with the senior secured Term Loan lenders concerning support by the Term Loan lenders of a plan of reorganization of the Debtors, provided modification of the Term Loan can be effected as contemplated by the Term Loan term sheet; however, a definitive amendment to the Term Loan has not been negotiated and documented in full, and such amendment is subject to consent by certain noteholders under the Plan and ultimately must be approved by the Bankruptcy Court. (See Note 5—"Long-Term Obligations—Senior Secured Term Loan Facility")

The Term Loan is guaranteed by Group, PTII, IHC, Holding and certain of Holding's United States operating subsidiaries and is secured by certain assets of Holding and of certain United States operating subsidiaries and by partial stock pledges of certain foreign subsidiaries. If the Company is unsuccessful in obtaining Bankruptcy Court approval and the requisite approval of the creditors in the Chapter 11 Cases, and depending on the subsequent actions of the Term Loan lenders, the Company may seek a stay from the Bankruptcy Court to prevent the Term Loan lenders from seeking to enforce any claim against the United States non-Debtor guarantors, including the related collateral.

In addition, the Company has obtained waivers of the lenders under a Canadian Financing Facility (see Note 5—"Long-Term Obligations") with regard to the Chapter 11 Cases and the Reorganization.

Under the proposed plan of reorganization contemplated by the Plan Term Sheet:

- Holding's Term Loan facility due February 2011 will be reinstated; provided that the terms of the reinstated Term Loan facility may be improved, subject to the consent of the requisite holders of the 14 $^{1}/_{4}$% Senior Secured Notes and Senior Notes, which consent shall not be unreasonably withheld; and provided further that if the holders of the Term Loan facility contest this treatment, the Debtors reserve the right to impair such claims, subject to the consent of the requisite holders of 14 $^{1}/_{4}$% Senior Secured Notes and Senior Notes, which consent shall not be unreasonably withheld; (Subsequent to the execution of the Plan Support Agreement, the Primus Term Loan Parties executed a forbearance agreement and agreed to a term sheet with certain Term Loan lenders. See Note 5—Long-Term Obligations.)
- holders of 14 $^{1}/_{4}$% Senior Secured Notes will receive (a) their pro rata reinstatement of $123.5 million of 14 $^{1}/_{4}$% Senior Secured Notes, subject to certain modifications, (b) their pro rata share of 50% of the new outstanding equity of Group upon its emergence from bankruptcy ("Reorganized Group") (excluding the management shares described below), and (c) all reasonable fees, expenses and disbursements of their counsel;
- holders of the Senior Notes will receive (a) their pro rata share of 50% of the new outstanding equity of Reorganized Group (excluding the management shares described below), (b) their pro rata share of warrants to purchase up to 30% of the new outstanding equity of Reorganized Group (including the management shares described below) on terms described further in the Plan Term Sheet, and (c) all reasonable fees, expenses and disbursements of their counsel;
- holders of the 3 $^{3}/_{4}$% Senior Notes due September 2010, 12 $^{3}/_{4}$% Senior Notes due October 2009 and Step Up Convertible Subordinated Debentures due August 2009 issued by Group (collectively, the "Group Notes") will receive their pro rata share of warrants to purchase up to 15% of the new outstanding equity of Reorganized Group (including the management shares described below) on terms described further in the Plan Term Sheet;
- holders of Group's outstanding common stock will receive their pro rata share of contingent value rights ("CVRs") to acquire up to approximately 15% of the fully diluted new equity of Reorganized Group after the enterprise value of Reorganized Group reaches or exceeds $700 million; provided, however, that in no case shall the issuance of common stock of Reorganized Group in respect of the CVRs lower the recovery for the holders of 14 $^{1}/_{4}$% Senior Secured Notes, Senior Notes or Group Notes to less than the recovery to such holders prior to the conversion of the CVRs into common stock; and
- restricted stock units comprising 4% of the outstanding new equity of Reorganized Group will be issued to the senior management of the Debtors on terms to be set forth in an exhibit to the plan of reorganization, and warrants to acquire up to 6% of the new outstanding equity of Reorganized Group (including the management shares described above) will be available for distribution to the management of the Debtors through a management compensation plan.

Principles of Consolidation—The consolidated financial statements include the Company's accounts, its wholly-owned subsidiaries and all other subsidiaries over which the Company exerts control. The Company owns 45.6% of Globility Communications Corporations (GCC) through direct and indirect ownership structures.

The results of GCC and its subsidiary are consolidated with the Company's results based on guidance from Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (R), "Consolidation of Variable Interest Entities-an Interpretation of Accounting Research Bulletins (ARB) No. 51." All intercompany profits, transactions and balances have been eliminated in consolidation. In fourth quarter 2008, the Company intended and had the authority to sell certain assets of its Japan retail operations, and therefore, reported this unit as discontinued operations (see Note 21—"Subsequent Events"). Beginning in the second quarter 2008, the Company intended and had the authority to sell certain assets of its German retail operations, and therefore, reported this unit as discontinued operations. In March 2008, the Company sold its minority equity interest in Bekkoame Internet, Inc. ("Bekko"). The Company used the equity method of accounting for its investment in Bekko.

Revenue Recognition and Deferred Revenue—Net revenue is derived from carrying a mix of business, residential and carrier long distance traffic, data and Internet traffic, and also from the provision of hosting, local and wireless services.

For certain voice services, net revenue is earned based on the number of minutes during a call and is recorded upon completion of a call. Revenue for a period is calculated from information received through the Company's network switches. Customized software has been designed to track the information from the switch and analyze the call detail records against stored detailed information about revenue rates. This software provides the Company the ability to do a timely and accurate analysis of revenue earned in a period. Separate prepaid services software is used to track additional information related to prepaid service usage such as activation date, monthly usage amounts and expiration date. Revenue on these prepaid services is recognized as service is provided until expiration when all unused minutes, which are no longer available to the customers, are recognized as revenue.

Net revenue is also earned on a fixed monthly fee basis for unlimited local and long distance voice plans and for the provision of data/Internet services (including retail VOIP), hosting, and collocation. Data/Internet services include monthly fees collected for the provision of dedicated and dial-up access at various speeds and bandwidths. These fees are recognized as access is provided on a monthly basis. Additionally, service activation and installation fees are deferred and amortized over the longer of the average customer life or the contract term. The Company records payments received in advance for services and services to be provided under contractual agreements, such as Internet broadband, dial-up access, hosting, and collocation, as deferred revenue until such related services are provided.

A portion of revenue, representing less than 1% of total revenue, is earned from the sale of wireless handsets and VOIP routers. The Company applies the provisions of Emerging Issues Task Force (EITF) Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," which provides guidance on when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. The Company has concluded that EITF Issue No. 00-21 requires the Company to account for the sale of wireless handsets and VOIP routers and the related cost of handset and router revenues as a separate unit of accounting when title to the handset or router passes to the customer. Revenue recognized is the portion of the activation fees allocated to the router or handset unit of accounting in the statement of operations when title to the router or handset passes to the customer. The Company defers the portion of the activation fees allocated to the service unit of accounting, and recognizes such deferred fees on a straight-line basis over the contract life in the statement of operations.

Net revenue represents gross revenue, net of allowance for doubtful accounts receivable, service credits and service adjustments.

Presentation of Taxes Collected—The Company reports any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between the Company and a customer (including sales, use, value-added and some excise taxes) on a net basis (excluded from revenues).

Cost of Revenue—Cost of revenue includes network costs that consist of access, transport and termination costs. A portion of cost of revenue, representing less than 1% of total cost of revenue, consists of the product cost of wireless handsets and VOIP routers. The majority of the Company's cost of revenue is variable, primarily based upon minutes of use, with transmission and termination costs being the most significant expense. Such costs are recognized when incurred in connection with the provision of telecommunications services.

Foreign Currency Transaction—Foreign currency transactions are transactions denominated in a currency other than a subsidiary's functional currency. A change in the exchange rates between a subsidiary's functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in expected functional currency cash flows is reported by the Company as a foreign currency transaction gain (loss). The primary component of the Company's foreign currency transaction gain (loss) is due to written agreements in place with certain subsidiaries in foreign countries regarding intercompany loans. The Company anticipates repayment of these loans in the foreseeable future, and recognizes the realized and unrealized gains or losses on these transactions that result from foreign currency changes in the period in which they occur as foreign currency transaction gain (loss).

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. On January 1, 2007, the Company adopted FIN No. 48, "Accounting for Uncertainty in Income Taxes." FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards (SFAS) Statement No. 109, "Accounting for Income Taxes."

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. The net effect of such translation gains and losses are reflected within accumulated other comprehensive loss in the stockholders' deficit section of the balance sheet. Income and expenses are translated at the average exchange rate during the period.

Cash and Cash Equivalents—Cash and cash equivalents are comprised principally of amounts in money market accounts, operating accounts, certificates of deposit, and overnight repurchase agreements with original maturities of three months or less.

Restricted Cash—Restricted cash consists of bank guarantees and certificates of deposit utilized to support letters of credit and contractual obligations.

Advertising Costs—In accordance with Statement of Position 93-7, "Reporting on Advertising Costs," costs for advertising are expensed as incurred. Advertising expense for the years ended December 31, 2008, 2007 and 2006 was $18.0 million, $21.5 million and $22.6 million, respectively.

Property and Equipment—Property and equipment is recorded at cost less accumulated depreciation, which is provided on the straight-line method over the estimated useful lives of the assets. Cost includes major expenditures for improvements and replacements which extend useful lives or increase capacity of the assets as well as expenditures necessary to place assets into readiness for use. Expenditures for maintenance and repairs are expensed as incurred. The estimated useful lives of property and equipment are as follows: network equipment—5 to 8 years, fiber optic and submarine cable—8 to 25 years, furniture and equipment—5 years, leasehold improvements and leased equipment—shorter of lease or useful life. In accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," costs for internal use software that are incurred in the preliminary project stage and in the post-implementation stage are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software.

Fiber Optic and Submarine Cable Arrangements—The Company obtains capacity on certain fiber optic and submarine cables under three types of arrangements. The Indefeasible Right of Use ("IRU") basis provides the Company the right to use a cable for the estimated economic life of the asset according to the terms of the IRU agreement with most of the rights and duties of ownership. The Minimum Assignable Ownership Units ("MAOU") basis provides the Company an ownership interest in the fiber optic cable with certain rights to control and to manage the facility. The Company accounts for both IRU and MAOU agreements under network equipment and depreciates the recorded asset over the term of the agreement which is generally 25 years. The Company also enters into shorter-term arrangements with other carriers which provide the Company the right to use capacity on a cable but without any rights and duties of ownership. Under these shorter-term arrangements, the costs are expensed in the period the services are provided.

Goodwill and Other Intangible Assets—Under SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually (October 1 for Primus) for impairment, or more frequently, if impairment indicators arise. Such indication occurred as of December 31, 2008 when the fair value of the Company's publicly traded debt dropped significantly since October 1, 2008; however, after performing Step 1 of the impairment test under SFAS No. 142, no impairment was identified as the fair value was greater than the book value of each reporting unit. Intangible assets that have finite lives will be amortized over their useful lives and are subject to the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Impairment analysis for goodwill and other indefinite lived intangible assets is also triggered by the performance of a SFAS No. 144 analysis.

The Company's reporting units are the same as its operating segments as each segment's components have been aggregated and deemed a single reporting unit because they have similar economic characteristics. Each component is similar in that they each provide telecommunications services for which all of the resources and costs are drawn from the same pool, and are evaluated using the same business factors by management. Furthermore, segment management measures results and allocates resources for the segment as a whole and utilizes country by country financials for statutory reporting purposes.

Goodwill impairment is tested using a two-step process that begins with an estimation of the fair value of each reporting unit. The first step is a screen for potential impairment by comparing the fair value of a reporting unit with its carrying amount. The second step measures the amount of impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with its carrying amount.

In estimating fair value of its reporting units, the Company compares market capitalization of its common stock, distributed between the reporting units based on adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) projections, to the equivalent carrying value (total assets less total liabilities) of such reporting unit. When its carrying value of a reporting unit is a negative value, the Company proceeds to use alternative valuation techniques. These techniques include comparing total fair value of invested capital, distributed between the reporting units based on adjusted EBITDA projections, to the equivalent carrying value (book equity plus book long-term obligations). The carrying value of each reporting unit includes an allocation of the corporate invested capital based on relative size of the reporting units' intercompany payables and invested capital. Using the Company's adjusted EBITDA projections is a judgment item that can significantly affect the outcome of the analysis, both in basing the allocation on the most relevant time period as well as in allocating fair value between reporting units. For the interim test performed as of December 31, 2008 as discussed above, the Company used other methods that indicated a control premium on the value of the Company, as opposed to an allocation of the market capitalization. To develop the fair value used for the December 31, 2008 evaluation, the Company used an average value calculated under the discounted cash flow method and the comparative transaction method. The Company derives future cash flow estimates from its historical experience and its internal business plans, which include consideration of industry trends, competitive actions, technology changes, regulatory actions, available financial resources for marketing and capital expenditures and changes in its underlying cost structure.

Valuation of Long-Lived Assets—The Company reviews intangible and other long-lived assets whenever events or changes indicate that the carrying amount of an asset may not be recoverable. In making such evaluations, the Company compares the expected undiscounted future cash flows to the carrying amount of the assets. If the total of the expected undiscounted future cash flows is less than the carrying amount of the assets, the Company is required to make estimates of the fair value of the long-lived assets in order to calculate the impairment loss equal to the difference between the fair value and carrying value of the assets.

The Company makes significant assumptions and estimates in this process regarding matters that are inherently uncertain, such as determining asset groups and estimating future cash flows, remaining useful lives, discount rates and growth rates. The resulting undiscounted cash flows are projected over an extended period of time, which subjects those assumptions and estimates to an even larger degree of uncertainty. While the Company believes that its estimates are reasonable, different assumptions could materially affect the valuation of the long-lived assets. During 2006, the Company completed an evaluation of its expected future cash flows compared to the carrying value of its assets based on estimates of its expected results of operations and recorded an impairment. The Company derives future cash flow estimates from its historical experience and its internal business plans, which include consideration of industry trends, competitive actions, technology changes, regulatory actions, available financial resources for marketing and capital expenditures and changes in its underlying cost structure.

The Company has concluded that it has one asset group; the network. This is due to the nature of its telecommunications network which utilizes all of the points of presence (POPs), switches, cables and various other components throughout the network to form seamlessly the telecommunications gateway over which its products and services are carried for any given customer's phone call or data or Internet transmission. Furthermore, outflows to many of the external network providers are not separately assignable to revenue inflows for any phone call or service plan.

The Company makes assumptions about the remaining useful life of its long-lived assets. The assumptions are based on the average life of its historical capital asset additions, its historical asset purchase trend and that its primary assets, its network switches, have an 8-year life. Because of the nature of its industry, the Company also assumes that the technology changes in the industry render all equipment obsolete with no salvage value after their useful lives. In certain circumstances in which the underlying assets could be leased for an additional period of time, the Company has included such estimated cash flows in its estimate.

The estimate of the appropriate discount rate to be used to apply the present value technique in determining fair value was the Company's weighted average cost of capital which is based on the effective rate of its long- term debt obligations at the current market values as well as the current volatility and trading value of the Company's common stock.

Deferred Financing Costs—Deferred financing costs incurred in connection with the senior secured notes due 2011 ("14 1/4% Senior Secured Notes"), the step up convertible subordinated debentures due August 2009 ("Step Up Convertible Subordinated Debentures"), the senior secured term loan facility (the "Facility"), the 8% senior notes due 2014 ("8% Senior Notes"), the 3 3/4% convertible senior notes due 2010 ("3 3/4% Convertible Senior Notes"), the 12 3/4% senior notes due 2009 ("12 3/4% Senior Notes"), and other financing arrangements are reflected within other assets and are being amortized over the life of the respective financing arrangements using the effective interest method. As the Company completes debt transactions, corresponding amounts of deferred financing costs are written-off in determining the gain or loss on early extinguishment or restructuring of debt.

Derivative Instruments—In March 2007, the Company entered into a Senior Secured Credit Agreement ("Canadian Financing Facility") with a financial institution, to refinance an existing Canadian credit facility. The Canadian Financing Facility provides for a $35.0 million non-amortizing loan bearing interest at a rate of LIBOR plus 425 basis points and matures in 2012. The loan proceeds were used to refinance the existing Canadian credit facility, including certain costs related to the transaction, and to finance certain capital expenditures. The

Canadian Financing Facility is secured by the assets of the Company's Canadian operations and certain guarantees. In October 2007, the Company entered into a cross-currency principal and interest rate swap agreement, which fixed the interest rate at 9.21% starting from October 31, 2007. The Canadian Financing Facility requires that the Company, at all times that the loan amounts are outstanding, maintain a hedging agreement to hedge the full amount of its currency rate exposures with respect to the aggregate principal amount outstanding under this Canadian Financing Facility at any time. The cross-currency principal and interest rate swap agreement's counter party is Lehman Brothers Special Financing, Inc. ("Lehman SFI"). Lehman SFI entered into bankruptcy in early October 2008 following its ultimate parent entering bankruptcy in mid-September 2008. Despite the counterparty to the interest rate swap agreement entering bankruptcy in October 2008, management believed no breach or event of default had occurred in relation to the Canadian Financing Facility. As of March 10, 2009, under the Waiver and Amendment Agreement described below in Note 5—Long-Term Obligations, the Lenders under the Canadian Financing Facility waived any such possible breach or event of default. The Company has estimated the fair value of the outstanding swap agreement with Lehman Brothers Special Financing, Inc. to be zero.

The Company does not hold or issue derivative instruments for trading purposes. During the three months ended March 31, 2006, the Company had entered into financing arrangements that contained embedded derivative features due to the Company having insufficient authorized shares to support conversion of all potentially convertible instruments. The Company accounted for these arrangements in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", as well as related interpretations of these standards. The Company bifurcated embedded derivatives that were not clearly and closely related to the host contract and recorded them as a liability in its balance sheet at their estimated fair value. Changes in their estimated fair value of $5.4 million were recognized in earnings during the period of change. Since June 20, 2006, when authorization for sufficient authorized shares was obtained, the feature that established the embedded derivative no longer exists. The fair value of the embedded derivative at June 20, 2006, was added back to the debt balance. The remaining debt discount after adding back the fair value of embedded derivatives is accreted through interest expense over the remaining term of the respective instrument using the effective interest method.

The Company estimated the fair value of its embedded derivatives using available market information and appropriate valuation methodologies. These embedded derivatives derived their value primarily based on changes in the price and volatility of the Company's common stock. Considerable judgment was required in interpreting market data to develop the estimates of fair value.

Accounting for derivatives was based upon valuations of derivative instruments determined using various valuation techniques including Black-Scholes and binomial pricing methodologies. The Company considered such valuations to be significant estimates.

Stock-Based Compensation—On January 1, 2006, the Company adopted SFAS No. 123(R), "Share-Based Payments," which addresses the accounting for stock-based payment transactions whereby an entity receives employee services in exchange for equity instruments, including stock options and restricted stock units. SFAS No. 123(R) eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and instead generally requires that such transactions be accounted for using a fair-value based method. The Company has elected the modified prospective transition method as permitted under SFAS No. 123(R), and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123(R). The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006. The Company issues new shares of common stock upon the exercise of stock options.

In November 2005, the FASB issued FASB Staff Position No. FAS 123R-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards." The Company elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of share-based compensation. The alternative transition method includes simplified methods to determine the beginning balance of the additional paid in capital (APIC) pool related to the tax effects of share-based compensation and to determine the subsequent impact on the APIC pool and the statement of cash flows of the tax effects of share-based award that were fully vested and outstanding upon the adoption of SFAS No. 123(R).

The Company uses a Black-Scholes option valuation model to determine the fair value of stock-based compensation under SFAS No. 123(R), consistent with that used for pro forma disclosures under SFAS No. 123. The Black-Scholes model incorporates various assumptions including the expected term of awards, volatility of stock price, risk-free rates of return and dividend yield. The expected term of an award is no less than the option vesting period and is based on the Company's historical experience. Expected volatility is based upon the historical volatility of the Company's stock price. The risk-free interest rate is approximated using rates available on U.S. Treasury securities with a remaining term similar to the option's expected life. The Company uses a dividend yield of zero in the Black-Scholes option valuation model as it does not anticipate paying cash dividends in the foreseeable future. The Company also had an Employee Stock Purchase Plan, which was suspended on July 27, 2006, and which allowed employees to elect to purchase stock at 85% of fair market value (determined monthly) and was considered compensatory under SFAS No. 123(R).

The Company recorded $0.3 million, $0.2 million and $0.5 million stock-based compensation expenses for the years ended December 31, 2008, 2007 and 2006, respectively, under guidance in SFAS No. 123(R).

The weighted average fair value at date of grant for options granted during 2008, 2007, and 2006 was $0.11, $0.28 and $0.43 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:

	2008	2007	2006
Expected dividend yield	0%	0%	0%
Expected stock price volatility	96%	95%	98%
Risk-free interest rate	2.3%	4.6%	4.7%
Expected option term	4 years	4 years	4 years

As of December 31, 2008, the Company had 1.0 million unvested awards outstanding of which $0.1 million of compensation expense will be recognized over the weighted average remaining vesting period of 1.9 years.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of net revenue and expenses during the reporting period. Actual results may differ from these estimates. Significant estimates include allowance for doubtful accounts receivable, accrued interconnection cost disputes, the fair value of embedded derivatives, market assumptions used in estimating the fair values of certain assets and liabilities such as marketable securities and long-term obligations, the calculation used in determining the fair value of the Company's stock options required by SFAS No. 123(R), various tax contingencies, asset impairment write-downs, and purchase price allocations.

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 larger carrier and retail business customers but generally does not require collateral to support customer receivables. The Company maintains its cash with high quality credit institutions, and its cash equivalents are in high quality securities.

Income (Loss) Per Common Share—Basic income (loss) per common share is computed using the weighted average number of shares of common stock outstanding during the year. Diluted income (loss) per common share is computed using the weighted average number of shares of common stock, adjusted for the dilutive effect of potential common stock and related income. Potential common stock, computed using the treasury stock method or the if-converted method, includes options, restricted stock units, and convertible debt securities. In 2008 and 2006, the Company incurred losses, and the effect of potential common stock was excluded from the computation of diluted loss per share as the effect was antidilutive. If the effect of potential common stock had been included, there would have been additional shares outstanding of 38,236,456 and 86,748,289 for the years ended December 31, 2008 and 2006, respectively. The potential common stock included in the diluted income per common share for the year ended December 31, 2007 was 67,699,168 with a $1.8 million related income effect. In 2007, an additional 15,697,951 shares of potential common stock were not included in the diluted income per common share calculation as the effect was antidilutive.

Reclassification—Certain previous year amounts have been reclassified to conform with current year presentations, as related to the reporting of our discontinued operations.

Newly Adopted Accounting Principle

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Company elected not to apply fair value on its existing financial assets and liabilities upon adoption. Therefore, this adoption did not have a material effect on the Company's results of operations, financial position or cash flows.

Effective January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements," for all financial instruments accounted for at fair value on a recurring basis. The Company does not have any non-financial instruments accounted for at fair value on a recurring basis. SFAS No. 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS No. 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS No. 157 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

In February 2008, the FASB issued a final FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-2 delays the effective date of SFAS No. 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In addition, FSP No. 157-2 removes certain leasing transactions from the scope of SFAS No. 157. The effective date of SFAS No. 157 for nonfinancial assets and liabilities has been delayed by one year to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS No. 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

The valuation techniques required by SFAS No. 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

See table below for summary of the Company's financial instruments accounted for at fair value on a recurring basis:

		Fair Value as of December 31, 2008, using:		
	December 31, 2008	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 9,356	$ 9,356	—	—
Derivative	—	—	—	$ 0
Total	$ 9,356	$ 9,356	—	$ 0

The Company has an outstanding cross-currency principal and interest rate agreement with Lehman Brothers Special Financing, Inc., who entered bankruptcy in October 2008 and ceased performing on the agreement, and has estimated the value to be zero, requiring a write-off of $1.2 million, and has moved the instrument from Level 2 to Level 3 because the counter party's credit risk is not observable.

In July 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes," which is effective for fiscal years beginning after December 15, 2006. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS Statement No. 109, "Accounting for Income Taxes." This Interpretation prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. See Note 6—"Income Taxes."

New Accounting Pronouncements

In May 2008, the FASB issued FSP No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP No. 14-1 requires issuers of convertible debt securities to separate securities into a debt component and an equity component, resulting in the debt component being recorded at fair value without consideration given to the conversion feature. Issuance costs are also allocated between the debt and equity components. FSP No. 14-1 requires that convertible debt within its scope reflect a company's nonconvertible debt borrowing rate when interest expense is recognized. FSP No. 14-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The Company is currently evaluating the impact of FSP No. 14-1 on its financial statements, but does not believe there will be a material impact.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS No. 162 on its financial statements, but does not believe there will be a material impact.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging" with the intent to provide users of financial statements with an enhanced understanding of the use of derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial statements.

SFAS No. 161 is effective for financial statements issued for fiscal years after July 1, 2009. The Company is currently evaluating the impact of SFAS No. 161 on its financial statements and anticipates that the adoption of this standard will not have a material impact on its results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until January 1, 2009. The Company anticipates that the adoption of this standard will have an impact on our consolidated financial statements for prospective business combinations, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions the Company consummates after the effective date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements", an amendment to ARB No. 51, "Consolidated Financial Statements". This statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. Due to the immaterial size of the noncontrolling interest in Globility Communications Corporations as discussed under the *Principles of Consolidation* section of Footnote 2 to the consolidated financial statements, which is approximately $2.8 million as of December 31, 2008, the Company anticipates that the adoption of this standard will not have a material impact on its results of operations, financial position and cash flows.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	December 31,	
	2008	2007
Network equipment	$ 163,475	$ 164,027
Furniture and equipment	6,128	12,102
Leasehold improvements	5,028	5,686
Construction in progress	3,682	10,462
Subtotal	178,313	192,277
Less: Accumulated depreciation	(66,161)	(47,678)
Total property and equipment, net	$112,152	$144,599

Depreciation and amortization expense for property and equipment including equipment under capital leases and vendor financing obligations for the years ended December 31, 2008, 2007 and 2006 was $30.8 million, $27.9 million and $42.1 million, respectively. The Company recorded an asset impairment write-down of $206.1 million in 2006 (see Note 16—"Asset Impairment").

At December 31, 2008, the total equipment under capital lease and vendor financing obligations consisted of $27.3 million of network equipment and $0.2 million of administrative equipment, with accumulated depreciation of $19.1 million and $0.1 million, respectively. At December 31, 2007, the total equipment under capital lease and vendor financing obligations consisted of $37.6 million of network equipment and $0.4 million of administrative equipment, with accumulated depreciation of $20.6 million and $0.2 million, respectively.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired intangible assets subject to amortization consisted of the following (in thousands):

	As of December 31, 2008			As of December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer lists	$ 3,806	$ (3,150)	$ 656	$ 4,074	$ (2,688)	$ 1,386
Other	1,665	(1,575)	90	1,678	(1,507)	171
Total	$ 5,471	$ (4,725)	$ 746	$5,752	$ (4,195)	$1,557

Amortization expense for customer lists and other intangible assets for the year ended December 31, 2008, 2007 and 2006 was $2.0 million, $2.6 million and $4.9 million, respectively. The Company expects amortization expense for customer lists and other intangible assets for the fiscal years ended December 31, 2009, 2010 and 2011 to be approximately $0.5 million, $0.2 million and $0.1 million, respectively.

Acquired intangible assets not subject to amortization consisted of the following (in thousands):

	As of December 31, 2008	As of December 31, 2007
Goodwill	$ 32,688	$ 40,134

The changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 are as follows (in thousands):

	United States	Canada	Europe	Asia-Pacific	Total
Balance as of January 1, 2007	$ —	$ 23,082	$—	$ 11,811	$ 34,893
Goodwill acquired during period	188	—	—	—	188
Effect of change in foreign currency exchange rates	20	4,205	—	828	5,053
Balance as of December 31, 2007	208	27,287	—	12,639	40,134
Effect of change in foreign currency exchange rates	(51)	(5,374)	—	(2,021)	(7,446)
Balance as of December 31, 2008	$ 157	$21,913	$—	$ 10,618	$32,688

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5. LONG-TERM OBLIGATIONS

On March 16, 2009 the Company and certain holding company subsidiaries filed for voluntary reorganization under Chapter 11 (see Note 2—"Summary of Significant Accounting Policies"—Going Concern and Voluntary Reorganization Under Chapter 11). The filings for bankruptcy constituted an event of default that triggered repayment obligations under a number of debt instruments (the "Debt Documents"). As a result of the event of default, all obligations under the affected debt agreements became automatically and immediately due and payable. The affected debt has been classified as a current liability under current portion of long-term obligations on the consolidated balance sheet of the Company as of December 31, 2008. Additionally, the filing of the Chapter 11 Cases constituted an event of default through a cross default provision of the Canadian Financing Facility; however a waiver of that default provision was obtained from the lender as described under the Canadian Financing Facility below. Certain other vendor and capital lease obligations are not in default because they are held in operating companies that were not part of the bankruptcy filings. Consequently, the Debtors believe that any efforts to enforce the payment obligations under the Debt Documents against the Debtors are stayed as a result of the filing of such Chapter 11 Cases in the Bankruptcy Court (subject to certain exceptions contemplated by the Term Loan Modification Term Sheet, described below, following Bankruptcy Court approval) and shall take such action as appropriate to stay any efforts to enforce the payment obligations against non-Debtor guarantors. The Debt Documents and the approximate principal amount of debt currently outstanding thereunder are as follows:

1. $96 million Senior Secured Term Loan Facility of Group due February 2011.
2. $173 million 14 1/4% Senior Secured Notes of IHC due May 2011.
3. $23 million 5% Exchangeable Senior Notes of Holding due June 2010.
4. $186 million 8% Senior Notes of Holding due January 2014.
5. $34 million 3 3/4% Convertible Senior Notes of Group due September 2010.
6. $14 million 12 3/4% Senior Notes of Group due October 2009.
7. $9 million Step Up Convertible Subordinated Debentures of Group due August 2009.

Long-term obligations consisted of the following (in thousands):

	December 31,	
	2008	2007
Obligations under capital leases and other	$ 4,851	$ 7,561
Leased fiber capacity	2,172	4,990
Senior secured term loan facility	96,250	97,250
Financing facility	35,000	35,000
Senior notes	200,186	255,270
Senior secured notes	198,960	113,947
Exchangeable senior notes	25,122	63,363
Convertible senior notes	34,006	76,196
Step up convertible subordinated debentures	8,290	20,326
Subtotal	604,837	673,903
Less: Current portion of long-term obligations	(564,797)	(11,228)
Total long-term obligations	$ 40,040	$662,675

Although a substantial portion of the debt has been classified as current portion of long-term obligations due to the default provisions triggered by the bankruptcy filings, the following table reflects the contractual payments of principal and interest that existed prior to the bankruptcy filings as of December 31, 2008 for all long-term obligations as follows.

Year Ending December 31,	Vendor Financing and Other	Senior Secured Term Loan Facility (1)	Financing Facility	8% and 12 3/4% Senior Notes	3 3/4% Convertible and 5% Exchangeable Senior Notes (2)	Step Up Convertible Subordinated Debentures	Senior Secured Notes (2)	Total
2009	$2,528	$ 9,993	$ 2,583	$ 30,875	$ 2,451	$ 9,332	$ 24,679	$ 82,441
2010	4,913	9,899	2,583	14,880	59,436	—	24,679	116,390
2011	278	94,250	2,583	14,880	—	—	184,657	296,648
2012	95	—	35,646	14,880	—	—	—	50,621
2013	62	—	—	14,880	—	—	—	14,942
Thereafter	33	—	—	193,440	—	—	—	193,473
Total Minimum Principal & Interest Payments	7,909	114,142	43,395	283,835	61,887	9,332	234,015	754,515
Less: Amount Representing Interest	(886)	(17,892)	(8,395)	(83,649)	(4,318)	(691)	(60,858)	(176,689)
face Value of Long-Term Obligations	7,023	96,250	35,000	200,186	57,569	8,641	173,157	577,826
Amount Representing Premium (Discount)	—	—	—	—	(194)	(351)	4,224	3,679
Add: Exchangeable Senior Notes and Senior Secured Notes Interest Treated as Long-Term Obligations	—	—	—	—	1,753	—	21,579	23,332
Book Value of Long Term Obligations	$ 7,023	$ 96,250	$ 35,000	$200,186	$ 59,128	$ 8,290	$198,960	$ 604,837

(1) For preparation of this table, the Company has assumed the interest rate of the Senior Secured Term Loan Facility to be 9.38%, which is the interest rate at December 31, 2008.

(2) For preparation of this table, the Company has shown separately the cash interest payments of the 5% Exchangeable Senior Notes and the portion of the 14 1/4% Senior Secured Notes that were issued through troubled debt restructurings as a portion of long-term obligations (see " *Senior Notes, Senior Secured Notes, Convertible Senior Notes, Exchangeable Senior Notes, Step Up Convertible Subordinated Debentures and Convertible Subordinated Debentures*" below). The interest due on the 5% Exchangeable Senior Notes in 2009 and 2010 is $1.2 million and $0.6 million, respectively. The interest due on this portion of the 14 1/4% Senior Secured Notes in 2009, 2010 and 2011 is $8.7 million, $8.7 million and $4.1 million, respectively.

The indentures governing the senior notes, senior secured notes, senior secured term loan facility, convertible and exchangeable senior notes, and step up convertible subordinated debentures, as well as certain other credit arrangements, contain certain financial and other covenants which, among other things, will restrict the Company's ability to incur further indebtedness and make certain payments, including the payment of dividends and repurchase of subordinated debt held by the Company. In addition, outstanding indentures and certain credit arrangements include provisions that would create, after the defined passage of time, and under certain instruments, after the entry of final judgment, an event of default for each of the instruments, should there be an event of default on any one or more of the instruments that have an aggregate principal amount outstanding in excess of certain thresholds as defined in the various indentures and certain credit arrangements. Currently, the lowest such threshold is $20 million. The Company believes it was in compliance with the above covenants at December 31, 2008. However as indicated above, the bankruptcy filings constituted an event of default under the Debt Documents.

Senior Secured Term Loan Facility

In February 2005, a direct wholly-owned subsidiary of the Company, Primus Telecommunications Holding, Inc. (“Holding”), entered into a six-year, $100 million senior secured term loan facility (the “Facility”). Each borrowing made under the Facility may be, at the election of Holding at the time of the borrowing, a London Inter-Bank Offered Rate (LIBOR) loan (which will bear interest at a rate equal to LIBOR + 6.50%), or a base rate loan (which will bear interest at a rate equal to the greater of the prime rate plus 5.50% or the federal funds effective rate plus 6.00%). The Facility contains no financial maintenance covenants. The Company borrowed $100 million under this Facility in February 2005.

The Facility is to be repaid in 24 quarterly installments, which began on June 30, 2005, at a rate of one percent of the original principal per year over the next five years and nine months, and the remaining balance repaid on the sixth anniversary date of the Facility, with early redemption at a premium to par at Holding’s option at any time after February 18, 2006. The Facility is guaranteed by the Company and certain of Holding’s domestic subsidiaries and is secured by certain assets of Holding and its guarantor subsidiaries and by partial stock pledges of certain foreign subsidiaries.

In February 2007, the Company received unanimous consent to an amendment of its existing $100 million Facility. This amendment enables Primus Telecommunications IHC, Inc. (IHC), a wholly-owned indirect subsidiary of the Company, to issue and have at any one time outstanding up to $200 million of existing authorized indebtedness in the form of newly authorized secured notes with a second lien security position. On February 26, 2007, an Intercreditor Agreement was entered into between the 14 1/4% Senior Secured Notes and the lenders of the Facility. Pursuant to this authorization, the Company has issued certain 14 1/4% Senior Secured Notes. The amendment allowed for an increase of 1/4% to the interest rate of the Facility and adjusted the early call features. The effective interest rate for the Facility at December 31, 2008 was 10.2%.

The debt under the Facility is in default as a result of the bankruptcy filing on March 16, 2009 and is classified as current portion of long-term obligation on the balance sheet as of December 31, 2008.

On April 14, 2009, Holding and certain affiliates who are party to the Term Loan (collectively, the “Primus Term Loan Parties”) agreed to a term sheet with a group of lenders under the Term Loan (the “Term Loan Ad Hoc Committee”) which comprise a requisite number to support and consent to an amendment to the Term Loan as part of the Company’s Plan of Reorganization (the “Term Loan Modification Term Sheet”) and executed a forbearance agreement as discussed below, whereby the Term Loan lenders have agreed to forbear from exercising rights and remedies related to certain defaults and events of default under the Term Loan (including events related to the Chapter 11 Cases and Reorganization) subject to the terms and conditions described below. The Term Loan Modification Term Sheet contemplates a waiver of defaults and events of default under the Term Loan, including those arising out of the Chapter 11 Cases and the Reorganization, subject to the satisfaction of certain conditions precedent to executing an amendment to the Term Loan and Plan confirmation accepting the amendment reflecting the Term Loan Modification Term Sheet.

Term Loan Modification Term Sheet. The Term Loan Modification Term Sheet is not an effective amendment to the Term Loan and reflects an agreement in principle with the Term Loan Ad Hoc Committee. The Company expects to finalize the terms of an amendment to the Term Loan on the terms set forth in the Term Loan Modification Term Sheet with the Term Loan Ad Hoc Committee and a replacement administrative agent and include such amendment in the Company’s Plan of Reorganization, which would be subject to Bankruptcy Court approval and the requisite approval of the creditors in the Chapter 11 Cases. Therefore, there can be no assurance that the Company will obtain the benefits of the waivers set forth in the Term Loan Modification Term Sheet, and as a result, the Company has classified the Term Loan as current portion of long-term obligations on the balance sheet as of December 31, 2008.

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In addition, the Term Loan Modification Term Sheet is subject to a number of conditions precedent, including establishing certain additional events of default to include any of the following:

- the release of LCPI as Administrative Agent and the appointment of a replacement Administrative Agent;
- the bring-down of certain representations and warranties under the Term Loan agreement (excluding no default and bankruptcy representations and warranties);
- an accounting of borrowers' and guarantors' intercompany receivables and payables; and
- delivery of certain account control agreements and officer certificates.

The Term Loan Modification Term Sheet contemplates that, subject to approval of the Bankruptcy Court, Holding or a Guarantor will continue to make interest payments as currently provided for in the Term Loan. The Term Loan Modification Term Sheet contemplates that the amortization schedule under the Term Loan will be modified so that principal payments will be due on the dates and in the amounts set forth below:

Payment Date	Principal Payment Amount
March 31, 2009	$ 250,000
June 30, 2009	$ 250,000
September 30, 2009	$ 925,000
December 31, 2009	$ 925,000
March 31, 2010	$1,400,000
June 30, 2010	$1,400,000
September 30, 2010	$1,400,000
December 31, 2010	$1,400,000
February 18, 2011	Remaining Outstanding Principal

In connection with the Term Loan Modification Term Sheet, the interest rate feature would change upon consummation of the Plan to (i) a cash payment of LIBOR + 9.00% with a LIBOR floor of 3.00% or (ii) a cash payment of LIBOR + 7.00% with a LIBOR floor of 3.00% and 4.00% in a payment in kind ("PIK"); either interest rate option shall be selected at Holding's option with notice 30 days prior to each interest payment date.

The Term Loan Modification Term Sheet provides for:

- the replacement of Lehman Commercial Paper Inc. ("LCPI") as Administrative Agent under the Term Loan, with a replacement agent reasonably acceptable to the Company and the Term Loan lenders;
- first priority liens in all of the Collateral, except for permitted liens, with the same collateral basket as the Term Loan, subject to exceptions for certain specified account control agreements;
- mandatory prepayments from (1) 25% of the proceeds of certain equity issuances (including 25% of the cash of businesses acquired in exchange for equity), (2) proceeds from debt issuances (other than as permitted under the limitation of indebtedness covenant), and (3) 80% of net cash proceeds from asset sales or insurance recoveries not otherwise reinvested in the business as provided thereunder; and
- the ability of Holding to purchase annually up to $5 million in principal amount of Term Loans by Group or its affiliates at less than par in negotiated transactions without being subject to the pro-rata provisions (or purchases in excess of such annual amount by way of an offer to all holders of Loans) and the obligation to cancel Term Loans purchased by Group or its affiliates (without voting rights in respect of such acquired Term Loans).

The Term Loan Modification Term Sheet provides for the modification of Term Loan covenants concerning the incurrence of debt, including the elimination of most of the exceptions to the limitation on debt incurrence other than

(a) an aggregate of $50 million of specified indebtedness (of which approximately $40 million is currently outstanding);

(b) an additional unsecured debt basket of up to an aggregate dollar cap of $7.5 million;

(c) debt to finance acquisitions, which would be limited to 2.5 times the annual EBITDA acquired and satisfy acquisition debt standards; and

(d) additional permitted debt, including debt arising from the use of PIK.

The Term Loan Modification Term Sheet provides for modification of a number of other Term Loan covenants, including:

- modification of the restricted payments covenant to make clear that any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of any debt, including but not limited to any of the 14 1/4% Senior Secured Notes issued by IHC (the “Second Lien Debt”), other than Indebtedness representing the Term Loans and specified indebtedness will be a “Restricted Payment”; provided that “Restricted Payments” shall not include (a) any repayment, repurchase or retirement of any indebtedness in connection with any permitted refinancing or (b) any repurchase of indebtedness with equity proceeds or asset sale proceeds not otherwise required to be applied in prepayment of the Term Loans. The restricted payments covenant is to contain customary restrictions, including, but not limited to, a cap of $1 million;
- modification of the limitation on liens covenant to delete the incurrence test and expressly prohibit any liens other than permitted liens;
- modification of the restriction on certain purchases of Indebtedness covenant to preclude Group and each restricted subsidiary from repaying, prepaying or purchasing debt, excluding specified debt and other certain limited exceptions;

The Term Loan Modification Term Sheet provides for the inclusion of financial covenants concerning Minimum Adjusted EBITDA, Maximum Debt and Maximum Capital Expenditures (“Capex”) and provides that

- the Adjusted EBITDA covenant initially will be calculated beginning September 30, 2009 based on the trailing four quarters for the periods ended September 30, 2009 and December 31, 2009, and such calculations will be made using specified constant currency rates (e.g., CAD – 0.80; AUD – 0.65; EUR – 1.275 and GBP – 1.40);
- currency rates in effect on December 31, 2009 and June 30, 2010 will be used for purposes of calculating compliance for quarters ended during the next succeeding six month periods, but such currency rates will not be used retroactively for any periods prior to such date;
- Minimum Adjusted EBITDA compliance shall be set at $50 million, calculated quarterly based upon the prior four quarters effective September 30, 2009. Failure to meet the Minimum Adjusted EBITDA covenant will not be an event of default, except in circumstances noted in the succeeding proviso, and would result in a financial penalty of $250,000 per quarter in incremental amortization plus a 50 basis point increase in the interest rate during the quarters of non-compliance, provided however that if the Adjusted EBITDA is below $42 million it will constitute an event of default. The minimum Adjusted EBITDA will be calculated quarterly based upon the last four quarters’ results in a manner consistent with the definition used by the Company in past earnings releases, subject to the addition of reorganization cost adjustments and adjustments for divestitures and acquisitions.

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- Maximum Debt shall be $270 million plus additional debt accrued from the use of PIK – and for debt arising from acquisitions which debt would be limited to 2.5 times annual EBITDA acquired and as long as such debt satisfies Acquisition Debt Standards; the Maximum Debt covenant will be required to be maintained at all times following substantial consummation of the plan of reorganization; and
- Maximum Capex shall be $18 million in 2009 and $23 million in 2010, calculated annually effective December 31, 2009, and subject to adjustment for divestitures and acquisitions.

Forbearance Agreement. On April 14, 2009, the Primus Term Loan Parties and certain lenders under the Term Loan (the "Required Lenders") entered into a Forbearance Agreement (the "Term Loan Forbearance Agreement").

Subject to the terms and conditions of this Agreement, the Required Lenders agreed to forbear and to direct the Administrative Agent to forbear from exercising any or all of their respective rights and remedies under the Term Loan documents in respect of the forbearance defaults and covenants, including rights associated with defaults or events of default as a result of, arising in connection with, or related to the filing of petitions by the Debtors in connection with the Reorganization ("Forbearance").

While the Required Lenders agreed to forbear enforcement of and waive the forbearance defaults and covenants, subject to the terms of the Term Loan Forbearance Agreement, such forbearance nonetheless is subject to termination for the following failures that occur on or before the date listed below, or such later date as mutually agreed upon by the Debtors and the required Lenders:

Failure Event	Trigger Date
Failure of Debtors to file amended plan of reorganization with treatment set forth in Term Loan Modification Term Sheet ("Amended Plan") and amended disclosure statement ("Amended Disclosure Statement") with Bankruptcy Court on or before	April 20, 2009
Failure of Bankruptcy Court to enter Order approving Amended Disclosure Statement, in form and substance reasonably satisfactory to the Required Lenders, on or before	May 15, 2009
Failure of Debtors and Required Lenders to modify agreements under Term Loan consistent with Term Loan Modification Term Sheet "(Modified Loan Documents") on or before	May 15, 2009
Failure of Bankruptcy Court to enter Order confirming the Amended Plan ("Confirmation Order") on or before	June 30, 2009
Failure of Debtors to consummate the Amended Plan on or before	July 15, 2009 ("Plan Effective Date")
Failure of Debtors or non-Debtor subsidiaries to timely make, or fail payment of, scheduled principal or interest required under Term Loan ("Loan Document Payments")	Prior to Plan Effective Date

Termination of Forbearance also can occur in the event:

- of certain noteholder, or indenture trustee, objection to Loan Document Payments;
- any Chapter 11 Case is converted to case under Chapter 7 of Bankruptcy Code;
- the Bankruptcy Court shall enter an order in the Chapter 11 Cases ordering the appointment of (i) a trustee, (ii) a responsible officer, or (iii) an examiner with enlarged powers relating to the operation of

the business (powers beyond those set forth in subclauses (3) and (4) of Section 1106(a)) under Section 1106(b) of the Bankruptcy Code;

- any of the Chapter 11 Cases are dismissed;
- the Confirmation Order is reversed on appeal or vacated;
- any Primus Term Loan Party has failed to perform any material provision of the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet subject to notice and cure;
- any court or governmental authority shall enter a final, non-appealable judgment or order declaring the Term Loan Forbearance Agreement or any material portion thereof to be unenforceable or enjoining the consummation of a material portion of the transactions contemplated hereby;
- the Debtors shall withdraw the Amended Plan or publicly announce their intention not to support the Amended Plan, or propose a reorganization or plan under the Bankruptcy Code other than the Amended Plan;
- the Debtors inform the Required Lenders in writing of their determination that there is sufficient risk of non-performance by the Debtors with respect to the financial obligations contemplated by the Amended Plan with respect to the Lenders and the Loan Documents such that the amendments to the Loan Documents contemplated by the Term Sheet are no longer in the best interests of the Debtors' estates;
- the Debtors lose the exclusive right to file and solicit acceptances of the Amended Plan;
- the conditions precedent required to be met prior to the closing of the amendment to the Term Loan agreement, consistent with and as contemplated in the Term Loan Modification Term Sheet, including any modification or amendment thereof, have not been satisfied on or before the Plan Effective Date or waived by the Required Lenders;
- the Debtors file any motion or pleading with the Bankruptcy Court that is not consistent in any material respect with the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet and such motion or pleading has not been withdrawn prior to the earlier of (i) two (2) business days of the Debtors receiving notice that such motion or pleading is inconsistent with the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet and (ii) entry of an order of the Bankruptcy Court approving such motion;
- the Bankruptcy Court grants relief that is inconsistent with the Term Loan Forbearance Agreement or the Term Loan Modification Term Sheet in any material respect;
- the commencement of an avoidance action by any or all of the Debtors affecting the rights of any Term Loan lender or the commencement of such an action by any other party;
- the filing by any or all of the Debtors or by any other party of an objection to the allowance of the Term Loan lenders' claims against the Debtors' estates in respect of the Term Loan Agreement;
- subject to the execution of an appropriate and otherwise reasonable confidentiality agreement, to the extent necessary, the failure by the Debtors to provide to the Required Lenders and their advisors (i) reasonable access to the books and records of the Debtors, and (ii) reasonable access to the respective management and advisors of the Debtors for the purposes of evaluating the Debtors' respective business plans and participating in the plan process with respect to the Reorganization;
- the occurrence of a "Termination Event" as that term is defined in the Plan Support Agreement (the "PSA") entered into as of March 16, 2009 between the Second Lien Noteholders, the 8% Noteholder, the 5% Noteholders and the Debtors that has resulted in a termination of the PSA;
- failure to replace LCPI with an administrative agent reasonably acceptable to the Company and the Required Lenders on or before the Plan Effective Date;
- the failure of the Debtors or any non-Debtor subsidiaries to pay all invoiced and unpaid fees and expenses of the Required Lenders' advisors on or before the Plan Effective Date;

- the Bankruptcy Court shall enter an order approving the use of cash collateral or otherwise approving the Debtors' use of cash to fund the Chapter 11 Cases without the prior written consent of the Required Lenders; or
- the filing of a petition for relief under the Bankruptcy Court by a non-Debtor Guarantor.

While the Term Loan Forbearance Agreement is in effect, Forbearance shall be operative with respect to Forbearance Defaults and Covenants, but shall not constitute a forbearance with respect to any failure of the Company, Holding, PTII or any Guarantor to comply with any other covenant or other provision in the Term Loan Agreement or any of the Loan Documents or the occurrence of other present or future Default or Event of Default.

Canadian Financing Facility

In March 2007, the Company entered into a Senior Secured Credit Agreement ("Canadian Financing Facility") with a financial institution, to refinance an existing Canadian credit facility. The Canadian Financing Facility provides for a $35.0 million non-amortizing loan bearing interest at a rate of LIBOR plus 425 basis points and matures in March 2012. The loan proceeds were used to refinance the existing Canadian credit facility, including certain costs related to the transaction, and to finance certain capital expenditures. The Canadian Financing Facility is secured by the assets of the Company's Canadian operations and certain guarantees. At December 31, 2008, the Company had an outstanding liability of $35.0 million under the Canadian Financing Facility.

In October 2007, the Company entered into a cross-currency principal and interest rate swap agreement, a portion of which was required by the Canadian Financing Facility, which fixed the interest rate at 9.21% starting from October 31, 2007. The cross-currency principal and interest rate swap agreement's counter party is Lehman Brothers Special Financing, Inc. ("Lehman SFI"). Lehman SFI entered into bankruptcy in early October 2008 following its ultimate parent entering bankruptcy in mid-September 2008. Since September 2008, month end interest rate swap payments were not made by Lehman SFI to Primus nor, correspondingly, were payments made from Primus to Lehman SFI. While the covenant language is arguably ambiguous, management believed that the swap agreement with Lehman SFI continued to be in force with respect to the requirements under the Canadian Financing Facility and, accordingly, that no breach or event of default had occurred. Because of the possible multiple interpretations of the covenant language, management specifically addressed these points in the Waiver and Amendment Agreement (described below).

On March 10, 2009, Group's indirect wholly-owned Canadian subsidiary, Primus Telecommunications Canada Inc. ("Primus Canada"), 3082833 Nova Scotia Company and certain affiliate guarantors entered into a Waiver and Amendment Agreement (the "Waiver and Amendment") to their $35 million Canadian Financing Facility with Guggenheim Corporate Funding, LLC, as Administrative Agent and Collateral Agent.

The lenders under the Waiver and Amendment waived events constituting events of default and potential events of default under the Canadian Financing Facility, subject to the terms and conditions of the Waiver and Amendment. Such events included waivers covering certain specified events that have occurred and may constitute an event of default under the Canadian Financing Facility and Anticipated Events, including anticipated events of default. Anticipated events include events related to the plan of reorganization involving one or more of the guarantors and contemplated by the Waiver and Amendment (the "Contemplated Plan"), the occurrence of a material adverse effect arising as a result of the Chapter 11 Cases, the failure of a guarantor to make payment when due with respect to indebtedness (or the acceleration of indebtedness) of a guarantor at any time before the Contemplated Plan is effective and certain provisions of the guarantee being deemed invalid or unenforceable against a guarantor in connection with the Chapter 11 Cases for the Canadian Financing Facility. Specified events include:

- the failure of Primus Canada to maintain certain hedging agreements, Lehman unsecured hedging agreements or unsecured hedging agreements reasonably satisfactory to the Administrative Agent to hedge the full amount of its currency rate exposures with respect to the aggregate principal amount outstanding under the Canadian Financing Facility;

- the actions the guarantors have taken to authorize or effect certain actions related to the Reorganization; and
- the failure to deliver to the Administrative Agent an Officer's Certificate in connection with the events described in the preceding bullets.

The Waiver and Amendment permits Primus Canada to incur certain second-lien secured term loans that do not exceed $5 million and guarantees by the credit parties. The Canadian Financing Facility, as amended, obligates Primus Canada to pay loan principal amounts under the Canadian Financing Facility on the dates and in the amounts set forth below:

Payment Date	Principal Payment Amount
March 31, 2009	$ 500,000
April 30, 2009	$ 500,000
May 31, 2009	$ 500,000
June 30, 2009	$ 2,250,000
The last day of each calendar month from and including July 2009 to and including April 2011	$ 500,000

Additionally, a principal prepayment of $1,750,000 was due and paid upon execution of the Waiver and Amendment.

In connection with the Waiver and Amendment, the applicable margin under the Canadian Financing Facility was increased to LIBOR +3.750% for the Term A Loans and LIBOR +6.375% for Term B Loans, with a 2.50% LIBOR floor, and the maturity date was changed to May 21, 2011.

The Waiver and Amendment established certain additional events of default under the Canadian Financing Facility to include any of the following:

- the Bankruptcy Court shall enter an order denying confirmation of the Plan or the Chapter 11 Cases shall be converted to a case under Chapter 7 of Title 11 of the United States Code;
- the plan of reorganization shall not have been confirmed by the Bankruptcy Court and become effective on or before August 31, 2010;
- the plan of reorganization shall be confirmed or become effective without the reinstatement after effectiveness of each guarantee on terms identical to such guarantee existing on the date hereof as a valid, unsubordinated obligation of the applicable guarantor, or the plan of reorganization is confirmed without any guarantor holding, directly or indirectly, substantially all of its current assets and businesses;
- the Bankruptcy Court shall enter any order that impairs the enforceability of this Agreement or any loan document (except as provided herein in connection with the obligations of the guarantors under the guarantee), as reasonably determined by the Administrative Agent;
- any representation or warranty made by a credit party in this Agreement shall prove to be untrue in any material respect as of the date hereof;
- any credit party shall default in the performance of any obligation under this Agreement that is not cured within 10 business days following notice thereof from the Administrative Agent; and
- the guarantee or any other loan document executed by a guarantor shall cease to be valid and binding on or enforceable against any guarantor.

Senior Notes, Senior Secured Notes, Convertible Senior Notes, Exchangeable Senior Notes, Step Up Convertible Subordinated Debentures and Convertible Subordinated Debentures

14 1/4% Senior Secured Notes

In February 2007, subsequent to the effectiveness of the amendment of the Facility, IHC issued in a private transaction $57.2 million principal amount of the 14 1/4% Senior Secured Notes in exchange for $40.7 million principal amount of the Company's outstanding 12 3/4% Senior Notes and $23.6 million in cash. This exchange has been accounted for as a modification of debt with a portion deemed to be a troubled debt restructuring. In March 2007, IHC also issued for cash in private transactions an additional $51.0 million principal amount of 14 1/4% Senior Secured Notes with a $0.3 million discount. Net cash proceeds from the 14 1/4% Senior Secured Notes issuance, after giving effect to expenses, discounts and fees related to all of the foregoing transactions (including the amendment of the Facility) was $69.2 million. The Company recorded $5.1 million in costs associated with this issuance of the 14 1/4% Senior Secured Notes, which have been recorded as a loss on restructuring of debt.

In May 2008, IHC issued $67.1 million principal amount of the 14 1/4% Senior Secured Notes and paid $4.7 million in cash in exchange for $49.0 million principal amount of the Company's 8% Senior Notes, $33.0 million principal amount of the Company's 5% exchangeable senior notes due June 2010 ("5% Exchangeable Senior Notes"), $43.1 million principal amount of the Company's 3 3/4% Convertible Senior Notes, and $5.3 million principal amount of the Company's 12 3/4% Senior Notes. All exchanges were deemed troubled debt restructurings, and accordingly, have been accounted for as modifications of debt, with future cash interest payments of $26.4 million being recorded in long-term obligations. The Company recognized a gain on restructuring of debt of $32.2 million in connection with this exchange, including the expensing of $0.5 million of financing costs.

The 14 1/4% Senior Secured Notes will mature on May 20, 2011 with early redemption at a premium to par at IHC's option at any time after February 2008. During specified periods, IHC may redeem at par up to 35% of the aggregate principal amount of the 14 1/4% Senior Secured Notes with the net cash proceeds of certain equity offerings of the Company. Accrued interest will be paid each May 31st and November 30th, beginning May 31st, 2007. The effective interest rate for the 14 1/4% Senior Secured Notes at December 31, 2008 was 12.4% for those amounts not related to the troubled debt restructuring discussed above. (see Note 20—"Guarantor/Non-Guarantor Consolidating Condensed Financial Information.")

In December 2008, the Company made open market purchases of $2.1 million principal amount of its 14 1/4% Senior Secured Notes, resulting in a $2.0 million gain on early extinguishment of debt including the write-off of related deferred financing costs. The notes are held by the Company as treasury bonds and have been recorded as a reduction of long-term obligations. This debt is in default as a result of the bankruptcy filing on March 16, 2009, and is classified as current portion of long-term obligations on the balance sheet as of December 31, 2008.

5% Exchangeable Senior Notes

In the second quarter 2006, the Company completed the exchange of $54.8 million principal amount of the Company's 3 3/4% Convertible Senior Notes and $20.5 million in cash for $56.3 million principal amount of Holding's 5% Exchangeable Senior Notes. This exchange was deemed a troubled debt restructuring, and accordingly, has been accounted for as a modification of debt, with total future cash payments of $67.6 million being recorded in long-term obligations. The Company recognized a gain on restructuring of debt of $4.8 million in connection with this exchange, including the expensing of $2.9 million of financing costs.

The 5% Exchangeable Senior Notes mature on June 30, 2010, as a result of the Company increasing its equity (through designated transactions) in the aggregate of $25 million during June and July 2007. Interest on the 5% Exchangeable Senior Notes is paid at the rate of 5% per annum on each June 30 and December 30, beginning on December 30, 2006. Under certain circumstances, the Company may elect to make interest payments in shares of common stock, although the holders of the 5% Exchangeable Senior Notes were entitled to receive the first two semi-annual interest payments wholly in cash. The 5% Exchangeable Senior Notes are exchangeable into the Company's common stock at a conversion price of $1.20 per share of common stock, subject to adjustment in certain circumstances. If the closing bid price of the Company's common stock, for at least 20 trading days in any consecutive 30 trading-day period, exceeds 150% of the conversion price then in effect, the Company may elect to exchange the senior notes for shares of the Company's common stock at the conversion price, subject to certain conditions, including that no more than 50% of the 5% Exchangeable Senior Notes may be exchanged by the Company within any 30-day period. As of December 31, 2008, such conversion trigger had not been met. In the event of a change in control, as defined, the holders may require the Company to repurchase the 5% Exchangeable Senior Notes at which time the Company has the option to settle in cash or common stock at an adjusted conversion price. The 5% Exchangeable Senior Notes are guaranteed by Primus Telecommunications Group, Incorporated (Group) (see Note 20—"Guarantor/Non-Guarantor Consolidating Condensed Financial Information").

In May 2008, the Company restructured $33.0 million principal amount of the 5% Exchangeable Senior Notes; see prior disclosure regarding the 14 1/4% Senior Secured Notes within this footnote. The outstanding 5% Exchangeable Senior Notes are convertible in the aggregate into 19,474,167 shares of the Company's common stock. This debt is in default as a result of the bankruptcy filing on March 16, 2009, and is classified as current portion of long-term obligations on the balance sheet as of December 31, 2008.

Step Up Convertible Subordinated Debentures

In the first quarter 2006, the Company completed the exchange of $27.4 million principal amount of the Company's 5 3/4% convertible subordinated debentures due 2007 ("2000 Convertible Subordinated Debentures") for $27.5 million principal amount of the Step Up Convertible Subordinated Debentures through two transactions. The Company recognized a gain on early extinguishment of debt of $1.5 million in connection with this exchange.

The Step Up Convertible Subordinated Debentures will mature on August 15, 2009. Interest will be payable from February 27, 2006 to December 31, 2006 at the rate of 6% per annum; from January 1, 2007 to December 31, 2007 at the rate of 7% per annum; and from January 1, 2008 to maturity at the rate of 8% per annum. Accrued interest will be paid each February 15 and August 15, beginning August 15, 2006, to holders of record on the preceding February 1 and August 1, respectively. The Step Up Convertible Subordinated Debentures are convertible into the Company's common stock at a conversion price of $1.187 per share of common stock through August 15, 2009, subject to adjustment in certain circumstances. The Indenture permits the Company, at its sole option, to require conversion if the Company's stock trades at 150% of the conversion price for at least 20 days within a 30 day period, subject to certain conditions, including that no more than 25% of the notes may be exchanged within any 30 day trading period. As of December 31, 2008, such conversion trigger had not been met. In the event of a change in control, as defined, the holders may put the instrument to the Company at which time the Company has the option to settle in cash or common stock at an adjusted conversion price.

During the quarter ended June 30, 2007, the Company exchanged 6,000,000 shares of the Company's common stock for the extinguishment of $5.0 million in principal amount of these convertible subordinated debentures. In accordance with SFAS No. 84, "Induced Conversion of Convertible Debt," the Company recognized an induced conversion expense of $1.6 million and $0.7 million write-off of debt discount and deferred financing costs in connection with this conversion. During the first quarter 2008, the Company made open market purchases of $13.8 million principal amount of its Step Up Convertible Subordinated Debentures, resulting in a $2.1 million gain on early extinguishment of debt including the write-off of related deferred financing costs. The outstanding Step Up Convertible Subordinated Debentures are convertible in the aggregate into 7,279,697 shares of the Company's common stock. This debt is in default as a result of the bankruptcy filing on March 16, 2009, and is classified as current portion of long-term obligations on the balance sheet as of December 31, 2008.

Step Up Convertible Subordinated Debentures and 3 3/4% Convertible Senior Notes Supplemental Information

At the time of issuance of the Step Up Convertible Subordinated Debentures, the Company did not have sufficient authorized and unissued shares of common stock to satisfy exercise and conversion of all of its convertible instruments. Accordingly, the Company determined that the Step Up Convertible Subordinated Debentures, the 2000 Convertible Subordinated Debentures and the 3 3/4% Convertible Senior Notes were hybrid instruments with characteristics of a debt host agreement and contained embedded derivative features that had characteristics and risks that were not clearly and closely associated with the debt host. In the first quarter 2006, the conversion options were determined to be derivative instruments to be bifurcated and recorded as a current liability at fair value. In the second quarter 2006, the Company's shareholders voted to approve alternative proposals to authorize an amendment to the Company's Certificate of Incorporation to affect a one-for-ten reverse stock split or to authorize an amendment of the Company's Certificate of Incorporation allowing an increase of authorized common stock from 150,000,000 to 300,000,000. Either authorization ensured the Company would have the ability to control whether it has sufficient authorized and unissued shares of common stock to satisfy exercise and conversion of all of its convertible instruments. Therefore, the Company determined that the Step Up Convertible Subordinated Debentures, the 2000 Convertible Subordinated Debentures and the 3 3/4% Convertible Senior Notes did not contain embedded derivative features as of the date of the shareholder vote, June 20, 2006, and added back the June 20, 2006 fair value of the embedded derivative into the debt balance. On July 27, 2006, the Board of Directors determined to increase the authorized shares of the common stock to 300,000,000.

The Company recorded a corresponding debt discount to the Step Up Convertible Subordinated Debentures and the 3 3/4% Convertible Senior Notes in the amount of the fair value of the embedded derivative at the issue date. An additional debt discount of $1.7 million was recorded for the Step Up Convertible Subordinated Debentures to bring the carrying value to fair value. The carrying value of the Step Up Convertible Subordinated Debentures at issuance was approximately $14.3 million, and the carrying value of the 3 3/4% Convertible Senior Notes at issuance of the Step Up Convertible Subordinated Debentures was approximately $127.8 million. The Company is accreting the difference between the face values of the Step Up Convertible Subordinated Debentures and the 3 3/4% Convertible Senior Notes and the corresponding carrying values to interest expense under the effective interest method on a monthly basis over the lives of the Step Up Convertible Subordinated Debentures and the 3 3/4% Convertible Senior Notes. At December 31, 2008, the carrying value of the Step Up Convertible Subordinated Debentures (face value of $8.6 million) was $8.3 million, and the carrying value of the 3 3/4% Convertible Senior Notes (face value of $34.2 million) was $34.0 million. The effective interest rates of the Step Up Convertible Subordinated Debentures and the 3 3/4% Convertible Senior Notes at December 31, 2008 were 14.0% and 4.7%, respectively.

8% Senior Notes

In January 2004, Holding, a direct, wholly-owned subsidiary of the Company, completed the sale of $240 million in aggregate principal amount of 8% Senior Notes with semi-annual interest payments due on January 15 th and July 15 th, with early redemption at a premium to par at Holding's option at any time after January 15, 2009. The Company recorded $6.7 million in costs associated with the issuance of the 8% Senior Notes, which have been recorded as deferred financing costs in other assets. The effective interest rate at December 31, 2008 was 8.4%. During specified periods, Holding may redeem up to 35% of the original aggregate principal amount with the net cash proceeds of certain equity offerings of the Company. The 8% Senior Notes are guaranteed by Group (see Note 20—"Guarantor/Non-Guarantor Consolidating Condensed Financial Information").

During the year ended December 31, 2004, the Company reduced $5.0 million principal balance of the 8% Senior Notes through open market purchases. In May 2008, the Company restructured $49.0 million principal amount of the 8% Senior Notes; see prior disclosure regarding the 14 $^{1}/_{4}$% Senior Secured Notes within this footnote. This debt is in default as a result of the bankruptcy filing on March 16, 2009, and is classified as current portion of long-term obligations on the balance sheet as of December 31, 2008.

3 $^{3}/_{4}$% Convertible Senior Notes

In September 2003, the Company completed the sale of $132 million in aggregate principal amount of 3 $^{3}/_{4}$% Convertible Senior Notes. The 3 $^{3}/_{4}$% Convertible Senior Notes are due September 2010, with semi-annual interest payments due on March 15 th and September 15th. The Company recorded $5.2 million in costs associated with the issuance of the 3 $^{3}/_{4}$% Convertible Senior Notes, which have been recorded as deferred financing costs in other assets. Holders of these notes may convert their notes into the Company's common stock at any time prior to maturity at an initial conversion price of $9.3234 per share, which is equivalent to an initial conversion rate of 107.257 shares per $1,000 principal amount of the notes, subject to adjustment in certain circumstances. In the event of a change in control, as defined, the holders may put the instrument to the Company at which time the Company has the option to settle in cash or common stock at an adjusted conversion price.

In the second quarter 2006, the Company restructured $54.8 million principal amount of 3 $^{3}/_{4}$% Convertible Senior Notes; see prior disclosure regarding the 5% Exchangeable Senior Notes within this footnote. In May 2008, the Company restructured $43.1 million principal amount of 3 $^{3}/_{4}$% Convertible Senior Notes; see prior disclosure regarding the 14 $^{1}/_{4}$% Senior Secured Notes within this footnote. The outstanding notes are convertible in the aggregate into 3,668,190 shares of the Company's common stock. This debt is in default as a result of the bankruptcy filing on March 16, 2009, and is classified as current portion of long-term obligations on the balance sheet as of December 31, 2008.

12 $^{3}/_{4}$% Senior Notes

In October 1999, the Company completed the sale of $250 million in aggregate principal amount of the 12 $^{3}/_{4}$% Senior Notes. The 12 $^{3}/_{4}$% Senior Notes are due October 15, 2009, with semi-annual interest payments due on October 15 th and April 15th with early redemption at a premium to par at the Company's option at any time after October 15, 2004 and with an early redemption at par at the Company's option at any time after October 15, 2007.

During the years ended December 31, 2002, 2001 and 2000, the Company reduced the principal balance of these senior notes through open market purchases. In June and September 2002, the Company retired all of the 12 $^{3}/_{4}$% Senior Notes that it had previously purchased in the principal amount of $134.3 million in aggregate. The retired principal had been held by the Company as treasury bonds and had been recorded as a reduction of long-term obligations. During the year ended December 31, 2004, the Company retired $33.0 million principal amount of the 12 $^{3}/_{4}$% Senior Notes through open market purchases. During the year ended December 31, 2005, the Company exchanged 5,165,175 shares of the Company's common stock for the extinguishment of $8.6 million principal amount of these senior notes. During the quarter ended March 31, 2006, the Company exchanged 1,825,000 shares of the Company's common stock for the extinguishment of $2.5 million principal amount of these senior notes. During the first quarter 2007, the Company restructured $40.7 million principal amount of the 12 $^{3}/_{4}$% Senior Notes; the Company entered into a supplemental indenture, amending the terms to eliminate certain covenants. See prior disclosure regarding the 14 $^{1}/_{4}$% Senior Secured Notes within this footnote. During the remainder of 2007, the Company retired $10.5 million principal amount of the 12 $^{3}/_{4}$% Senior Notes through open market purchases. In the first quarter 2008, the Company made open market purchases of $0.8 million principal amount of its 12 $^{3}/_{4}$% Senior Notes, resulting in a $0.1 million gain on early extinguishment of debt including the write-off of related deferred financing costs. In May 2008, the Company restructured $5.3 million principal amount of the 12 $^{3}/_{4}$ % Senior Notes; see prior disclosure regarding the 14 $^{1}/_{4}$% Senior Secured Notes within this footnote. This debt is in default as a result of the bankruptcy filing on March 16, 2009, and is classified as current portion of long-term obligations on the balance sheet as of December 31, 2008.

Leased Fiber Capacity

In December 2000, the Company entered into a financing arrangement to purchase fiber optic capacity in Australia for 51.1 million Australian dollars (AUD) ($28.5 million at December 31, 2000) from Optus Networks Pty. Limited. As of December 31, 2001, the Company had fulfilled the total purchase obligation. The Company signed a promissory note payable over a four-year term ending in April 2005 bearing interest at a rate of 14.31%. During the three months ended June 30, 2003, the Company renegotiated the payment terms extending the payment schedule through March 2007, and lowering the interest rate to 10.2%. In October 2006, the Company renegotiated the payment terms of its promissory note payable to Optus Networks Pty. Limited to defer principal payments from April 2006 through December 2006 and was obligated to pay the remaining balance in three equal monthly principal payments in the first quarter 2007. In February 2007, the Company again renegotiated the payment terms of its $7.0 million (10.1 million AUD) promissory note payable to Optus Networks Pty. Limited to extend the payment schedule through December 2008 in 24 equal monthly payments. During the third quarter 2008, the payment terms were again renegotiated to extend payment of the principal balance of $2.2 million (3.1 million AUD) to June 2010 with monthly payments of interest only at a rate of 13.5%. If certain conditions are not met, including certain purchase targets by September 30, 2009, Optus Networks Pty. Limited may give 30 days notice requiring full payment of the principal balance. At December 31, 2008 and December 31, 2007, the Company had a liability recorded in the amount of $2.2 million (3.1 million AUD) and $5.0 million (5.7 million AUD), respectively.

Equipment Financing and Other Long-Term Obligations

In November 2005, Primus Australia entered into a financing arrangement for network equipment. Payments are made over a five-year term ending October 2010. The effective interest rate on the current borrowing is 9.3%. At December 31, 2008 and December 31, 2007, the Company had a liability recorded under this agreement in the amount $2.9 million (4.2 million AUD) and $4.7 million (5.4 million AUD), respectively. At December 31, 2007, the Company was in breach of a covenant under the financing arrangement. Breach of such covenant was waived by the lender on February 8, 2008. No such breach existed as of December 31, 2008.

6. INCOME TAXES

The total provision (benefit) for income taxes for the years ended December 31, 2008, 2007, and 2006 is as follows:

	2008	2007	2006
Current: Federal	$ 59	$ 86	$ —
State	63	154	—
Foreign	(6,852)	2,052	4,863
	(6,730)	2,292	4,863
Deferred: Federal	162	—	—
State	—	—	—
Foreign	6,202	(11,524)	—
	6,364	(11,524)	—
Total Tax Provision (Benefit)	$ (366)	$ (9,232)	$4,863

The US and foreign components of income from continuing operations before income taxes for 2008, 2007, and 2006 are as follows:

	For the Year Ended December 31,		
	2008	2007	2006
US	$ (43,097)	$(13,514)	$ (51,102)
Foreign	18,026	14,154	(184,735)
Income from continuing operations before income taxes	$(25,071)	$ 640	$(235,837)

The provision for (benefit from) income taxes differed from the amount computed by applying the federal statutory income tax rate to income (loss) before income taxes due to the following (in thousands):

	For the Year Ended December 31,		
	2008	2007	2006
Tax provision (benefit) at federal statutory rate	$ (8,524)	$ 218	$(80,185)
Permanent differences	(1,940)	(29,299)	13,417
State tax (net of federal)	(1,043)	1,129	(758)
Effect of foreign tax rate change	(1,241)	(3,278)	3,157
Foreign withholding taxes (net of Federal)	(3,159)	2,518	4,863
FIN No. 48 items	(5,014)	(3,525)	—
Foreign taxes	3,180	8,432	—
Increase (decrease) in valuation allowance	15,710	12,579	65,934
Other	1,665	1,994	(1,565)
Income tax (benefit) expense	$ (366)	$ (9,232)	$ 4,863

Deferred income taxes are recognized to account for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts of each period-end, based on enacted tax laws and statutory income tax rates applicable to periods in which the differences are expected to affect taxable income. Deferred income taxes reflect the net income tax effect of temporary differences between the basis of assets and liabilities for financial reporting purposes and for income tax purposes. Net deferred tax balances are comprised of the following (in thousands):

	December 31,	
	2008	2007
Deferred tax assets	$ 274,000	$268,659
Valuation allowance	(227,798)	(239,680)
Deferred tax liabilities	(32,183)	(4,881)
Net deferred taxes	$ 14,019	$ 24,098

The valuation allowance decreased during 2007 by $98.0 million. This is composed of $98.6 million due to the implementation of FIN No. 48, which decreased both the valuation allowance and the deferred tax assets, a decrease of $11.3 million for the release of the Canadian subsidiaries' valuation allowance, and an offsetting $10.7 million increase which offsets deferred tax asset increases in 2007.

The significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31, 2008	December 31, 2007
Current		
Allowance for bad debt	$ 2,301	$ 2,443
Other	3,683	4,424
Valuation allowance	(5,133)	(5,187)
	$ 851	$ 1,680
Non-current		
Basis difference in intangibles	$ 27,915	$ 30,872
Basis difference in fixed assets impairment	57,066	64,672
Other basis difference	0	450
Bond related adjustments	(30,940)	—
Capital loss carryforwards	27,491	34,305
Net operating loss carryforwards	139,664	111,168
Basis difference in fixed assets	8,615	13,375
Unrealized foreign exchange gains	3,256	(4,723)
Accrued withholding tax	3,283	6,062
Minimum tax credit carryforward	726	888
Other	(1,243)	(158)
Valuation allowance	(222,665)	(234,493)
	$ 13,168	$ 22,418

As of December 31, 2008, the Company had foreign operating loss carryforwards of approximately $244.5 million of which $22.5 million expire periodically from 2009 through 2028, and the remainder of which carryforward without expiration.

At December 31, 2008, the Company had United States operating loss carryforwards of $72.8 million available to reduce future United States taxable income, which expires periodically between 2014 through 2028. Of the operating loss carryforwards, $45.4 million are subject to limitations in the future, in accordance with Section 382 of the Internal Revenue Code.

During 2008 and the testing periods under Internal Revenue Code Section 382 ("382"), the Company had various changes to its 5% shareholder base as reported in the applicable SEC 13G filings. Based on the review of the 13G filings and other available data the Company believes that an ownership change did not occur. If a change does occur, the resulting 382 limitation would place severe limits on the Company's ability to utilize the United States net operating losses.

The net operating loss carryforward amounts above reflect all FIN No. 48 changes.

The Company incurred $(3.1) million, $3.9 million and $4.7 million of expense in 2008, 2007 and 2006, respectively, related to foreign withholding tax on intercompany interest and royalties owed to our United States subsidiary. On December 15, 2008 the U.S. Treasury Department announced that the Fifth Protocol ("Protocol") to the United States—Canada Income Tax Treaty entered into force. The Protocol is generally effective for tax years beginning on or after January 1, 2009, however certain provisions of the Protocol have different effective dates. The elimination of withholding tax on interest paid or credited between related parties is phased in over a 3-year period, between 2008 through 2010. The reduced withholding tax rates are 7% for 2008, 4% for 2009, and 0% for 2010 and thereafter. Effective January 1, 2010, interest paid by or to certain hybrid entities will not qualify for treaty benefits. The changes made by the Protocol have substantially reduced the accrued income tax liability by $5.4 million, thereby providing for an overall tax benefit.

No provision was made in 2008 for United States 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 it is tax effective to do so. Determining the income or withholding tax liability that would arise if these earnings were remitted is not practicable. That liability would depend on a number of factors, including the amount of the earnings distributed and whether the U.S. operations were generating taxable profits or losses.

On January 1, 2007, the Company adopted FIN No. 48. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." This Interpretation prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return.

The Company is subject to challenge from various taxing authorities relative to certain tax planning strategies, including certain intercompany transactions as well as regulatory taxes. Prior to the implementation of FIN No. 48 on January 1, 2007, the Company accrued income tax contingencies under FASB No. 5, "Accounting for Contingencies," when it was probable that a liability to a taxing authority had been incurred and the amount of the contingency could be reasonably estimated, based on past experience. The Company's tax contingency reserve was adjusted for changes in circumstances and additional uncertainties, such as significant amendments to existing tax law, both legislated and concluded through various jurisdictions' tax court systems. For 2008 the reserve is recorded under FIN No. 48.

As a result of the implementation of FIN No. 48, the Company recorded adjustments to increase its unrecognized tax benefits by $106.4 million, with no net impact to the consolidated statement of operations. Of this amount, $7.7 million was accounted for as an increase to the January 1, 2007 balance of accumulated deficit. The remainder of $98.7 million resulted in a reduction of deferred tax assets offset by an equal adjustment to the valuation allowance. The total of unrecognized tax benefits on the consolidated balance sheet was $116.5 million as of January 1, 2008. Of this amount, total unrecognized tax benefits of $22.7 million, if recognized, would affect the effective tax rate. Penalties and income tax-related interest expense are reported as a component of income tax expense. As of January 1, 2008, the total amount of accrued income tax-related interest and penalties was $2.7 million.

Reconciliations of the January 1, 2008 to December 31, 2008 and January 1, 2007 to December 31, 2007 balances of unrecognized tax benefits are as follows (in thousands):

	Liability for Unrecognized Tax Benefits	
	2008	2007
Balance at January 1,	$116,454	$111,426
Foreign currency adjustments	(11,215)	4,934
Statute expiration	(441)	(4,269)
Gross increases (decreases) of tax positions in prior period	(501)	3,075
Audit resolution	(16,977)	(9,343)
Gross increases of tax positions in current period	3,042	7,961
Penalties and interest	51	2,670
Balance at December 31,	$ 90,413	$116,454

The total of unrecognized tax benefits on the consolidated balance sheet was $90.4 million as of December 31, 2008. Total unrecognized tax benefits of $3.7 million, if recognized, would affect the effective tax rate.

It is not expected that any unrecognized tax benefits will significantly increase or decrease over the next 12 months, with the possible exception of Canada, who is currently involved in an ongoing international tax planning audit whose outcome is uncertain at this time.

The following table summarizes the open tax years for each major jurisdiction:

Jurisdiction	Open Tax Years
United States Federal	2000, 2002-2008
Australia	2001-2008
Canada	2003-2008
United Kingdom	2005-2008
Netherlands	2007-2008

The Company has closed certain federal and provincial income tax examinations in Canada for the years 2000 through 2005 (federal) and 2001 through 2005 (provincial) with all assessments being received. The Company has concluded an examination in the Netherlands for the years 2002, 2003, 2004, 2005 and 2006. Based on the final settlement, the Company reversed its remaining liability in the fourth quarter of 2008. The Company is also currently under examination in other foreign tax jurisdictions, none of which are individually material.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to relatively short periods to maturity. The estimated aggregate fair value of the Company’s senior secured term loan facility, 14 1/4% Senior Secured Notes, 5% Exchangeable Senior Notes, Step Up Convertible Subordinated Debentures, 8% Senior Notes, 12 3/4% Senior Notes and 3 3/4% Convertible Senior Notes (face value of $536 million and $617 million, at December 31, 2008 and 2007, respectively), based on quoted market prices for all but the senior secured term loan facility, was $111 million and $455 million, respectively, at December 31, 2008 and 2007. For the senior secured term loan facility, fair value determination was based on a SFAS No. 157 Level 2 input, as the market is inactive with no trades since June 2008, and was based on a current offering sheet. The effect of the filings under Chapter 11 as described in “Note 2—Summary of Significant Accounting Policies—Going Concern and Voluntary Reorganization Under Chapter 11” cannot be determined at this time, but are potentially substantial.

8. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments under capital leases and leased fiber capacity financing (“Vendor Financing”), purchase obligations and non-cancelable operating leases as of December 31, 2008 are as follows (in thousands):

Year Ending December 31,	Vendor Financing and Other	Purchase Obligations	Operating Leases
2009	$ 2,528	$26,583	$17,319
2010	4,913	13,957	13,724
2011	278	1,893	10,186
2012	95	486	8,559
2013	62	—	6,038
Thereafter	33	—	9,075
Total minimum lease payments	7,909	42,919	64,901
Less: Amount representing interest	(886)	—	—
	$ 7,023	$42,919	$64,901

The Company has contractual obligations to utilize network facilities from certain carriers with terms greater than one year. The Company does not purchase or commit to purchase quantities in excess of normal usage or amounts that cannot be used within the contract term or at rates below or above market value. The Company made purchases under purchase commitments of $33.6 million, $30.3 million and $8.9 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Rent expense under operating leases was $16.6 million, $17.0 million and $15.4 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Litigation

Legal Proceedings Related to the Chapter 11 Cases

On March 16, 2009, each of Group, Holding, PTII and IHC filed Chapter 11 Cases in the United States Bankruptcy Court for the District of Delaware for reorganization relief under Chapter 11 of the Bankruptcy Code. Subsequently, the Debtors sought and received an order directing joint administration of the Debtors' Chapter 11 Cases under the caption, In re: Primus Telecommunications Group, Incorporated, et al., Debtors Case No. 09-10867. A creditors' committee has not been appointed in these cases by the United States Trustee. On April 8, 2009, the Debtors filed the First Amended Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors and the Disclosure Statement (see Note 2—"Summary of Significant Accounting Policies"—Going Concern and Voluntary Reorganization Under Chapter 11).

The Reorganization is subject to a number of uncertainties and contingencies and is subject to Bankruptcy Court confirmation; as a result, the Company is unable to assess the ultimate outcome of the Chapter 11 Cases.

Other Legal Proceedings

Group and its subsidiaries are subject to claims and legal proceedings unrelated to the Chapter 11 Cases that arise in the ordinary course of its business ("Other Proceedings"). Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably. The Company believes that any aggregate liability that may result from the resolution of the Other Proceedings will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

9. STOCKHOLDERS' EQUITY

This note does not affect any revision that may occur as a result of the Company's March 16, 2009 voluntary bankruptcy petition under Chapter 11 and the resulting effects to the Company's capital structure (see Note 2—"Summary of Significant Accounting Policies"—Going Concern and Voluntary Reorganization Under Chapter 11).

During the year ended December 31, 2008, 100,000 restricted stock units were fully vested upon involuntary termination of an employee without cause. The fair market value of the stock units at the grant date was $0.40 per share. The employee withholding tax was netted against the share issuance, and the Company issued 62,850 shares of common stock to the employee.

During the year ended December 31, 2007, the Company exchanged 6,000,000 shares of the Company's common stock for the extinguishment of $5.0 million in principal amount of the Step Up Convertible Subordinated Debentures (see Note 5—"Long-Term Obligations"). Also, the Company sold 22,500,000 shares of the Company's common stock to certain investors pursuant to a subscription agreement for $19.3 million cash. The Company also granted 284,000 shares to an executive employee as a stock award.

During the year ended December 31, 2006, the Company exchanged 1,825,000 shares of the Company's common stock for the extinguishment of $2.5 million in principal amount of the October 1999 Senior Notes (see Note 5—"Long-Term Obligations"). The Company also sold 6,666,667 shares of the Company's common stock for $5.0 million cash pursuant to a subscription agreement with an existing stockholder.

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10. SHARE-BASED COMPENSATION

The Company sponsors an employee stock compensation plan (the “Equity Incentive Plan”). The total number of shares of common stock authorized for issuance under the Equity Incentive Plan is 13,000,000. Under the Equity Incentive Plan, awards may be granted to key employees or consultants of the Company and its subsidiaries in the form of Incentive Stock Options, Nonqualified Stock Options or Restricted Stock Units. The Equity Incentive 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 and allows the grant of restricted stock units (RSUs) for no consideration. The options and RSUs vest over a period of up to three years. No option will be exercisable more than ten years from the date it is granted. On June 16, 2004, the stockholders of the Company approved amendments to the Equity Incentive Plan, including (i) renaming the employee stock option plan the “Equity Incentive Plan”; (ii) expanding the forms of awards permitted to be granted, including stock appreciation rights, restricted stock awards, stock units and other equity securities, and authorizing a tax deferral feature for executive officers; (iii) prohibiting the repricing of stock options in the future without stockholder approval; and (iv) requiring vesting in full to be not less than three years for restricted stock and stock unit awards, unless accelerated following the first anniversary of the award due to the satisfaction of predetermined performance conditions.

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 upon election or reelection to purchase 45,000 shares of common stock, which vests in one-third increments as of the grant date and the first and second anniversaries of the grant date, 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 five years from the date of grant. On June 16, 2004, the stockholders of the Company approved amendments to the Director Plan to (i) increase the number of shares of common stock issuable pursuant to awards under the Director Plan by 300,000 to a total of 900,000; and (ii) authorize the issuance of restricted stock (in lieu of cash compensation at the discretion of individual Directors).

A summary of stock option activity during the three years ended December 31 is as follows:

	2008		2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding—Beginning of year	7,368,262	$ 2.09	7,919,267	$ 2.15	9,316,005	$ 2.36
Granted	1,042,000	$ 0.35	155,000	$ 0.86	797,500	$ 0.76
Exercised	—	$ —	—	$ —	—	$ —
Forfeitures	(595,859)	$ 2.26	(706,005)	$ 2.53	(2,194,238)	$ 2.50
Outstanding—End of year	7,814,403	$ 1.85	7,368,262	$ 2.09	7,919,267	$ 2.15
Eligible for exercise—End of year	6,860,732	$ 2.05	6,628,171	$ 2.23	6,588,966	$ 2.42

The following table summarizes information about stock options outstanding at December 31, 2008:

	Options Outstanding				Options Exercisable			
Range of Option Prices	Total Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Intrinsic Value	Total Exercisable	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Intrinsic Value
$ 0.27 to $ 0.29	42,000	9.33	$ 0.27	$ —	—	0.00	$ —	$ —
$ 0.36 to $ 0.65	1,118,167	8.25	$ 0.41	$ —	338,164	6.56	$ 0.50	$ —
$ 0.73 to $ 0.88	724,333	6.70	$ 0.79	$ —	622,665	6.61	$ 0.79	$ —
$ 0.90	754,154	2.52	$ 0.90	$ —	754,154	2.52	$ 0.90	$ —
$ 0.92	696,915	6.85	$ 0.92	$ —	696,915	6.85	$ 0.92	$ —
$ 0.93 to $ 0.99	110,000	4.13	$ 0.98	$ —	80,000	4.39	$ 0.98	$ —
$ 1.33 to $ 1.61	19,500	4.80	$ 1.47	$ —	19,500	4.80	$ 1.47	$ —
$ 1.65	1,465,273	3.97	$ 1.65	$ —	1,465,273	3.97	$ 1.65	$ —
$ 1.90 to $ 2.38	1,700,711	4.00	$ 1.97	$ —	1,700,711	4.00	$ 1.97	$ —
$ 3.03 to $ 6.30	1,159,000	5.60	$ 4.92	$ —	1,159,000	5.60	$ 4.92	$ —
$ 12.31 to $ 17.44	16,800	0.51	$ 15.09	$ —	16,800	0.51	$ 15.09	$ —
$ 31.94	7,550	1.08	$ 31.94	$ —	7,550	1.08	$ 31.94	$ —
	7,814,403	5.22	$ 1.85	$ —	6,860,732	4.75	$ 2.05	$ —

The number of unvested options expected to vest is 0.4 million shares, with a weighted average remaining life of 8.6 years, a weighted average exercise price of $0.43, and with an intrinsic value of $0.

In 2007, 100,000 restricted stock units were granted, which is the only grant to date. The fair market value of the stock units at the grant date was $0.40 per share. In October 2008, the stock units were fully vested upon involuntary termination without cause. The employee withholding tax was netted against the share issuance, and the Company issued 62,850 shares of common stock and accelerated the recognition of $28 thousand expense.

In December 1998, the Company established the 1998 Restricted Stock Plan (the “Restricted Plan”) to facilitate the grant of restricted stock to selected individuals (excluding executive officers and directors of the Company) 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. The Company did not issue any restricted stock under the Restricted Plan for the years ended 2008, 2007 and 2006. As of December 31, 2008, 54,000 shares have been issued and none are considered restricted.

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 in cash of 50% of the first 6% of employee annual salary contributions capped at $2,000 which are subject to three-year cliff vesting.

The matching contribution made by the Company in cash during the years ended December 31, 2008, 2007 and 2006 was $168,000, $262,000 and $256,000, respectively.

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 purchase 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. The plan was suspended as of July 27, 2006. During the year ended December 31, 2006, the Company issued 102,321 shares under the ESPP.

12. RELATED PARTIES

The Company had a reciprocal services agreement with a vendor to provide and to receive domestic and international termination of telecommunication services. A Director of the Company is the Chairman and Chief Executive Officer of the vendor providing such services. The contract was on a month-to-month basis. The Company recorded $0 revenue and cost in 2008 and 2007. The Company recorded cost of $3,000 in 2006 for discrete services received under this agreement. The Company had no amounts due from the vendor at December 31, 2008, 2007 and 2006.

During the year ended 2008, 2007 and 2006, the Company provided international telecommunications services to a customer for which a Director of the Company is the Chairman and Chief Executive Officer of the customer. The Company recorded revenue of approximately $20,000, $36,000 and $38,000 in 2008, 2007 and 2006, respectively, for services provided and costs of $1,000, $0 and $0 in 2008, 2007 and 2006, respectively, for services received. The Company had amounts due from the customer of approximately $0, $2,000 and $6,000 at December 31, 2008, 2007 and 2006, respectively.

13. OPERATING SEGMENT AND RELATED INFORMATION

The Company has five reportable operating segments based on management's organization of the enterprise into geographic areas—United States, Canada, Europe and Asia-Pacific, with the wholesale business within each region managed as a separate global segment. The Company evaluates the performance of its segments and allocates resources to them based upon net revenue and income (loss) from operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Net revenue by geographic segment is reported on the basis of where services are provided. The Company has no single customer representing greater than 10% of its revenues. Operations and assets of the United States segment include shared corporate functions and assets, which the Company does not allocate to its other geographic segments for management reporting purposes. The wholesale business' assets are indistinguishable from the respective geographic segments. Therefore, any reporting related to the wholesale business for assets, capital expenditures or other balance sheet items is impractical.

Summary information with respect to the Company's geographic regions and segments is as follows:

	Year Ended December 31,		
	2008	2007	2006
Net Revenue by Geographic Region			
United States			
United States	$ 170,552	$ 166,799	$ 192,235
Other	10,129	7,918	4,086
Total United States	180,681	174,717	196,321
Canada			
Canada	260,834	262,412	275,546
Total Canada	260,834	262,412	275,546
Europe			
United Kingdom	87,706	89,363	84,397
Germany	18,254	21,004	34,607
Netherlands	2,765	139	34,457
France	26,284	19,433	16,833
Spain	11,428	15,831	18,443
Italy	21,318	15,075	14,408
Other	10,005	12,093	13,620
Total Europe	177,760	172,938	216,765
Asia-Pacific			
Australia	276,414	284,935	301,506
Other	174	1,027	2,896
Total Asia-Pacific	276,588	285,962	304,402
Total	$ 895,863	$ 896,029	$ 993,034
Net Revenue by Segment			
United States	$ 96,708	$ 109,501	$ 115,405
Canada	260,834	262,200	274,318
Europe	64,629	68,943	94,114
Asia-Pacific	276,414	284,935	301,506
Wholesale	197,278	170,450	207,691
Total	$ 895,863	$ 896,029	$ 993,034
Provision for Doubtful Accounts Receivable			
United States	$ 3,427	$ 2,087	$ 2,686
Canada	2,708	2,979	3,432
Europe	765	817	4,287
Asia-Pacific	3,948	3,509	3,794
Wholesale	1,092	958	874
Total	$ 11,940	$ 10,350	$ 15,073

	Year Ended December 31,		
	2008	2007	2006
Income (Loss) from Operations			
United States	$ (7,621)	$ (3,964)	$ (96,629)
Canada	41,393	37,138	(7,224)
Europe	(3,968)	(13,947)	(39,225)
Asia-Pacific	10,408	15,594	(63,787)
Wholesale	(1,407)	(3,097)	(256)
Total	$ 38,805	$ 31,724	$ (207,121)
Capital Expenditures			
United States	$ 1,832	$ 2,033	$ 2,588
Canada	10,394	23,434	18,399
Europe	839	3,418	1,289
Asia-Pacific	12,376	15,860	10,740
Total	$ 25,441	$ 44,745	$ 33,016

The above capital expenditures exclude assets acquired in business combinations and under terms of capital lease and vendor financing obligations.

	December 31,	
	2008	2007
Property and Equipment—Net		
United States		
United States	$ 15,590	$ 18,430
Other	504	597
Total United States	16,094	19,027
Canada		
Canada	44,234	54,787
Total Canada	44,234	54,787
Europe		
United Kingdom	5,965	8,718
Other	577	1,670
Total Europe	6,542	10,388
Asia-Pacific		
Australia	45,151	60,233
Other	131	164
Total Asia-Pacific	45,282	60,397
Total	$ 112,152	$ 144,599

	December 31, 2008	December 31, 2007
Assets		
United States		
United States	$ 28,230	$ 71,782
Other	4,263	5,429
Total United States	32,493	77,211
Canada		
Canada	121,105	166,817
Total Canada	121,105	166,817
Europe		
United Kingdom	23,597	21,434
Germany	2,710	5,803
Italy	9,301	11,501
France	6,326	6,710
Other	33,262	34,217
Total Europe	75,196	79,665
Asia-Pacific		
Australia	97,645	132,948
Other	4,005	3,762
Total Asia-Pacific	101,650	136,710
Total	$ 330,444	$ 460,403

The Company offers three main products—voice, data/Internet and VOIP in all of its segments. Summary net revenue information with respect to the Company's products is as follows (in thousands):

	For the Year Ended December 31, 2008	2007	2006
Voice	$566,791	$ 597,404	$ 704,971
Data/Internet	180,308	179,809	166,520
VOIP (Retail and Wholesale)	148,764	118,816	121,543
Total	$ 895,863	$896,029	$ 993,034

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14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the years ended December 31, 2008 and 2007.

	For the Quarter Ended			
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
	(in thousands, except per share amounts)			
Net revenue	$ 225,434	$ 235,897	$ 231,256	$ 203,276
Cost of revenue (exclusive of depreciation)	$ 141,484	$ 142,495	$ 149,834	$ 136,052
Income from operations	$ 9,713	$ 15,227	$ 7,136	$ 6,729
Income (loss) from continuing operations	$ (2,954)	$ 46,545	$ (32,784)	$ (35,512)
Income (loss) from discontinued operations	$ (45)	$ (21)	$ (436)	$ 176
Net income (loss)	$ (2,999)	$ 46,524	$ (33,220)	$ (35,336)
Basic income (loss) per common share:				
Income (loss) from continuing operations	$ (0.02)	$ 0.33	$ (0.23)	$ (0.25)
Loss from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Net income (loss)	$ (0.02)	$ 0.33	$ (0.23)	$ (0.25)
Diluted income (loss) per common share:				
Income (loss) from continuing operations	$ (0.02)	$ 0.25	$ (0.23)	$ (0.25)
Loss from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Net income (loss)	$ (0.02)	$ 0.25	$ (0.23)	$ (0.25)

	For the Quarter Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
	(in thousands, except per share amounts)			
Net revenue	$225,282	$225,751	$ 223,744	$221,252
Cost of revenue (exclusive of depreciation)	$ 143,651	$ 141,285	$ 135,580	$ 130,787
Income from operations	$ 7,807	$ 8,302	$ 8,644	$ 6,971
Income (loss) from continuing operations	$ (8,446)	$ 12,309	$ 4,369	$ 1,640
Income (loss) from discontinued operations	$ (154)	$ (208)	$ 220	$ (126)
Gain from sale of discontinued operations	$ 5,958	$ —	$ 174	$ —
Net income (loss)	$ (2,642)	$ 12,101	$ 4,763	$ 1,514
Basic income (loss) per common share:				
Income (loss) from continuing operations	$ (0.07)	$ 0.10	$ 0.03	$ 0.01
Income (loss) from discontinued operations	(0.00)	(0.00)	0.00	(0.00)
Gain from sale of discontinued operations	0.05	—	0.00	—
Net income (loss)	$ (0.02)	$ 0.10	$ 0.03	$ 0.01
Diluted income (loss) per common share:				
Income (loss) from continuing operations	$ (0.07)	$ 0.07	$ 0.02	$ 0.01
Income (loss) from discontinued operations	(0.00)	(0.00)	0.00	(0.00)
Gain from sale of discontinued operations	0.05	—	0.00	—
Net income (loss)	$ (0.02)	$ 0.07	$ 0.02	$ 0.01

Quarterly and year-to-date computations of per share amounts are made independently; therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year.

15. LOSS ON SALE OR DISPOSAL OF ASSETS

During the year ended December 31, 2008, the Company recognized a gain of $6.0 million associated with the sale or disposal of specific long-lived assets, as detailed below.

In the third quarter, a consolidated, variable interest entity in Canada, of which the Company currently owns 45.6% of the equity, sold certain primarily rural WIMAX spectrum (spectrum for transmission of sound, data, and video) assets (representing approximately 10% of the entity's spectrum population coverage) for cash consideration of $4.9 million ($5.0 million CAD). The minority interest on the gain on the sale of $4.6 million was $2.5 million and was included in interest income and other income (expense). Total minority interest is $2.9 million included in other long-term liabilities. The cash proceeds from the sale of $4.9 million can be used for operations within the variable interest entity, but requires unanimous shareholder consent for a dividend distribution.

Additionally, a $0.8 million gain was recognized for the sale of certain surplus fiber assets in the United States; a $1.7 million gain was recognized for the sale of a minority equity investment in a Japanese entity; and a $0.9 million loss was recognized on the disposal of certain equipment related to the WIMAX operations in Canada.

During the year ended December 31, 2007, the Company recognized a charge of $1.5 million for the sale or disposal of specific long-lived assets which were taken out of service. The assets disposed or sold were comprised of switch and peripheral equipment and other network equipment.

During the year ended December 31, 2006, the Company recognized a charge of $16.1 million for the sale or disposal of specific long-lived assets which were taken out of service. The charge included $8.9 million in the United States, $1.8 million in Canada, $3.0 million in Europe, and $2.4 million in Asia-Pacific and was comprised of network fiber, peripheral switch equipment, software development costs and other network equipment.

16. ASSET IMPAIRMENT

In the second quarter 2006, pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company identified certain indications of impairment. The overall deterioration in economic conditions within the telecommunications industry, including certain pricing actions enacted by incumbent carriers, during the first half of 2006 led the Company to believe that the fair value of certain long-lived assets had decreased significantly. Based on the Company's evaluation, it was determined that the estimated future cash flows were less than the carrying value of its long-lived assets. The Company's assets were evaluated as a single asset group, because of the nature of the cash flows being inseparable within a global telecommunications company. Therefore, the impairment was applied equally across the entire asset group. Accordingly, during the second quarter 2006, the Company adjusted the carrying value of its long-lived assets, including property and equipment and amortizing intangible assets, to their estimated fair value of $108.7 million, as determined through a replacement cost analysis. This adjustment resulted in an asset impairment write-down of $154.6 million, consisting of the following specific asset write-downs: $149.3 million in property and equipment and $5.3 million in customer lists and other intangible assets. The impairment analysis relied on the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

Because of the impairment identified under the guidance of SFAS No. 144, the Company performed an analysis under SFAS No. 142, "Goodwill and Other Intangible Assets." Through that evaluation, the Company determined that a $51.6 million impairment to goodwill was required in the Europe, United States, Canada and Asia-Pacific reporting units.

The following table outlines the Company's asset impairment write-down by segment (in thousands):

	For the Year Ended December 31, 2006
United States	
United States	$ 65,528
Other	4,320
Total United States	69,848
Canada	
Canada	44,744
Total Canada	44,744
Europe	
United Kingdom	9,991
Germany	1,430
Netherlands	1,677
Other	5,800
Total Europe	18,898
Asia-Pacific	
Australia	72,603
Other	46
Total Asia-Pacific	72,649
Total	$ 206,139

17. GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT

In 2008, the Company exchanged $49.0 million principal amount of the 8% Senior Notes, $33.0 million principal amount of the 5% Exchangeable Senior Notes, $43.1 million principal amount of the 3 3/4% Convertible Senior Notes, $5.3 million principal amount of the 12 3/4% Senior Notes for $67.1 million principal amount of its newly issued 14 1/4% Senior Secured Notes and $4.7 million of cash, resulting in a gain on restructuring of debt of $32.2 million including the expensing of related financing costs, which was adjusted to $32.3 million in the third quarter. The Company also made open market purchases of $0.8 million principal amount of the 12 3/4% Senior Notes, $13.8 million principal amount of the Step Up Convertible Subordinated Debentures and $2.1 million principal amount of the 14 1/4% Senior Secured Notes, resulting in a $0.1 million, $2.1 million and $2.0 million gain, respectively, on early extinguishment of debt including the write-off of related deferred financing costs, discount and effective interest.

In 2007, the Company issued in a private transaction $57.2 million principal amount of the 14 1/4% Senior Secured Notes, in exchange for $40.7 million principal amount of the Company's outstanding 12 3/4% Senior Notes and $23.6 million in cash. This exchange has been accounted for as a modification of debt with a portion deemed to be a troubled debt restructuring. The Company recorded $5.1 million in costs associated with the issuance of the 14 1/4% Senior Secured Notes, which have been recorded as loss on restructuring of debt. The Company refinanced an existing Canadian credit facility and recognized a $0.9 million loss on early extinguishment of debt for pre-payment penalties and the write-off of related deferred financing costs. The Company also exchanged 6,000,000 shares of the Company's common stock for the extinguishment of $5.0 million principal amount of its Step Up Convertible Subordinated Debentures resulting in a loss on early extinguishment of debt of $2.3 million, including the write-off of related deferred financing costs and debt discount. These losses were offset by a $0.5 million gain on early extinguishment of debt on forgiveness of equipment financing and a $0.3 million gain on open market purchases of $10.5 million principal amount of the 12 3/4% Senior Notes including the write-off of related deferred financing costs.

In 2006, the Company issued $56.3 million principal amount of Holding's 5% Exchangeable Senior Notes in exchange for $20.5 million of cash and the retirement of $54.8 million principal amount of the Company's 3 $^{3}/_{4}$% Convertible Senor Notes. This exchange has been accounted for as a troubled debt restructuring, resulting in $11.3 million of future cash payments being recognized as long-term obligations and a gain on restructuring of debt of $4.8 million. The Company also exchanged $27.4 million principal amount of the Company's 2000 Convertible Subordinated Debentures for $27.5 million principal amount of the Step Up Convertible Subordinated Debentures resulting in a gain on early extinguishment of debt of $1.5 million including the write-off of related deferred financing costs. In January 2006, the Company exchanged 1,825,000 shares of the Company's common stock for the extinguishment of $2.5 million in principal amount of the 12 $^{3}/_{4}$% Senior Notes resulting in a $1.2 million gain on early extinguishment of debt including the write-off of related deferred financing costs.

18. DISCONTINUED OPERATIONS

In the second and fourth quarter 2008, the Company determined it would sell its German retail operations and its Japanese retail operations, respectively, and therefore, is reporting these units as discontinued operations. There is an immaterial amount of assets associated with these operations (see Note 21—"Subsequent Events").

In August 2007, the Company sold its 51% interest in its German telephone installation system subsidiaries. The sale price was $0.8 million (0.6 million Euros), which included $0.5 million (0.4 million Euros) in cash and $0.3 million (0.2 million Euros) for payment of outstanding intercompany debt. For the intercompany debt payment, the Company received $0.1 million (0.1 million Euros) in cash at closing. The balance owing is represented by a note receivable and will be paid in fifteen equal monthly installment payments. As a result, the Company recorded a $0.2 million gain from sale of assets. Net assets held for sale were $0.6 million at the closing date.

In February 2007, the Company sold its Australian domain name registry and web hosting subsidiary, Planet Domain. The sale price was $6.5 million ($8.3 million AUD). The Company received $5.5 million in net cash proceeds from the transaction after closing adjustments. As a result, the Company recorded a $6.0 million gain from sale of assets. The net assets of Planet Domain were $0.2 million at the closing date.

In May 2006, the Company entered into a Share Purchase Agreement (SPA) with Videsh Sanchar Nigam Limited (VSNL), a leading international telecommunications company and member of the TATA Group, whereby VSNL purchased 100% of the stock of Direct Internet Limited (DIL), whose wholly-owned subsidiary, Primus Telecommunications India Limited (PTIL), was primarily engaged in providing fixed broadband wireless Internet services to enterprise and retail customers in India. The Company owned approximately 85% of the stock of DIL through an indirect wholly-owned subsidiary. The remaining approximately 15% of the stock of DIL was owned by the manager of DIL and PTIL, who had founded the predecessor companies. The total purchase consideration was $17.5 million. The Company received $13.0 million in net cash proceeds from the transaction at closing on June 23, 2006, after closing adjustments. Under the SPA, the Company agreed to certain non-compete provisions regarding the business of DIL and PTIL and is a party to the SPA for the purpose of guaranteeing indemnity obligations of its subsidiary selling the stock of DIL. The net assets of DIL were $8.9 million at June 23, 2006.

As a result of these events, the Company's consolidated financial statements reflect the Japan retail operations, German retail operations, discontinued German subsidiary, Planet Domain and India operations as discontinued operations for the year ended December 31, 2008, 2007 and 2006. Accordingly, revenue, costs, and expenses of the discontinued operations have been excluded from the respective captions in the consolidated statements of operations. The net operating results of the discontinued operations have been reported, net of applicable income taxes as loss from discontinued operations.

Summarized operating results of the discontinued operations for the year ended December 31, 2008, 2007 and 2006 are as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Net revenue	$3,851	$9,961	$24,086
Operating expenses	4,610	10,233	28,640
Loss from operations	(759)	(272)	(4,554)
Interest expense	—	(26)	(47)
Interest income and other income (expense)	60	39	(2)
Foreign currency transaction gain (loss)	376	(6)	10
Loss before income tax	(323)	(265)	(4,593)
Income tax expense	(3)	(3)	(80)
Loss from discontinued operations	$ (326)	$ (268)	$ (4,673)

19. BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per common share is calculated by dividing income (loss) attributable to common stockholders by the weighted average common shares outstanding during the period.

Diluted income per common share adjusts basic income per common share for the effects of potentially dilutive common share equivalents. Potentially dilutive common shares primarily include the dilutive effects of common shares issuable under the Company's stock option compensation plans computed using the treasury stock method and the dilutive effects of shares issuable upon conversion of its 5% Exchangeable Senior Notes, the Step Up Convertible Subordinated Debentures, the 3 3/4% Convertible Senior Notes and the 2000 Convertible Subordinated Debentures.

The Company had no dilutive common share equivalents during the year ended December 31, 2008, due to the results of operations being a net loss. For the year ended December 31, 2008, the following could potentially dilute income per common share in the future but were excluded from the calculation of diluted loss per common share due to their antidilutive effects:

- 7.8 million shares issuable under the Company's stock option compensation plans,
- 19.5 million shares issuable upon the conversion of the 5% Exchangeable Senior Notes,
- 7.3 million shares issuable upon the conversion of the Step Up Convertible Subordinated Debentures, and
- 3.7 million shares issuable upon conversion of the 3 3/4% Convertible Senior Notes.

For the year ended December 31, 2007, the following could potentially dilute income per common share in the future but were excluded from the calculation of diluted income per common share due to their antidilutive effects:

- 7.4 million shares issuable under the Company's stock option compensation plans,
- 8.3 million shares issuable upon conversion of the 3 3/4% Convertible Senior Notes, and
- 0.1 million shares issuable upon the conversion of the 2000 Convertible Subordinated Debentures.

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The Company had no dilutive common share equivalents during the year ended December 31, 2006, due to the results of operations being a net loss. For the year ended December 31, 2006, the following could potentially dilute income per common share in the future but were excluded from the calculation of diluted loss per common share due to their antidilutive effects:

- 7.9 million shares issuable under the Company's stock option compensation plans,
- 46.9 million shares issuable upon the conversion of the 5% Exchangeable Senior Notes,
- 23.2 million shares issuable upon the conversion of the Step Up Convertible Subordinated Debentures,
- 8.3 million shares issuable upon conversion of the 3 3/4% Convertible Senior Notes, and
- 0.5 million shares issuable upon the conversion of the 2000 Convertible Subordinated Debentures.

A reconciliation of basic income (loss) per common share to diluted income (loss) per common share is below (in thousands, except per share amounts):

	Year ended December 31,		
	2008	2007	2006
Income (loss) from continuing operations	$ (24,705)	$ 9,872	$ (240,700)
Loss from discontinuing operations, net of tax	(326)	(268)	(4,673)
Gain from sale of discontinued operations, net of tax	—	6,132	7,415
Income (loss) attributable to common stockholders—basic	(25,031)	15,736	(237,958)
Adjustment for interest expense on Step Up Convertible Subordinated Debentures	—	1,846	—
Income (loss) attributable to common stockholders—diluted	$ (25,031)	$ 17,582	$(237,958)
Weighted average common shares outstanding—basic	142,643	128,771	112,366
In-the-money options exercisable under stock option compensation plans	—	12	—
5% Exchangeable Senior Notes	—	46,936	—
Step Up Convertible Subordinated Debentures	—	20,751	—
Weighted average common shares outstanding—diluted	142,643	196,470	112,366
Basic income (loss) per common share:			
Income (loss) from continuing operations	$ (0.17)	$ 0.07	$ (2.14)
Loss from discontinued operations	(0.01)	(0.00)	(0.05)
Gain from sale of discontinued operations	—	0.05	0.07
Net income (loss)	$ (0.18)	$ 0.12	$ (2.12)
Diluted income (loss) per common share:			
Income (loss) from continuing operations	$ (0.17)	$ 0.06	$ (2.14)
Loss from discontinued operations	(0.01)	(0.00)	(0.05)
Gain from sale of discontinued operations	—	0.03	0.07
Net income (loss)	$ (0.18)	$ 0.09	$ (2.12)

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20. GUARANTOR/NON-GUARANTOR CONSOLIDATING CONDENSED FINANCIAL INFORMATION

Subsequent to the issuance of the 2007 consolidated financial statements, the Company determined that its 2007 disclosures of consolidating financial information incorrectly excluded the intercompany interest and related accrued intercompany receivables and payables that resulted from three intercompany loans between IHC, Group and Holding. The effects of this correction on the 2007 consolidating condensed financial statements are shown in the table below. The consolidating condensed statements of operations for the year ended December 31, 2007, the consolidating condensed statements of cash flows for year ended December 31, 2007, and the consolidating condensed balance sheets at December 31, 2007 contained herein have been restated to include the effects of the adjustments shown in the tables below as increases (decreases) in the effected line items to reflect correctly intercompany interest charged by IHC to Group and Holding on intercompany notes issued in 2007.

	PTGI	PTHI	Other
		For the year ended December 31, 2007	
Statements of Operations:			
Intercompany interest	$(4,037)	$ (7,881)	$ 11,918
Equity in net income (loss) of subsidiaries	$ 4,037	$ 11,918	$ —
Net income	$ —	$ 4,037	$ 11,918
Statements of Cash Flows:			
Net cash provided by (used) in operating activities	$(4,037)	$ (7,881)	$ 11,918
Net cash provided by investing activities	4,037	7,881	—
Net cash used in financing activities	—	—	(11,918)
Net change in cash and cash equivalents	$ —	$ —	$ —
		December 31, 2007	
Balance sheets:			
Investment in subsidiaries	$ 4,037	$ 11,918	$ —
Intercompany payable	$ 4,037	$ 7,881	$(11,918)
Total stockholders' equity (deficit)	$ —	$ 4,037	$ 11,918

	PTGI	IHC	Guarantor Subsidiaries
		For the year ended December 31, 2007	
Statements of Operations:			
Intercompany interest	$(4,037)	$ 11,918	$ (7,881)
Equity in net income (loss) of subsidiaries	$ 4,037	$ —	$ 11,918
Net income	$ —	$ 11,918	$ 4,037
Statements of Cash Flows:			
Net cash provided by (used in) operating activities	$(4,037)	$ 11,918	$ (7,881)
Net cash provided by investing activities	4,037	—	7,881
Net cash used in financing activities	—	(11,918)	—
Net change in cash and cash equivalents	$ —	$ —	$ —
		December 31, 2007	
Balance sheets:			
Intercompany receivable	$ —	$ 11,918	$ —
Investment in subsidiaries	$ 4,037	$ —	$ 11,918
Intercompany payable	$ 4,037	$ —	$ 7,881
Total stockholders' equity (deficit)	$ —	$ 11,918	$ 4,037

In each consolidating presentation, the above described changes are completely offset by corresponding increases in the elimination entries. Accordingly, these changes have no effect on the Company's consolidated financial statements.

Consolidating Financial Statements for Holding Debt Issuances

Holding's 8% Senior Notes and 5% Exchangeable Senior Notes are fully and unconditionally guaranteed by Group on a senior basis as of December 31, 2008. As discussed in Note 2, on March 16, 2009, Holding, Group, and IHC filed for bankruptcy. Group has a 100% ownership in Holding and no direct subsidiaries other than Holding. Accordingly, the following consolidating condensed financial information as of December 31, 2008, 2007 and 2006 are included for (a) Group on a stand-alone basis; (b) Holding on a stand-alone basis; (c) Group indirect non-guarantor subsidiaries on a combined basis; and (d) Group on a consolidated basis.

Investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. The principal elimination entries eliminate investments in subsidiaries, intercompany balances and intercompany transactions.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	For the Year Ended December 31, 2008				
	PTGI	PTHI	Other	Eliminations	Consolidated
NET REVENUE	$ —	$ —	$ 895,863	$ —	$ 895,863
OPERATING EXPENSES					
Cost of revenue (exclusive of depreciation included below)	—	—	569,865	—	569,865
Selling, general and administrative	5,097	5,697	249,636	—	260,430
Depreciation and amortization	—	—	32,791	—	32,791
Gain on sale or disposal of assets	—	—	(6,028)	—	(6,028)
Total operating expenses	5,097	5,697	846,264	—	857,058
INCOME (LOSS) FROM OPERATIONS	(5,097)	(5,697)	49,599	—	38,805
INTEREST EXPENSE	(5,301)	(27,630)	(20,957)	—	(53,888)
ACCRETION ON DEBT PREMIUM (DISCOUNT)	(858)	—	1,441	—	583
GAIN ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	12,448	22,784	1,640	—	36,872
INTEREST AND OTHER INCOME	18	—	102	—	120
FOREIGN CURRENCY TRANSACTION LOSS	(3,523)	(713)	(43,327)	—	(47,563)
INTERCOMPANY INTEREST	(9,390)	(12,075)	21,465	—	—
MANAGEMENT FEE	—	5,498	(5,498)	—	—
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(11,703)	(17,833)	4,465	—	(25,071)
INCOME TAX BENEFIT (EXPENSE)	211	1,087	(932)	—	366
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(11,492)	(16,746)	3,533	—	(24,705)
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(13,539)	3,207	—	10,332	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(25,031)	(13,539)	3,533	10,332	(24,705)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	—	(326)	—	(326)
NET INCOME (LOSS)	$ (25,031)	$ (13,539)	$ 3,207	$ 10,332	$ (25,031)

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	For the Year Ended December 31, 2007				
	PTGI	PTHI	Other	Eliminations	Consolidated
NET REVENUE	$ —	$ —	$896,029	$ —	$896,029
OPERATING EXPENSES					
Cost of revenue (exclusive of depreciation included below)	—	—	551,303	—	551,303
Selling, general and administrative	4,843	10,104	266,063	—	281,010
Depreciation and amortization	—	—	30,529	—	30,529
Loss on sale or disposal of assets	—	—	1,463	—	1,463
Total operating expenses	4,843	10,104	849,358	—	864,305
INCOME (LOSS) FROM OPERATIONS	(4,843)	(10,104)	46,671	—	31,724
INTEREST EXPENSE	(10,249)	(31,806)	(19,292)	—	(61,347)
ACCRETION ON DEBT PREMIUM (DISCOUNT)	(1,524)	—	1,075	—	(449)
LOSS ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	(2,000)	(108)	(5,544)	—	(7,652)
INTEREST AND OTHER INCOME	549	—	5,116	—	5,665
FOREIGN CURRENCY TRANSACTION GAIN	4,767	711	27,221	—	32,699
INTERCOMPANY INTEREST	(1,931)	(11,734)	13,665	—	—
MANAGEMENT FEE	—	5,806	(5,806)	—	—
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF SUBSIDIARIES	(15,231)	(47,235)	63,106	—	640
INCOME TAX BENEFIT (EXPENSE)	(355)	(356)	9,943	—	9,232
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(15,586)	(47,591)	73,049	—	9,872
EQUITY IN NET INCOME OF SUBSIDIARIES	31,322	78,913	—	(110,235)	—
INCOME FROM CONTINUING OPERATIONS	15,736	31,322	73,049	(110,235)	9,872
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	—	(268)	—	(268)
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	—	—	6,132	—	6,132
NET INCOME	$ 15,736	$ 31,322	$ 78,913	$(110,235)	$ 15,736

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	For the Year Ended December 31, 2006				
	PTGI	PTHI	Other	Eliminations	Consolidated
NET REVENUE	$ —	$ —	$ 993,034	$ —	$ 993,034
OPERATING EXPENSES					
Cost of revenue (exclusive of depreciation included below)	—	—	653,905	—	653,905
Selling, general and administrative	6,005	6,511	266,435	—	278,951
Depreciation and amortization	—	—	47,002	—	47,002
Loss on sale or disposal of assets	—	—	14,158	—	14,158
Asset impairment write-down	—	—	206,139	—	206,139
Total operating expenses	6,005	6,511	1,187,639	—	1,200,155
LOSS FROM OPERATIONS	(6,005)	(6,511)	(194,605)	—	(207,121)
INTEREST EXPENSE	(17,308)	(31,128)	(5,692)	—	(54,128)
ACCRETION ON DEBT DISCOUNT	(1,732)	—	—	—	(1,732)
CHANGE IN FAIR VALUE OF DERIVATIVES EMBEDDED WITHIN CONVERTIBLE DEBT	5,373	—	—	—	5,373
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	10,374	(2,850)	(115)	—	7,409
INTEREST AND OTHER INCOME	139	—	3,555	—	3,694
FOREIGN CURRENCY TRANSACTION GAIN	8,777	1,445	446	—	10,668
INTERCOMPANY INTEREST	—	1,295	(1,295)	—	—
MANAGEMENT FEE	—	5,441	(5,441)	—	—
LOSS BEFORE INCOME TAXES AND EQUITY IN NET LOSS OF SUBSIDIARIES	(382)	(32,308)	(203,147)	—	(235,837)
INCOME TAX EXPENSE	(405)	(93)	(4,365)	—	(4,863)
LOSS BEFORE EQUITY IN NET LOSS OF SUBSIDIARIES	(787)	(32,401)	(207,512)	—	(240,700)
EQUITY IN NET LOSS OF SUBSIDIARIES	(237,171)	(204,770)	—	441,941	—
LOSS FROM CONTINUING OPERATIONS	(237,958)	(237,171)	(207,512)	441,941	(240,700)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	—	(4,673)	—	(4,673)
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	—	—	7,415	—	7,415
NET LOSS	$(237,958)	$(237,171)	$ (204,770)	$441,941	$ (237,958)

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED BALANCE SHEET
(in thousands)

	December 31, 2008				
	PTGI	PTHI	Other	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 152	$ (18)	$ 36,866	$ —	$ 37,000
Restricted cash	—	—	—	—	—
Accounts receivable	—	—	99,483	—	99,483
Prepaid expenses and other current assets	288	149	15,409	—	15,846
Total current assets	440	131	151,758	—	152,329
INTERCOMPANY RECEIVABLES	93,373	1,129,158	—	(1,222,531)	—
INVESTMENTS IN SUBSIDIARIES	2,636	(709,720)	—	707,084	—
RESTRICTED CASH	—	—	8,133	—	8,133
PROPERTY AND EQUIPMENT—Net	—	—	112,152	—	112,152
GOODWILL	—	—	32,688	—	32,688
OTHER INTANGIBLE ASSETS—Net	—	—	746	—	746
OTHER ASSETS	393	4,607	19,396	—	24,396
TOTAL ASSETS	$ 96,842	$ 424,176	$ 324,873	$ (515,447)	$ 330,444
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Accounts payable	$ 1,558	$ 154	56,959	$ —	$ 58,671
Accrued interconnection costs	—	—	41,422	—	41,422
Deferred revenue	—	—	13,303	—	13,303
Accrued expenses and other current liabilities	168	834	41,438	—	42,440
Accrued income taxes	70	—	18,143	—	18,213
Accrued interest	1,067	7,714	1,467	—	10,248
Current portion of long-term obligations	56,482	307,371	200,944	—	564,797
Total current liabilities	59,345	316,073	373,676	—	749,094
INTERCOMPANY PAYABLES	499,036	105,467	618,028	(1,222,531)	—
LONG-TERM OBLIGATIONS	—	—	40,040	—	40,040
OTHER LIABILITIES	—	—	2,849	—	2,849
Total liabilities	558,381	421,540	1,034,593	(1,222,531)	791,983
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDERS' EQUITY (DEFICIT):					
Common stock	1,427	—	—	—	1,427
Additional paid-in capital	718,956	1,161,930	232,294	(1,394,224)	718,956
Accumulated deficit	(1,099,809)	(1,077,982)	(869,407)	1,947,389	(1,099,809)
Accumulated other comprehensive loss	(82,113)	(81,312)	(72,607)	153,919	(82,113)
Total stockholders' equity (deficit)	(461,539)	2,636	(709,720)	707,084	(461,539)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 96,842	$ 424,176	$ 324,873	$ (515,447)	$ 330,444

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED BALANCE SHEET
(in thousands)

	December 31, 2007				
	PTGI	PTHI	Other	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,299	$ (35)	$ 80,018	$ —	$ 81,282
Restricted cash	—	—	362	—	362
Accounts receivable	—	—	113,588	—	113,588
Prepaid expenses and other current assets	308	—	28,352	—	28,660
Total current assets	1,607	(35)	222,320	—	223,892
INTERCOMPANY RECEIVABLES	88,536	1,089,076	—	(1,177,612)	—
INVESTMENTS IN SUBSIDIARIES	5,404	(650,148)	—	644,744	—
RESTRICTED CASH	—	—	9,677	—	9,677
PROPERTY AND EQUIPMENT—Net	—	—	144,599	—	144,599
GOODWILL	—	—	40,134	—	40,134
OTHER INTANGIBLE ASSETS—Net	—	—	1,557	—	1,557
OTHER ASSETS	2,389	7,095	31,060	—	40,544
TOTAL ASSETS	$ 97,936	$ 445,988	$ 449,347	$ (532,868)	$ 460,403
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Accounts payable	$ 805	$ 407	73,681	$ —	$ 74,893
Accrued interconnection costs	—	—	44,911	—	44,911
Deferred revenue	—	—	16,513	—	16,513
Accrued expenses and other current liabilities	207	1,225	52,988	—	54,420
Accrued income taxes	306	1,522	28,963	—	30,791
Accrued interest	2,388	8,701	1,371	—	12,460
Current portion of long-term obligations	—	3,816	7,412	—	11,228
Total current liabilities	3,706	15,671	225,839	—	245,216
INTERCOMPANY PAYABLES	424,978	33,116	719,518	(1,177,612)	—
LONG-TERM OBLIGATIONS	116,792	391,797	154,086	—	662,675
OTHER LIABILITIES	—	—	52	—	52
Total liabilities	545,476	440,584	1,099,495	(1,177,612)	907,943
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDERS' EQUITY (DEFICIT):					
Common stock	1,426	—	—	—	1,426
Additional paid-in capital	718,695	1,161,930	305,844	(1,467,774)	718,695
Accumulated deficit	(1,074,778)	(1,064,443)	(872,614)	1,937,057	(1,074,778)
Accumulated other comprehensive loss	(92,883)	(92,083)	(83,378)	175,461	(92,883)
Total stockholders' equity (deficit)	(447,540)	5,404	(650,148)	644,744	(447,540)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 97,936	$ 445,988	$ 449,347	$ (532,868)	$ 460,403

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2008				
	PTGI	PTHI	Other	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$(25,031)	$ (13,539)	$ 3,207	$ 10,332	$ (25,031)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Provision for doubtful accounts receivable	—	—	11,940	—	11,940
Stock compensation expense	—	262	—	—	262
Depreciation and amortization	—	—	32,798	—	32,798
Gain on sale or disposal of assets	—	—	(6,028)	—	(6,028)
Accretion of debt (premium) discount	858	—	(1,441)	—	(583)
Equity in net (income) loss of subsidiary	13,539	(3,207)	—	(10,332)	—
Deferred income taxes	—	450	5,388	—	5,838
Gain on early extinguishment or restructuring of debt	(12,448)	(22,784)	(1,640)	—	(36,872)
Minority interest share of income	—	—	3,159	—	3,159
Unrealized foreign currency transaction loss on intercompany and foreign debt	3,549	698	44,341	—	48,588
Changes in assets and liabilities, net of acquisitions:					
Increase in accounts receivable	—	—	(15,658)	—	(15,658)
(Increase) decrease in prepaid expenses and other current assets	20	(149)	10,320	—	10,191
Decrease in other assets	521	1,135	221	—	1,877
Increase (decrease) in accounts payable	753	(253)	(6,430)	—	(5,930)
Increase in accrued interconnection costs	—	—	2,243	—	2,243
Decrease, net, in deferred revenue, accrued expenses, other current liabilities, and other liabilities	(40)	(399)	(5,201)	—	(5,640)
Decrease in accrued income taxes	(236)	(1,522)	(8,867)	—	(10,625)
Increase (decrease) in accrued interest	(904)	(976)	130	—	(1,750)
Net cash provided by (used in) operating activities	(19,419)	(40,284)	68,482	—	8,779
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	—	—	(25,441)	—	(25,441)
Sale of property and equipment and intangible assets	—	—	5,756	—	5,756
Cash from disposition of business, net of cash disposed	—	—	1,676	—	1,676
Cash used in business acquisitions, net of cash acquired	—	—	(583)	—	(583)
Increase in restricted cash	—	—	(102)	—	(102)
Proceeds from intercompany balance	30,689	22,579	—	(53,268)	—
Net cash provided by (used in) investing activities	30,689	22,579	(18,694)	(53,268)	(18,694)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of the Company's debt securities	(11,217)	—	(317)	—	(11,534)
Principal payments on long-term obligations	(1,200)	(6,316)	(9,029)	—	(16,545)
Proceeds from (payments on) intercompany balance	—	24,038	(77,306)	53,268	—
Net cash provided by (used in) financing activities	(12,417)	17,722	(86,652)	53,268	(28,079)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	(6,288)	—	(6,288)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,147)	17	(43,152)	—	(44,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,299	(35)	80,018	—	81,282
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 152	$ (18)	$ 36,866	$ —	$ 37,000

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2007				
	PTGI	PTHI	Other	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 15,736	$ 31,322	$ 78,913	$ (110,235)	$ 15,736
Adjustments to reconcile net income to net cash provided by operating activities:					
Provision for doubtful accounts receivable	—	—	10,493	—	10,493
Stock compensation expense	—	246	—	—	246
Depreciation and amortization	—	—	30,594	—	30,594
Gain on sale or disposal of assets	—	—	(4,668)	—	(4,668)
Accretion of debt (premium) discount	1,524	—	(1,075)	—	449
Equity in net income of subsidiary	(31,322)	(78,913)	—	110,235	—
Deferred income taxes	—	(450)	(12,013)	—	(12,463)
Loss on early extinguishment or restructuring of debt	2,000	108	5,544	—	7,652
Unrealized foreign currency transaction gain on intercompany and foreign debt	(8,372)	(5,721)	(20,769)	—	(34,862)
Changes in assets and liabilities, net of acquisitions:					
Decrease in accounts receivable	—	—	5,275	—	5,275
(Increase) decrease in prepaid expenses and other current assets	480	—	(2,036)	—	(1,556)
Decrease in other assets	899	1,347	63	—	2,309
Increase (decrease) in accounts payable	(33)	106	(2,725)	—	(2,652)
Decrease in accrued interconnection costs	—	—	(6,244)	—	(6,244)
Decrease, net, in deferred revenue, accrued expenses, other current liabilities, and other liabilities	(934)	(845)	(250)	—	(2,029)
Increase (decrease) in accrued income taxes	(1,154)	1,372	4,134	—	4,352
Increase (decrease) in accrued interest	(1,781)	(65)	681	—	(1,165)
Net cash provided by (used in) operating activities	(22,957)	(51,493)	85,917	—	11,467
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	—	—	(44,745)	—	(44,745)
Cash from disposition of business, net of cash disposed	—	—	6,140	—	6,140
Cash used in business acquisitions, net of cash acquired	—	—	(200)	—	(200)
Decrease in restricted cash	—	—	(668)	—	(668)
Investments in intercompany balance	66,371	56,222	—	(122,593)	—
Net cash provided by (used in) investing activities	66,371	56,222	(39,473)	(122,593)	(39,473)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of long-term obligations	—	—	109,275	—	109,275
Deferred financing costs	—	—	(6,570)	—	(6,570)
Principal payments on long-term obligations	(65,049)	(3,795)	(11,571)	—	(80,415)
Proceeds from sale of common stock	19,170	—	—	—	19,170
Payments on intercompany balance	—	(941)	(121,652)	122,593	—
Net cash provided by (used in) financing activities	(45,879)	(4,736)	(30,518)	122,593	41,460
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	3,511	—	3,511
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,465)	(7)	19,437	—	16,965
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,764	(28)	60,581	—	64,317
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,299	$ (35)	$ 80,018	$ —	$ 81,282

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2006				
	PTGI	PTHI	Other	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss	$ (237,958)	$ (237,171)	$ (204,770)	$ 441,941	$ (237,958)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Provision for doubtful accounts receivable	—	—	15,094	—	15,094
Stock compensation expense	—	545	—	—	545
Depreciation and amortization	—	—	48,156	—	48,156
Loss on sale or disposal of assets	—	—	8,706	—	8,706
Asset impairment write-down	—	—	209,248	—	209,248
Accretion of debt discount	1,732		—		1,732
Equity in net loss of subsidiary	237,171	204,770	—	(441,941)	—
Change in estimated fair value of embedded derivatives	(5,373)		—		(5,373)
(Gain) loss on early extinguishment or restructuring of debt	(10,374)	2,850	115	—	(7,409)
Other	—	—	(1,110)	—	(1,110)
Unrealized foreign currency transaction gain on intercompany and foreign debt	(8,696)	(1,468)	(1,572)	—	(11,736)
Changes in assets and liabilities, net of acquisitions:					
Decrease in accounts receivable	—	—	14,825	—	14,825
Decrease in prepaid expenses and other current assets	809	8	8,550	—	9,367
(Increase) decrease in other assets	861	511	(199)	—	1,173
(Increase) decrease in intercompany balance	—	—	—	—	—
Increase (decrease) in accounts payable	(1,437)	127	(17,117)	—	(18,427)
Decrease in accrued interconnection costs	—	—	(18,210)	—	(18,210)
Increase (decrease), net, in deferred revenue, accrued expenses, other current liabilities, and other liabilities	1,047	1,319	(543)	—	1,823
Increase (decrease) in accrued income taxes	(310)	101	2,209	—	2,000
Increase (decrease) in accrued interest	(282)	38	668	—	424
Net cash provided by (used in) operating activities	(22,810)	(28,370)	64,050	—	12,870
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	—	—	(33,016)	—	(33,016)
Cash from disposition of business, net of cash disposed	—	—	12,947	—	12,947
Cash used for business acquisitions, net of cash acquired	—	—	(227)	—	(227)
Decrease in restricted cash	—	—	2,427	—	2,427
Proceeds from intercompany balance	20,385	65,246	—	(85,631)	—
Net cash provided by (used in) investing activities	20,385	65,246	(17,869)	(85,631)	(17,869)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of long-term obligations	—	20,501	14,790	—	35,291
Deferred financing costs	—	(2,850)	—	—	(2,850)
Principal payments on capital leases, vendor financing and other long-term obligations	—	(2,445)	(9,462)	—	(11,907)
Proceeds from sale of common stock	4,934	—	—	—	4,934
Payments on intercompany balance	—	(52,028)	(33,603)	85,631	—
Net cash provided by (used in) financing activities	4,934	(36,822)	(28,275)	85,631	25,468
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	849	—	849
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,509	54	18,755	—	21,318
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,255	(82)	41,826	—	42,999
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,764	$ (28)	$ 60,581	$ —	$ 64,317

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Consolidating Financial Statements for IHC Debt Issuance

Primus Telecommunications IHC, Inc.’s 14 1/4% Senior Secured Notes are fully, unconditionally, jointly and severally guaranteed by Group on a senior basis as of December 31, 2008 and by Holding, Primus Telecommunications, Inc., TresCom International Inc., Least Cost Routing, Inc., TresCom U.S.A., Inc., iPRIMUS USA, Inc., and iPRIMUS.com, Inc., all 100% owned subsidiaries of Group (collectively, the “Other Guarantors”). Group has a 100% ownership in Holding and no direct subsidiaries other than Holding. As discussed in Note 2, on March 16, 2009, Holding, Group, and IHC filed for bankruptcy. Accordingly, the following consolidating condensed financial information as of December 31, 2008, 2007 and 2006 are included for (a) Group on a stand-alone basis; (b) Primus Telecommunications IHC, Inc. (IHC) on a stand-alone basis; (c) the Other Guarantor subsidiaries on a combined basis; (d) Group’s indirect non-guarantor subsidiaries on a combined basis and (e) Group on a consolidated basis.

Investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. The principal elimination entries eliminate investments in subsidiaries, intercompany balances and intercompany transactions.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	For the Year Ended December 31, 2008					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$ —	$ —	$141,065	$754,798	$ —	$ 895,863
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)	—	—	114,897	454,968	—	569,865
Selling, general and administrative	5,097	171	33,534	221,628	—	260,430
Depreciation and amortization	—	—	3,245	29,546	—	32,791
Gain on sale or disposal of assets	—	—	(806)	(5,222)	—	(6,028)
Total operating expenses	5,097	171	150,870	700,920	—	857,058
INCOME (LOSS) FROM OPERATIONS	(5,097)	(171)	(9,805)	53,878	—	38,805
INTEREST EXPENSE	(5,301)	(15,900)	(27,818)	(4,869)	—	(53,888)
ACCRETION ON DEBT PREMIUM (DISCOUNT)	(858)	1,441	—	—	—	583
GAIN ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	12,448	1,532	22,784	108	—	36,872
INTEREST AND OTHER INCOME (EXPENSE)	18	—	(1)	103	—	120
FOREIGN CURRENCY TRANSACTION LOSS	(3,523)	(16,270)	(525)	(27,245)	—	(47,563)
INTERCOMPANY INTEREST	(9,390)	20,594	(12,075)	871	—	—
MANAGEMENT FEE	—	—	5,925	(5,925)	—	—
ROYALTY FEE	—	13,684	—	(13,684)	—	—
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(11,703)	4,910	(21,515)	3,237	—	(25,071)
INCOME TAX BENEFIT (EXPENSE)	211	379	558	(782)	—	366
INCOME (LOSS) BEFORE EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(11,492)	5,289	(20,957)	2,455	—	(24,705)
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(13,539)	—	3,207	—	10,332	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(25,031)	5,289	(17,750)	2,455	10,332	(24,705)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	—	—	(326)	—	(326)
NET INCOME (LOSS)	$ (25,031)	$ 5,289	$ (17,750)	$ 2,129	$ 10,332	$ (25,031)

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	For the Year Ended December 31, 2007					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$ —	$ —	$ 137,346	$758,683	$ —	$896,029
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)	—	—	96,203	455,100	—	551,303
Selling, general and administrative	4,843	111	42,226	233,830	—	281,010
Depreciation and amortization	—	—	3,700	26,829	—	30,529
Loss on sale or disposal of assets	—	—	—	1,463	—	1,463
Total operating expenses	4,843	111	142,129	717,222	—	864,305
INCOME (LOSS) FROM OPERATIONS	(4,843)	(111)	(4,783)	41,461	—	31,724
INTEREST EXPENSE	(10,249)	(12,470)	(31,831)	(6,797)	—	(61,347)
ACCRETION ON DEBT PREMIUM (DISCOUNT)	(1,524)	1,075	—	—	—	(449)
LOSS ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	(2,000)	(5,144)	(108)	(400)	—	(7,652)
INTEREST AND OTHER INCOME	549	—	70	5,046	—	5,665
FOREIGN CURRENCY TRANSACTION GAIN	4,767	8,049	777	19,106	—	32,699
INTERCOMPANY INTEREST	(1,931)	15,084	(11,734)	(1,419)	—	—
MANAGEMENT FEE	—	—	6,292	(6,292)	—	—
ROYALTY FEE	—	14,512	(578)	(13,934)	—	—
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF SUBSIDIARIES	(15,231)	20,995	(41,895)	36,771	—	640
INCOME TAX BENEFIT (EXPENSE)	(355)	(1,552)	(230)	11,369	—	9,232
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(15,586)	19,443	(42,125)	48,140	—	9,872
EQUITY IN NET INCOME OF SUBSIDIARIES	31,322	—	78,913	—	(110,235)	—
INCOME FROM CONTINUING OPERATIONS	15,736	19,443	36,788	48,140	(110,235)	9,872
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	—	—	(268)	—	(268)
GAIN ON SALE OF DISCONTINUED OPERATIONS, net of tax	—	—	—	6,132	—	6,132
NET INCOME	$ 15,736	$ 19,443	$ 36,788	$ 54,004	$(110,235)	$ 15,736

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	For the Year Ended December 31, 2006					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$ —	$ —	$ 164,388	$ 828,646	$ —	$ 993,034
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)	—	—	124,481	529,424	—	653,905
Selling, general and administrative	6,005	29	42,379	230,538	—	278,951
Depreciation and amortization	—	—	9,029	37,973	—	47,002
(Gain) loss on sale or disposal of assets	—	—	(267)	14,425	—	14,158
Asset impairment write-down	—	—	70,941	135,198	—	206,139
Total operating expenses	6,005	29	246,563	947,558	—	1,200,155
LOSS FROM OPERATIONS	(6,005)	(29)	(82,175)	(118,912)	—	(207,121)
INTEREST EXPENSE	(17,308)	—	(31,142)	(5,678)	—	(54,128)
ACCRETION ON DEBT DISCOUNT	(1,732)	—	—	—	—	(1,732)
CHANGE IN FAIR VALUE OF DERIVATIVES EMBEDDED WITHIN CONVERTIBLE DEBT	5,373	—	—	—	—	5,373
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	10,374	—	(2,965)	—	—	7,409
INTEREST AND OTHER INCOME	139	—	19	3,536	—	3,694
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	8,777	904	1,472	(485)	—	10,668
INTERCOMPANY INTEREST	—	2,697	1,295	(3,992)	—	—
MANAGEMENT FEE	—	—	6,275	(6,275)	—	—
ROYALTY FEE	—	15,266	(436)	(14,830)	—	—
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(382)	18,838	(107,657)	(146,636)	—	(235,837)
INCOME TAX EXPENSE	(405)	(1,090)	(225)	(3,143)	—	(4,863)
INCOME (LOSS) BEFORE EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(787)	17,748	(107,882)	(149,779)	—	(240,700)
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(237,171)	—	(204,770)	—	441,941	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(237,958)	17,748	(312,652)	(149,779)	441,941	(240,700)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	—	—	(4,673)	—	(4,673)
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	—	—	—	7,415	—	7,415
NET INCOME (LOSS)	$(237,958)	$ 17,748	$(312,652)	$ (147,037)	$441,941	(237,958)

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED BALANCE SHEET
(in thousands)

	December 31, 2008					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 152	$ —	$ 3,551	$ 33,297	$ —	$ 37,000
Restricted cash	—	—	—	—	—	—
Accounts receivable	—	—	14,224	85,259	—	99,483
Prepaid expenses and other current assets	288	—	1,705	13,853	—	15,846
Total current assets	440	—	19,480	132,409	—	152,329
INTERCOMPANY RECEIVABLES	93,373	284,190	641,341	95,409	(1,114,313)	—
INVESTMENTS IN SUBSIDIARIES	2,636	—	(132,306)	—	129,670	—
RESTRICTED CASH	—	—	314	7,819	—	8,133
PROPERTY AND EQUIPMENT—Net	—	—	14,041	98,111	—	112,152
GOODWILL	—	—	—	32,688	—	32,688
OTHER INTANGIBLE ASSETS—Net	—	—	—	746	—	746
OTHER ASSETS	393	230	5,326	18,447	—	24,396
TOTAL ASSETS	$ 96,842	$ 284,420	$ 548,196	$385,629	$ (984,643)	$ 330,444
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
Accounts payable	$ 1,558	$ —	$ 4,775	$ 52,338	$ —	$ 58,671
Accrued interconnection costs	—	—	16,462	24,960	—	41,422
Deferred revenue	—	—	1,225	12,078	—	13,303
Accrued expenses and other current liabilities	168	—	6,432	35,840	—	42,440
Accrued income taxes	70	3,243	1,220	13,680	—	18,213
Accrued interest	1,067	1,321	7,714	146	—	10,248
Current portion of long-term obligations	56,482	198,961	307,463	1,891	—	564,797
Total current liabilities	59,345	203,525	345,291	140,933	—	749,094
INTERCOMPANY PAYABLES	499,036	—	200,132	415,145	(1,114,313)	—
LONG-TERM OBLIGATIONS	—	—	137	39,903	—	40,040
OTHER LIABILITIES	—	—	—	2,849	—	2,849
Total liabilities	558,381	203,525	545,560	598,830	(1,114,313)	791,983
COMMITMENTS AND CONTINGENCIES						
STOCKHOLDERS' EQUITY (DEFICIT):						
Common stock	1,427	—	—	—	—	1,427
Additional paid-in capital	718,956	—	1,161,930	232,359	(1,394,289)	718,956
Retained earnings (accumulated deficit)	(1,099,809)	80,895	(1,077,982)	(368,208)	1,365,295	(1,099,809)
Accumulated other comprehensive loss	(82,113)	—	(81,312)	(77,352)	158,664	(82,113)
Total stockholders' equity (deficit)	(461,539)	80,895	2,636	(213,201)	129,670	(461,539)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 96,842	$ 284,420	$ 548,196	$385,629	$ (984,643)	$ 330,444

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED BALANCE SHEET
(in thousands)

	December 31, 2007					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 1,299	$ —	$ 670	$ 79,313	$ —	$ 81,282
Restricted cash	—	—	—	362	—	362
Accounts receivable	—	—	14,002	99,586	—	113,588
Prepaid expenses and other current assets	308	—	1,255	27,097	—	28,660
Total current assets	1,607	—	15,927	206,358	—	223,892
INTERCOMPANY RECEIVABLES	88,536	195,254	601,606	18,779	(904,175)	—
INVESTMENTS IN SUBSIDIARIES	5,404	—	(76,945)	—	71,541	—
RESTRICTED CASH	—	—	314	9,363	—	9,677
PROPERTY AND EQUIPMENT—Net	—	—	15,881	128,718	—	144,599
GOODWILL	—	—	—	40,134	—	40,134
OTHER INTANGIBLE ASSETS—Net	—	—	—	1,557	—	1,557
OTHER ASSETS	2,389	283	8,261	29,611	—	40,544
TOTAL ASSETS	$ 97,936	$195,537	$ 565,044	$ 434,520	$ (832,634)	$ 460,403
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
Accounts payable	$ 805	$ —	$ 4,889	$ 69,199	$ —	$ 74,893
Accrued interconnection costs	—	—	15,200	29,711	—	44,911
Deferred revenue	—	—	969	15,544	—	16,513
Accrued expenses and other current liabilities	207	—	8,458	45,755	—	54,420
Accrued income taxes	306	4,656	2,278	23,551	—	30,791
Accrued interest	2,388	1,328	8,701	43	—	12,460
Current portion of long-term obligations	—	—	3,908	7,320	—	11,228
Total current liabilities	3,706	5,984	44,403	191,123	—	245,216
INTERCOMPANY PAYABLES	424,978	—	123,276	355,921	(904,175)	—
LONG-TERM OBLIGATIONS	116,792	113,947	391,961	39,975	—	662,675
OTHER LIABILITIES	—	—	—	52	—	52
Total liabilities	545,476	119,931	559,640	587,071	(904,175)	907,943
COMMITMENTS AND CONTINGENCIES						
STOCKHOLDERS' EQUITY (DEFICIT):						
Common stock	1,426	—	—	—	—	1,426
Additional paid-in capital	718,695	—	1,161,930	305,937	(1,467,867)	718,695
Retained earnings (accumulated deficit)	(1,074,778)	75,606	(1,064,443)	(370,365)	1,359,202	(1,074,778)
Accumulated other comprehensive loss	(92,883)	—	(92,083)	(88,123)	180,206	(92,883)
Total stockholders' equity (deficit)	(447,540)	75,606	5,404	(152,551)	71,541	(447,540)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 97,936	$195,537	$ 565,044	$ 434,520	$ (832,634)	$ 460,403

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2008					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$(25,031)	$ 5,289	$ (17,750)	$ 2,129	$ 10,332	$ (25,031)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Provision for doubtful accounts receivable	—	—	2,359	9,581	—	11,940
Stock compensation expense	—	—	262	—	—	262
Depreciation and amortization	—	—	3,245	29,553	—	32,798
Gain on sale or disposal of assets	—	—	(806)	(5,222)	—	(6,028)
Accretion of debt (premium) discount	858	(1,441)	—	—	—	(583)
Equity in net income of subsidiary	13,539	—	(3,207)	—	(10,332)	—
Deferred income taxes	—	—	591	5,247	—	5,838
Gain on early extinguishment or restructuring of debt	(12,448)	(1,532)	(22,784)	(108)	—	(36,872)
Minority interest share of income	—	—	—	3,159	—	3,159
Unrealized foreign currency transaction loss on intercompany and foreign debt	3,549	17,303	698	27,038	—	48,588
Changes in assets and liabilities, net of acquisitions:						
Increase in accounts receivable	—	—	(2,581)	(13,077)	—	(15,658)
(Increase) decrease in prepaid expenses and other current assets	20	—	(450)	10,621	—	10,191
(Increase) decrease in other assets	521	49	1,442	(135)	—	1,877
(Increase) decrease in intercompany balance	—	(12,162)	3,415	8,747	—	—
Increase (decrease) in accounts payable	753	—	(115)	(6,568)	—	(5,930)
Increase in accrued interconnection costs	—	—	1,262	981	—	2,243
Decrease, net, in deferred revenue, accrued expenses, other current liabilities and other liabilities	(40)	(504)	(1,777)	(3,319)	—	(5,640)
Decrease in accrued income taxes	(236)	(1,413)	(1,058)	(7,918)	—	(10,625)
Increase (decrease) in accrued interest	(904)	(7)	(976)	137	—	(1,750)
Net cash provided by (used in) operating activities	(19,419)	5,582	(38,230)	60,846	—	8,779
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	—	—	(1,405)	(24,036)	—	(25,441)
Sale of property and equipment and intangible assets	—	—	806	4,950	—	5,756
Cash from disposition of business, net of cash disposed	—	—	—	1,676	—	1,676
Cash used for business acquisitions, net of cash acquired	—	—	—	(583)	—	(583)
Increase in restricted cash	—	—	—	(102)	—	(102)
Proceeds from intercompany balance	30,689	—	20,614	—	(51,303)	—
Net cash provided by (used in) investing activities	30,689	—	20,015	(18,095)	(51,303)	(18,694)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Purchase of the Company's debt securities	(11,217)	(317)	—	—	—	(11,534)
Principal payments on other long-term obligations	(1,200)	(4,676)	(6,343)	(4,326)	—	(16,545)
Proceeds from (payments on) intercompany balance	—	(589)	27,439	(78,153)	51,303	—
Net cash provided by (used in) financing activities	(12,417)	(5,582)	21,096	(82,479)	51,303	(28,079)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	(6,288)	—	(6,288)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,147)	—	2,881	(46,016)	—	(44,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,299	—	670	79,313	—	81,282
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 152	$ —	$ 3,551	$ 33,297	$ —	$ 37,000

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2007					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	$ 15,736	$ 19,443	$ 36,788	$ 54,004	$ (110,235)	$ 15,736
Adjustments to reconcile net income to net cash provided by operating activities:						
Provision for doubtful accounts receivable	—	—	1,532	8,961	—	10,493
Stock compensation expense	—	—	246	—	—	246
Depreciation and amortization	—	—	3,700	26,894	—	30,594
Gain on sale or disposal of assets	—	—	—	(4,668)	—	(4,668)
Accretion of debt (premium) discount	1,524	(1,075)	—	—	—	449
Equity in net income of subsidiary	(31,322)	—	(78,913)	—	110,235	—
Deferred income taxes	—	—	47	(12,510)	—	(12,463)
Loss on early extinguishment or restructuring of debt	2,000	5,144	108	400	—	7,652
Unrealized foreign currency transaction gain on intercompany and foreign debt	(8,372)	(3,718)	(5,721)	(17,051)	—	(34,862)
Changes in assets and liabilities, net of acquisitions:			—	—		
Decrease in accounts receivable	—	—	1,452	3,823	—	5,275
(Increase) decrease in prepaid expenses and other current assets	480	—	(99)	(1,937)	—	(1,556)
Decrease in other assets	899	50	790	570	—	2,309
(Increase) decrease in intercompany balance	—	(22,228)	(1,502)	23,730	—	—
Increase (decrease) in accounts payable	(33)	—	649	(3,268)	—	(2,652)
Increase (decrease) in accrued interconnection costs	—	—	(8,625)	2,381	—	(6,244)
Increase (decrease), net, in deferred revenue, accrued expenses, other current liabilities, and other liabilities	(934)	(94)	(2,266)	1,265	—	(2,029)
Increase (decrease) in accrued income taxes	(1,154)	1,736	2,247	1,523	—	4,352
Increase (decrease) in accrued interest	(1,781)	1,328	(65)	(647)	—	(1,165)
Net cash provided by (used in) operating activities	(22,957)	586	(49,632)	83,470	—	11,467
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	—	—	(1,248)	(43,497)	—	(44,745)
Cash from disposition of business, net of cash disposed	—	—	—	6,140	—	6,140
Cash used for business acquisitions, net of cash acquired	—	—	(200)	—	—	(200)
Increase (decrease) in restricted cash	—	—	541	(1,209)	—	(668)
Proceeds from intercompany balance	66,371	—	50,868	—	(117,239)	—
Net cash provided by (used in) investing activities	66,371	—	49,961	(38,566)	(117,239)	(39,473)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from issuance of long-term obligations	—	101,405	—	7,870	—	109,275
Deferred financing costs	—	—	—	(6,570)	—	(6,570)
Principal payments on other long-term obligations	(65,049)	—	(3,858)	(11,508)	—	(80,415)
Proceeds from sale of common stock	19,170	—	—	—	—	19,170
Proceeds from (payments on) intercompany balance	—	(101,991)	4,234	(19,482)	117,239	—
Net cash provided by (used in) financing activities	(45,879)	(586)	376	(29,690)	117,239	41,460
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	3,511	—	3,511
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,465)	—	705	18,725	—	16,965
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,764	—	(35)	60,588	—	64,317
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,299	$ —	$ 670	$ 79,313	$ —	$ 81,282

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2006					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$ (237,958)	$ 17,748	$ (312,652)	$ (147,037)	$ 441,941	$ (237,958)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Provision for doubtful accounts receivable	—	—	1,410	13,684	—	15,094
Stock compensation expense	—	—	545	—	—	545
Depreciation and amortization	—	—	9,030	39,126	—	48,156
(Gain) loss on sale or disposal of assets	—	—	(267)	8,973	—	8,706
Asset impairment write-down	—	—	70,941	138,307	—	209,248
Accretion of debt discount	1,732	—	—	—		1,732
Equity in net income (loss) of subsidiary	237,171	—	204,770	—	(441,941)	—
Change in estimated fair value of embedded derivatives	(5,373)	—	—	—	—	(5,373)
(Gain) loss on early extinguishment or restructuring of debt	(10,374)	—	2,965	—	—	(7,409)
Other	—	—	—	(1,110)	—	(1,110)
Unrealized foreign currency transaction gain on intercompany and foreign debt	(8,696)	(943)	(1,468)	(629)	—	(11,736)
Changes in assets and liabilities, net of acquisitions:						
Decrease in accounts receivable	—	—	3,978	10,847	—	14,825
(Increase) decrease in prepaid expenses and other current assets	809	—	(239)	8,797	—	9,367
(Increase) decrease in other assets	861	—	937	(625)	—	1,173
(Increase) decrease in intercompany balance	—	(28,191)	136,849	(108,658)	—	—
Increase (decrease) in accounts payable	(1,437)	—	2,418	(19,408)	—	(18,427)
Increase (decrease) in accrued interconnection costs	—	—	137	(18,347)	—	(18,210)
Increase, net, in deferred revenue, accrued expenses, other current liabilities, and other liabilities	1,047	—	749	27	—	1,823
Increase (decrease) in accrued income taxes	(310)	493	82	1,735	—	2,000
Increase (decrease) in accrued interest	(282)	—	38	668	—	424
Net cash provided by (used in) operating activities	(22,810)	(10,893)	120,223	(73,650)	—	12,870
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	—	—	(1,790)	(31,226)	—	(33,016)
Cash from disposition of business, net of cash disposed	—	—	—	12,947	—	12,947
Cash used for business acquisitions, net of cash acquired	—	—	—	(227)	—	(227)
Decrease in restricted cash	—	—	775	1,652	—	2,427
Proceeds from (investments in) intercompany balance	20,385	—	(95,221)	—	74,836	—
Net cash provided by (used in) investing activities	20,385	—	(96,236)	(16,854)	74,836	(17,869)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from issuance of long-term obligations	—	—	20,501	14,790	—	35,291
Deferred financing costs	—	—	(2,850)	—	—	(2,850)
Principal payments on capital leases, vendor financing and other long-term obligations	—	—	(2,507)	(9,400)	—	(11,907)
Proceeds from sale of common stock	4,934	—	—	—	—	4,934
Proceeds from (payments on) intercompany balance	—	10,893	(38,720)	102,663	(74,836)	—
Net cash provided by (used in) financing activities	4,934	10,893	(23,576)	108,053	(74,836)	25,468
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	849	—	849
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,509	—	411	18,398	—	21,318
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,255	—	(446)	42,190	—	42,999
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,764	$ —	$ (35)	$ 60,588	$ —	$ 64,317

21. SUBSEQUENT EVENTS

The Company sold its Japan retail operations on February 1, 2009. The sale price was $0.4 million (40 million Japanese yen) before closing adjustments.

On March 10, 2009, Group's indirect wholly-owned Canadian subsidiary, Primus Canada, 3082833 Nova Scotia Company and certain affiliate guarantors entered into the Waiver and Amendment Agreement to their $35 million Canadian Financing Facility with Guggenheim Corporate Funding, LLC, as Administrative Agent and Collateral Agent.

On March 16, 2009, Primus Telecommunications Group, Incorporated, and three of its subsidiaries and affiliates, Primus Telecommunications Holding, Inc., Primus Telecommunications International, Inc. and Primus Telecommunications IHC, Inc. each filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware for reorganization relief under chapter 11 of the Bankruptcy Code (See Note 2—"Summary of Significant Accounting Policies"—Going Concern and Voluntary Reorganization Under Chapter 11.)

On April 8, 2009, the Debtors filed the First Amended Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors and the Disclosure Statement (see Note 2—"Summary of Significant Accounting Policies"—Going Concern and Voluntary Reorganization Under Chapter 11).

On April 14, 2009, the Primus Term Loan Parties entered into the Term Loan Forbearance Agreement and agreed to the Term Loan Modification Term Sheet with the Term Loan Ad Hoc Committee. (See Note 5—"Long-Term Obligations").

SCHEDULE II

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
VALUATION AND QUALIFYING ACCOUNTS

Activity in the Company's allowance accounts for the years ended December 31, 2008, 2007 and 2006 was as follows (in thousands):

	Doubtful Accounts Receivable			
Period	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
2006	$ 16,788	$ 15,094	$(14,586)	$ 17,296
2007	$ 17,296	$ 10,493	$(15,750)	$ 12,039
2008	$ 12,039	$ 11,940	$(14,269)	$ 9,710

	Deferred Tax Asset Valuation			
Period	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
2006	$ 261,936	$ 75,760	$ —	$337,696
2007	$ 337,696	$ (98,016)	$ —	$239,680
2008	$ 239,680	$ (11,882)	$ —	$227,798

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Case No. 09-10867 (KG)
	)	
PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, et al.,	)	Chapter 11
	)	
	)	Jointly Administrated
Debtors.	)	

FIRST AMENDED JOINT PLAN OF REORGANIZATION
OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
AND ITS AFFILIATE DEBTORS

George N. Panagakis
T. Kellan Grant
Nathan L. Stuart
Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

and

Eric M. Davis (I.D. No. 3621)
Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
(302) 651-3000

Attorneys for Debtors and Debtors-in-Possession

Dated: April 8, 2009

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INTRODUCTION

Primus Telecommunications Group, Incorporated ("Group" or the "Company"), Primus Telecommunications Holding, Inc. ("PTHI"), Primus Telecommunications IHC, Inc. ("IHC"), and Primus Telecommunications International, Inc. ("PTII") propose the following first amended joint plan of reorganization for the resolution of the outstanding claims against and interests in the Debtors (as that term is defined herein). Reference is made to the Disclosure Statement (as that term is defined herein), distributed contemporaneously herewith, for a discussion of the Debtors' history, business, properties and operations, projections for those operations, risk factors, a summary and analysis of this Plan (as that term is defined herein), and certain related matters including, among other things, the securities to be issued under this Plan. In the event of any inconsistency between the Disclosure Statement and this Plan, the terms of this Plan shall govern. Subject to certain restrictions and requirements set forth in 11 U.S.C. § 1127 and Fed. R. Bankr. P. 3019 and the Plan Support Agreement (as that term is defined herein), the Debtors reserve the right to alter, amend, modify, revoke or withdraw this Plan prior to its substantial consummation.

ARTICLE I

DEFINED TERMS AND RULES OF INTERPRETATION

A. Defined Terms

As used herein, capitalized terms shall have the meanings set forth below. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, will have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable. Whenever it appears appropriate for the context, each term stated in the singular or the plural includes the singular and the plural, and each pronoun stated in the masculine, feminine, or neuter includes the masculine, feminine, and neuter.

1.1 ***Ad Hoc Group of Holding Notes Claims*** means that certain informal committee of certain holders of Holding Notes Claims.

1.2 ***Ad Hoc Group of IHC Second Lien Notes Claims*** means that certain informal committee of certain holders of IHC Second Lien Notes Claims.

1.3 ***Additional Debtor(s)*** means any Potential Additional Debtor that files a petition under chapter 11 of the Bankruptcy Code prior to the Confirmation Date.

1.4 ***Administrative Claim*** means a Claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, incurred on or after the Petition Date, of preserving the Estates and operating the business of the Debtors, including wages, salaries, or commissions for services rendered after the Petition Date, Professional Claims, and all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code.

1.5 ***Administrative Claims Bar Date*** means the bar date by which Administrative Claims must be filed as set forth in section 11.3 of this Plan.

1.6 ***Affiliate Debtor(s)*** means, individually or collectively, a Debtor or Debtors other than Group, as applicable.

1.7 ***Amended Certificate of Incorporation and By-Laws*** means the amended and restated certificate of incorporation and the amended and restated by-laws of Reorganized Group, in substantially the forms attached to this Plan as Exhibits 7.4(a) and 7.4(b), respectively.

1.8 ***Ballot*** means each of the ballot forms that is distributed with the Disclosure Statement to Holders of Claims and Interests included in Classes that are Impaired under this Plan and entitled to vote under Article VI of this Plan

1.9 ***Bankruptcy Code*** means title 11 of the United States Code, as now in effect or hereafter amended

1.10 ***Bankruptcy Court*** means the United States Bankruptcy Court for the District of Delaware, or any other court with jurisdiction over the Chapter 11 Cases.

1.11 ***Bankruptcy Rule*** means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as now in effect or hereafter amended.

1.12 ***Business Day*** means any day, other than a Saturday, Sunday, or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

1.13 ***Cash*** means legal tender of the United States of America and equivalents thereof.

1.14 ***Causes of Action*** means claims, obligations, suits, proceedings, judgments, damages, demands, liens, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, in law, equity or otherwise.

1.15 ***Chapter 11 Cases*** means (a) when used with reference to a particular Debtor, the case under chapter 11 of the Bankruptcy Code commenced by the Debtor in the Bankruptcy Court and (b) when used with reference to all Debtors, the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors in the Bankruptcy Court.

1.16 ***Claim*** means a "claim," as defined in section 101(5) of the Bankruptcy Code.

1.17 ***Claims Agent*** means Epiq Bankruptcy Solutions, LLC, 757 Third Avenue, Third Floor, New York, New York 10017, Att'n: Primus Telecommunications Group, Incorporated, et al.

1.18 ***Class*** means a category of Holders of Claims or Interests, as described in Article II and III hereof and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

1.19 ***Confirmation Date*** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

1.20 ***Confirmation Hearing*** means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

1.21 ***Confirmation Order*** means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code, which order shall be in form and substance satisfactory to the Debtors and the Requisite Noteholders.

1.22 ***Consenting Noteholder*** means the signatories to the Plan Support Agreement.

1.23 ***Contingent Value Right*** or ***CVR*** means the right of Holders of Class 10(a) Interests to receive Contingent Value Rights to receive up to 15% of the Fully-diluted Equity Shares of Reorganized Group, as described in the Contingent Value Rights Term Sheet attached as Appendix F to the Disclosure Statement and as set forth in the Terms of Contingent Value Rights attached hereto as Exhibit 5.9.

1.24 ***Continuing Indemnification Rights*** means those Indemnification Rights held by any Indemnitee who is a Released Party and serves as a director, officer, or employee (or in any similar capacity) of the Debtors as of the date of the commencement of the Disclosure Statement Hearing, together with any Indemnification Rights held by any Indemnitee on account of events occurring on or after the Petition Date.

1.25 ***Debtor(s)*** means, individually or collectively, Group, Primus Telecommunications Holding, Inc., Primus Telecommunications IHC, Inc., and Primus Telecommunications International, Inc., and any Additional Debtors.

1.26 ***Disbursing Agent*** means the Reorganized Debtors, or any Person designated by the Reorganized Debtors, to serve as disbursing agent under this Plan, in any such Person's capacity as disbursing agent under this Plan.

1.27 ***Disclosure Statement*** means that certain disclosure statement (including all appendices and schedules thereto) dated March [ ], 2009, relating to this Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as such disclosure statement may be amended, modified, or supplemented from time to time in accordance with the terms of the Bankruptcy Code.

1.28 ***Disclosure Statement Hearing*** means the hearing before the Bankruptcy Court held to consider the adequacy of the Disclosure Statement as such hearing may be adjourned or continued from time to time.

1.29 ***Distributable New Equity*** means the New Common Stock of Reorganized Group reserved for distribution on the Effective Date to Holders of IHC Second Lien Notes Claims and Holding Notes Claims on account of their Claims, and shall not include (i) the 4% of New Common Stock of Reorganized Group for distribution to management through the Management Stock Plan (ii) the New Common Stock of Reorganized Group for distribution to management through the exercise of any warrants distributed to management as a Management Stock Plan Award (iii) the New Common Stock of Reorganized Group to be issued on account of exercise of the Holding Warrants and Group Warrants, and (iv) the New Common Stock of Reorganized Group to be issued on account of exercise of the CVRs.

1.30 ***Distribution Date*** means the date upon which the initial distributions will be made to Holders of Claims and Interests pursuant to Article IX of this Plan.

1.31 ***Distribution Record Date*** means the Voting Record Date.

1.32 ***Effective Date*** means the Business Day this Plan becomes effective as provided in Article XII hereof.

1.33 ***Equity Interests in Affiliate Debtors*** means the common stock and options, warrants, calls, rights, puts, awards, commitments and any other agreements to acquire (directly or indirectly) common stock of PTHI, IHC, PTII, and any Additional Debtors outstanding immediately prior to the Petition Date.

1.34 ***Estate(s)*** means, individually, the estate of Group or any of the Affiliate Debtors and collectively, the estates of all of the Debtors created in the Chapter 11 Cases under section 541 of the Bankruptcy Code.

1.35 ***Exchange Act*** means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a et seq., as amended.

1.36 ***Exhibit*** means an exhibit annexed to either this Plan or as an appendix to the Disclosure Statement.

1.37 ***Face Amount*** means the full stated liquidated amount claimed by the Holder of a Claim or Interest in any proof of claim timely filed with the Bankruptcy Court or otherwise deemed timely filed by any Final Order of the Bankruptcy Court or other applicable bankruptcy law.

1.38 ***File, Filed,*** or ***Filing*** means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

1.39 ***Final Order*** means an order of the Bankruptcy Court entered by the Clerk of the Bankruptcy Court on the docket in the Chapter 11 Cases as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or the Reorganized Debtors, or, in the event that an appeal, writ of certiorari or reargument, or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not preclude such order from being a Final Order.

1.40 ***First Lien Lender*** means a Holder of a Holding First Lien Secured Term Loan Claim.

1.41 ***Fully Diluted Equity Shares*** means all shares of the New Common Stock, whether issued and outstanding or reserved for issuance upon conversion, exercise or exchange of any issued and outstanding security that is convertible into, or exercisable or exchangeable for, shares of the New Common Stock, including (i) Distributable New Equity, (ii) the shares of restricted New Common Stock representing 4% of New Common Stock of Reorganized Group to be issued to management of Reorganized Group at the Effective Date pursuant to the Management Stock Plan, (iii) the shares of New Common Stock to be issued upon exercise of any warrants issued to management, (iii) the shares of New Common Stock to be issued upon exercise of the warrants distributed to holders of Class 5 and Class 6 Claims, and (iv) the shares of New Common Stock to be issued pursuant to the CVRs distributed to holders of Class 10(a) Interests.

1.42 ***General Unsecured Claim*** means a Claim against the Debtors that is not an Administrative Claim, Priority Tax Claim, Non-Tax Priority Claim, Holding First Lien Secured Term Loan Claim, IHC Second Lien Note Claim, Holding Notes Claim, Group Notes Claim or Intercompany Claim, but shall not include Claims that are disallowed or released, whether by operation of law or pursuant to order of the Bankruptcy Court, written release or settlement, the provisions of this Plan or otherwise.

1.43 ***Group*** means Primus Telecommunications Group, Incorporated.

1.44 ***Group Notes*** means (i) the step-up convertible subordinated notes due 2009 issued by Group, (ii) the 3 3/4 % convertible senior notes due 2010 issued by Group, and/or (iii) the 12 3/4 % senior notes due 2009 issued by Group.

1.45 ***Group Notes Claim*** means a Claim arising on account of any of the Group Notes.

1.46 ***Group Warrants*** means warrants issued to holders of Class 6 Claims to receive a number of shares of New Common Stock up to an aggregate of 15% of the sum of (a) the Distributable New Equity of Reorganized Group and (b) the 4% of New Common Stock of Reorganized Group for distribution to management through the Management Stock Plan, as more fully described in the Group Warrants Term Sheet attached to the Disclosure Statement as Appendix E and documented in the Warrant Agreement attached as Exhibit 7.6(e) hereto.

1.47 ***Holder*** means a Person holding a Claim or Interest.

1.48 ***Holding 5% Notes*** means those certain 5% exchangeable senior notes due 2010, issued by PTHI pursuant to that certain indenture dated as of June 28, 2006, between PTHI and U.S. Bank National Association, as Trustee, as amended, supplemented or otherwise modified.

1.49 ***Holding 8% Notes*** means those certain 8% senior notes due 2014 issued by PTHI pursuant to that certain indenture dated as of January 16, 2004, between PTHI and Wachovia Bank National Association, as Trustee, as amended, supplemented or otherwise modified.

1.50 ***Holding Notes*** means the Holding 5% Notes and the Holding 8% Notes.

1.51 ***Holding Notes Claim*** means a Claim arising on account of any of the Holding Notes.

1.52 ***Holding First Lien Secured Term Loan Claim*** means a Claim arising under the Secured Term Loan between PTHI and Lehman Commercial Paper, Inc., as Administrative Agent.

1.53 ***Holding Warrants*** means warrants to be issued to holders of Class 5 Claims to receive up to an aggregate of 30% of the sum of (a) the Distributable New Equity of Reorganized Group and (b) the 4% of New Common Stock of Reorganized Group for distribution to management through the Management Stock Plan, as more fully described in the Holding Warrants Term Sheet attached to the Disclosure Statement as Appendix D and documented in the Warrant Agreement attached as Exhibit 7.6(e) hereto.

1.54 ***IHC*** means Primus Telecommunications IHC, Inc.

1.55 ***IHC Second Lien Note Claim*** means a Claim arising on account of the 14 1/4 % second lien notes due 2011 issued by IHC pursuant to the Indenture, dated as of February 26, 2007, between IHC and U.S. Bank National Association as Trustee, as amended, supplemented or otherwise modified.

1.56 ***Impaired*** means, when used in reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

1.57 ***Indemnification Rights*** means obligations of the Debtors, if any, to indemnify, reimburse, advance, or contribute to the losses, liabilities, or expenses of an Indemnitee pursuant to the Debtor's certificate of incorporation, bylaws, policy of providing employee indemnification, applicable law, or specific agreement in respect of any Causes of Action against an Indemnitee based upon any act or omission related to an Indemnitee's service with, for, or on behalf of the Debtors, as in effect prior to or as of the Confirmation Date.

1.58 ***Indemnitee*** means all present and former directors, officers, employees, agents, or representatives of the Debtors who are entitled to assert Indemnification Rights.

1.59 ***Indenture Trustees*** means U.S. Bank National Association and Wachovia Bank National Association, in their respective capacities as trustees for the Holding 5% Notes and the Holding 8% Notes.

1.60 ***Intercompany Claim*** means a prepetition Claim by a Debtor or a non-Debtor Affiliate against another Debtor or non-Debtor Affiliate.

1.61 ***Interest*** means the legal, equitable, contractual, and other rights of the Holders of equity securities (including Old Common Stock) of Group, including the rights of any Person to purchase or demand the issuance of any of the foregoing, including (a) conversion, exchange, voting, participation, and dividend rights; (b) liquidation preferences; (c) stock options, warrants, and put rights; and (d) share-appreciation rights.

1.62 ***IRC*** means the Internal Revenue Code of 1986, as amended.

1.63 ***IRS*** means the Internal Revenue Service of the United States of America.

1.64 ***Litigation Claims*** means the claims, rights of action, suits or proceedings, whether in law or in equity, whether known or unknown, that any Debtor or Estate may hold against any person.

1.65 ***Management Stock Plan*** means any management stock plan, option plan, restricted stock plan or other similar management incentive award plan developed for the Reorganized Debtors and approved and implemented pursuant to Section 7.7 of this Plan after the Effective Date.

1.66 ***Management Stock Plan Awards*** means any awards that may be granted to participants under a Management Stock Plan.

1.67 ***Modified IHC Second Lien Notes*** means those IHC Second Lien Notes, modified as more fully described in the Modified IHC Second Lien Notes Term Sheet attached to the Disclosure Statement as Appendix C and documented by the IHC Second Lien Supplemental Indenture attached as Exhibit 1.67 to this Plan.

1.68 ***New Common Stock*** means the shares of common stock of Reorganized Group to be issued for distribution pursuant to Section 7.6 of this Plan.

1.69 ***New Stockholders Agreement*** means the stockholders agreement, to be dated as of the Effective Date, among Reorganized Group and each of the persons party thereto, substantially in the form of Exhibit 7.6(h) to this Plan.

1.70 ***Non-Tax Priority Claims*** means all unsecured claims specified in sections 507(a) and 507(b) of the Bankruptcy Code other than Priority Tax Claims and Administrative Claims.

1.71 ***Old Common Stock*** means any common stock of Group or any predecessor company outstanding at any time prior to the Effective Date.

1.72 ***Other Interest*** means, including without limitation all options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character to acquire, directly or indirectly, any Old Common Stock

1.73 ***Other Secured Claim*** means a Claim (but excluding a Holding First Lien Secured Term Loan Claim or IHC Second Lien Note Claim) that is secured by a lien on property in which a Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of the setoff, pursuant to section 553 of the Bankruptcy Code; provided, that such lien or right of setoff is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

1.74 ***Person*** means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, or other entity.

1.75 ***Petition Date*** means the date on which the Debtors filed their petitions for relief commencing the Chapter 11 Cases.

1.76 ***Plan*** means this chapter 11 plan of reorganization, including the Exhibits and Plan Schedules and all supplements, appendices, and schedules thereto, either in its present form or as the same may be altered, amended, or modified from time to time in accordance with the Bankruptcy Code and the terms hereof.

1.77 ***Plan Schedule*** means any schedule annexed to either this Plan or as an appendix to the Disclosure Statement.

1.78 ***Plan Supplement*** means a supplement to this Plan in form and substance satisfactory to the Debtors and the Requisite Noteholders filed with the Bankruptcy Court not later than 5 days prior to the Confirmation Date for the purposes specified in this Plan.

1.79 ***Plan Support Agreement*** means that certain plan support agreement dated as of March 16, 2009, between the Debtors and the Consenting Noteholders, as amended, supplemented or otherwise modified in accordance with the terms thereof.

1.80 ***Post-Effective Date Enterprise Value*** means, (a) in the case where Reorganized Group's common stock is listed on a national exchange, the market capitalization of Reorganized Group plus the face value of any funded debt, minority interest, capital leases and preferred stock of Reorganized Group and its subsidiaries less the value of any excess cash and cash equivalents of Reorganized Group and its subsidiaries, and (b) in the case where Reorganized Group's common stock is not listed on a national exchange, as determined by an independent valuation firm selected by Reorganized Group every six months beginning January 1, 2010 (with the cost of such independent valuation firm to be borne by Reorganized Group).

1.81 ***PTII*** means Primus Telecommunications International, Inc.

1.82 ***Potential Additional Debtor(s)*** shall mean any affiliate or subsidiary of Group that is identified on Exhibit 1.82 attached hereto.

1.83 ***Priority Tax Claim*** means a Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.84 ***Pro Rata*** means (a) with respect to Claims, at any time, the proportion that the Face Amount of a Claim in a particular Class or Classes bears to the aggregate Face Amount of all Claims in such Class or Classes, unless this Plan provides otherwise and (b) with respect to Interests, at any time, the proportion that the number of Interests held by a certain Interest holder in a particular Class or Classes bears to the aggregate number of all Interests in such Class or Classes.

1.85 ***Professional*** means (a) any professional employed in the Chapter 11 Cases pursuant to section 327 or 1103 of the Bankruptcy Code or otherwise, (b) any professional or other entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code, (c) Andrews Kurth LLP, as counsel to the Ad Hoc Group of IHC Second Lien Note Claims, and (d) Stroock & Stroock & Lavan LLP, as counsel to the Ad Hoc Group of Holding Notes Claims, and, except as set forth in clauses (c) and (d), shall not include professionals employed by any other prepetition lenders.

1.86 ***Professional Fees*** means an Administrative Claim of a Professional for compensation for services rendered or reimbursement of costs, expenses or other charges, and expenses incurred after the Petition Date and prior to and including the Effective Date.

1.87 ***PTHI*** means Primus Telecommunications Holding, Inc.

1.88 ***Registration Rights Agreement*** means the registration rights agreement, to be dated as of the Effective Date, among Reorganized Group and each of the persons receiving shares of New Common Stock as of the Effective Date, substantially in the form of Exhibit 7.6(d) to this Plan.

1.89 ***Reinstated or Reinstatement*** means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Holder of such Claim so as to leave such Claim Unimpaired or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (ii) reinstating the maturity of such Claim as such maturity existed before such default; (iii) compensating the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; and (iv) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Holder of such Claim; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, and affirmative covenants regarding corporate existence, prohibiting certain transactions or actions contemplated by the Plan, or conditioning such transactions or actions on certain factors, shall not be required to be reinstated in order to accomplish Reinstatement.

1.90 ***Released Party*** means, collectively, (i) all officers of each of the Debtors, all members of the boards of directors of each of the Debtors, and all employees of each of the Debtors, in each case in such respective capacities, as of the date of the commencement of the hearing on the Disclosure Statement, (ii) all Consenting Noteholders, (iii) all Professionals, (iv) the Indenture Trustees, and (v) with respect to each of the above-named Persons, and only in their aforementioned capacities, such Person's affiliates, principals, employees, agents, officers, directors, representatives, financial advisors, attorneys, and other professionals, in their capacities as such.

1.91 ***Reorganized Debtors*** means the Debtors or any successors thereto by merger, consolidation, or otherwise, on or after the Effective Date, after giving effect to the transactions contemplated by this Plan occurring on the Effective Date in accordance with this Plan.

1.92 ***Reorganized Group*** means Group, on or after the Effective Date, after giving effect to the transactions contemplated by this Plan occurring on the Effective Date in accordance with this Plan.

1.93 ***Requisite Noteholders*** means the Holders of more than a majority of the aggregate outstanding principal amount of the Claims held by each of (i) the Consenting Noteholders that hold the Holding Notes Claims and (ii) the Consenting Noteholders that hold the IHC Second Lien Note Claims.

1.94 ***Retained Actions*** means all Causes of Action which any Debtor or any Estate may hold against any Person, including, without limitation, (i) Causes of Action brought prior to the Effective Date, (ii) Causes of Action against any Persons for failure to pay for products or services provided or rendered by any of the Debtors, (iii) Causes of Action relating to strict enforcement of any of the Debtors' intellectual property rights, including patents, copyrights and trademarks, (iv) Causes of Action seeking the recovery of any of the Debtors' or the Reorganized Debtors' accounts receivable or other receivables or rights to payment created or arising in the ordinary course of any of the Debtors' or the Reorganized Debtors' businesses, including, without limitation, claim overpayments and tax refunds and (v) any Causes of Action listed in the Disclosure Statement or any schedules filed by the Debtors in these cases, if any; provided, however, that Retained Actions shall not include those Causes of Action released under Article XIII herein.

1.95 ***Securities Act*** means the Securities Act of 1933, 15 U.S.C. §§ 77c-77aa, as now in effect or hereafter amended.

1.96 ***Solicitation Order*** means the order entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject this Plan.

1.97 ***Subordinated Claims*** means any Claim, including without limitation, claims under federal or state securities laws, arising from the rescission of a purchase or sale of Old Common Stock, any Claim for damages arising from the purchase or sale of Old Common Stock, or any Claim for reimbursement, contribution, or indemnification on account of any such Claim.

1.98 ***Unimpaired Claim*** means a Claim that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

1.99 ***Voting Deadline*** means 5:00 p.m. on **[ ]**, 2009.

1.100 ***Voting Record Date*** means **[ ]**, 2009, the date established by the Bankruptcy Court as the date for determining those holders of Claims against, and Interests in, the Debtors entitled to vote on the Plan.

B. Rules of Interpretation and Computation of Time

For purposes of this Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) any reference in this Plan to an existing document or schedule Filed or to be Filed means such document or schedule, as it may have been or may be amended, modified, or supplemented pursuant to this Plan; (d) any reference to a Person as a Holder of a Claim or Interest includes that Person's successors, assigns and heirs; (e) all references in this Plan to Sections, Articles, Exhibits and Schedules are references to Sections, Articles, Exhibits and Schedules of or to this Plan; (f) the words "herein," "hereunder," and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (h) subject to the provisions of any contract, certificates of incorporation, by-laws, instrument, release, or other agreement or document entered into in connection with this Plan, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and Bankruptcy Rules; (i) the rules of construction set forth in section 102 of the Bankruptcy Code will apply; and (j) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

C. Exhibits, Plan Schedules and Plan Supplement

All Exhibits and Plan Schedules, as well as the Plan Supplement, are incorporated into and are a part of this Plan as if set forth in full herein, and, to the extent not annexed hereto, such Exhibits, Plan Schedules and Plan Supplement shall be timely filed with the Bankruptcy Court in accordance with this Plan. Holders of Claims and Interests may obtain a copy of the filed Exhibits, Plan Schedules and Plan Supplement upon written request to the Debtors. Upon their filing, the Exhibits, Plan Schedules and Plan Supplement may be inspected in the office of the clerk of the Bankruptcy Court or its designee during normal business hours. The documents contained in the Exhibits, Plan Schedules and Plan Supplement shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

ARTICLE II

ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

2.1 ***Administrative Claims.*** Subject to the provisions of sections 330(a), 331, and 503(b) of the Bankruptcy Code, each Holder of an Administrative Claim shall be paid by the Debtors, at their election, in full, in Cash, upon the latest of (i) the Effective Date, (ii) the due date thereof in accordance with its terms, (iii) in respect of liabilities incurred in the ordinary course of business, the date upon which such liabilities are payable in the ordinary course of such Debtor's business, consistent with past practices or (iv) such other date as may be agreed upon between the Holder of such Administrative Claim and the Debtors.

2.2 ***Priority Tax Claims.*** Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a Priority Tax Claim shall either (i) have its Claim Reinstated, (ii) receive equal Cash payments during a period not to exceed six years after the assessment of the tax on which such Claim is based, totaling the aggregate amount of such Claim, plus simple interest at the rate required by applicable law on any outstanding balance from the Effective Date, or such lesser rate as is agreed to by a particular taxing authority, or (iii) such other treatment as is agreed to by the holder of a Priority Tax Claim and the Debtors (or the Reorganized Debtors).

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 ***The Debtors.*** There are a total of four Debtors. Each Debtor has been assigned a letter below for the purposes of classifying and treating Claims against and Interests in each Debtor for balloting purposes. The Claims against and Interests in each Debtor, in turn, have been assigned to separate numbered Classes with respect to each Debtor, based on the type of Claim involved. Accordingly, the classification of any particular Claim or Interest in any of the Debtors depends on the particular Debtor against which such Claim is asserted (or in which such Interest is held) and the type of Claim or Interest in question. The letters applicable to the three Debtors are as follows:

Letter	Debtor Name
A	Primus Telecommunications Group, Inc.
B	Primus Telecommunications Holding, Inc.
C	Primus Telecommunications IHC, Inc.
D	Primus Telecommunications International, Inc.

3.2 ***Classification of Claims and Interests*.**

(a) Pursuant to section 1122 of the Bankruptcy Code, all Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims, as described below, have not been classified.

(b) Claims against and Interests in each of the Debtors are divided into numbered Classes. Not all of the Classes apply to every Debtor, and consequently not all of the numbered Classes appear in the case of each Debtor. A Claim or Interest is placed in a particular Class for all purposes, including voting, confirmation and distribution under this Plan and under sections 1122 and 1123(a)(1) of the Bankruptcy Code. However, a Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant to this Plan only to the extent that such Claim or Interest is a Claim or Interest in that Class and such Claim or Interest has not been paid, released or otherwise settled prior to the Effective Date. For purposes of voting, Claims and Interests within a Class shall be counted for each applicable Debtor. Whenever such a Class of Claims or Interests is relevant to a particular Debtor, that Class of Claims or Interests shall be grouped under the appropriate numbered Class from the following list:

- *Class 1: Non-Tax Priority Claims*. Class 1 consists of all Non-Tax Priority Claims.
- *Class 2: Other Secured Claims*. Class 2 consists of all Other Secured Claims.
- *Class 3: Holding First Lien Secured Term Loan Claims*. Class 3 consists of all Holding First Lien Secured Term Loan Claims.
- *Class 4: IHC Second Lien Note Claims*. Class 4 consists of all IHC Second Lien Note Claims.
- *Class 5: Holding Notes Claims*. Class 5 consists of all Holding Notes Claims.
- *Class 6: Group Notes Claims*. Class 6 consists of all Group Notes Claims.
- *Class 7: General Unsecured Claims*. Class 7 consists of all General Unsecured Claims.
- *Class 8: Intercompany Claims*. Class 8 consists of all Intercompany Claims.
- *Class 9: Equity Interests in Affiliate Debtors*. Class 9 consists of all Equity Interests in the Affiliate Debtors.
- *Class 10(a): Old Common Stock Interests*. Class 10(a) consists of all Interests directly arising from Old Common Stock.
- *Class 10(b): Other Interests*. Class 10(b) consists of all Other Interests related to the Old Common Stock.
- *Class 10(c): Subordinated Claims*. Class 10(c) consists of all Subordinated Claims related to the Old Common Stock.

ARTICLE IV

IDENTIFICATION OF CLASSES OF CLAIMS AND INTERESTS IMPAIRED AND NOT IMPAIRED BY THE PLAN

4.1 ***Unimpaired Classes of Claims and Interests*****.** The Classes listed below are Unimpaired by the Plan:

- Classes 1A, 1B, 1C and 1D
- Classes 2A, 2B, 2C and 2D
- Classes 7A, 7B, 7C and 7D
- Classes 8A, 8B, 8C and 8D
- Classes 9A, 9B, 9C and 9D

4.2 ***Impaired Classes of Claims and Interests*****.** The Classes listed below are Impaired by the Plan:

- Classes 3A, 3B, 3C and 3D
- Classes 4A, 4B and 4C
- Classes 5A and 5B
- Class 6A
- Class 10(a)A
- Class 10(b)A
- Class 10(c)A

ARTICLE V

PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS

5.1 ***Class 1A, 1B, 1C and 1D: Non-Tax Priority Claims*****.** Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a Non-Tax Priority Claim shall have its Claim Reinstated.

5.2 ***Class 2A, 2B, 2C and 2D: Other Secured Claims*****.** Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of an Other Secured Claim shall have its Claim Reinstated.

5.3 ***Class 3A, 3B, 3C and 3D: Holding First Lien Secured Term Loan Claims*****.** On the Effective Date, each Holder of a Holding First Lien Secured Term Loan Claim shall have its Claim Reinstated: provided, however, that if the First Lien Lenders forbear from exercising remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan during the pendency of these Chapter 11 Cases, the terms of the Holding First Lien Secured Term Loan will be modified as described in the Elective Term Loan Treatment Summary attached to the Disclosure Statement as Appendix G, and as documented by the Holding First Lien Secured Term Loan Amendment attached hereto as Exhibit 5.3.

5.4 ***Class 4A, 4B and 4C: IHC Second Lien Note Claims*****.** On the Effective Date, each Holder of an IHC Second Lien Note Claim shall receive its Pro Rata share of (i) the Modified IHC Second Lien Notes and (ii) 50% of the Distributable New Equity and, as part of the distribution to Classes 4A, 4B and 4C, the Company shall pay all reasonable fees, expenses and disbursements of counsel to the Ad Hoc Group of IHC Second Lien Notes Claims, Andrews Kurth LLP consistent with the terms of the engagement agreement between Andrews Kurth LLP and the Debtors, as may be amended. The Modified IHC Second Lien Notes shall be subordinated in right of payment to the Holding First Lien Secured Term Loan as described in the Elective Term Loan Treatment Summary attached to the Disclosure Statement as Appendix G.

5.5 ***Classes 5A and 5B: Holding Notes Claims*****.** On the Effective Date, each Holder of a Holding Notes Claim shall be entitled to receive its Pro Rata share of (i) 50% of the Distributable New Equity and (ii) Holding Warrants and, as part of the distribution to Classes 5A and 5B, the Company shall pay all reasonable fees, expenses and disbursements of counsel to the Ad Hoc Group of Holding Notes Claims, Stroock & Stroock & Lavan LLP consistent with the terms of the engagement agreement between Stroock & Stroock & Lavan LLP and the Debtors, as may be amended.

5.6 ***Class 6A: Group Notes Claims*****.** On the Effective Date, each Holder of a Group Notes Claim shall be entitled to receive its Pro Rata share of Group Warrants.

5.7 ***Classes 7A, 7B, 7C and 7D: General Unsecured Claims*****.** Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a General Unsecured Claim shall have its Claim Reinstated.

5.8 ***Classes 8A, 8B, 8C and 8D: Intercompany Claims*****.** Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of an Intercompany Claim shall have its Claim Reinstated.

5.9 ***Classes 9A, 9B, 9C and 9D: Equity Interests in Affiliate Debtors*****.** On the Effective Date, Reorganized Group and Reorganized Holding shall retain the Equity Interests in each Debtors' Subsidiary.

5.10 ***Class 10(a)A: Old Common Stock Interests.*** On the Effective Date, the Old Common Stock will be cancelled, and Holders of Old Common Stock shall receive their Pro Rata share of Contingent Value Rights.

5.11 ***Class 10(b)A: Other Interests.*** On the Effective Date, Other Interests will be discharged and cancelled and the Holders of Other Interests shall not receive or retain any distribution on account of such Other Interests.

5.12 ***Class 10(c)A: Subordinated Claim*****.** On the Effective Date, Subordinated Claims will be discharged and cancelled and the Holders of Subordinated Claims shall not receive or retain any distribution on account of such Subordinated Claims.

5.13 ***Special Provision Regarding Unimpaired Claims*****.** Except as otherwise explicitly provided in this Plan, nothing shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal and equitable defenses to setoffs or recoupments against Unimpaired Claims.

5.14 ***Procedures for Resolving Disputed, Contingent, and Unliquidated Claims*****.** The Debtors and Reorganized Debtors may contest the amount and validity of any disputed, contingent or unliquidated Claim in the ordinary course of business in the manner and venue in which such Claim would have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced.

ARTICLE VI

ACCEPTANCE OR REJECTION OF THE PLAN

6.1 ***Impaired Classes of Claims Entitled to Vote.*** Subject to Section 6.4 of this Plan, Holders of Claims in each Impaired Class of Claims are entitled to vote as a class to accept or reject this Plan.

6.2 ***Acceptance by an Impaired Class.*** In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Plan if this Plan is accepted by the Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Claims of such Class that have timely and properly voted to accept or reject this Plan. In accordance with section 1126(d) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Interests shall have accepted this Plan if this Plan is accepted by the Holders of at least two-thirds (2/3) in amount of Interests of such Class that have timely and properly voted to accept or reject this Plan.

6.3 ***Presumed Acceptances by Unimpaired Classes.*** Classes 1A, 1B, 1C, 1D, 2A, 2B, 2C, 2D, 7A, 7B, 7C, 7D, 8A, 8B, 8C, 8D, 9A, 9B, 9C and 9D are Unimpaired by this Plan. Under section 1126(f) of the Bankruptcy Code, Holders of such Claims or Interests are conclusively presumed to accept this Plan, and the votes of the Holders of such Claims or Interests will not be solicited.

6.4 ***Classes Deemed to Reject Plan.*** Classes 10(b)A and 10(c)A will be deemed to have rejected the Plan and therefore will not be entitled to vote to accept or reject the Plan.

6.5 ***Summary of Classes Voting on the Plan.*** As a result of the provisions of Sections 6.3 and 6.4 of this Plan, only the votes of Holders of Claims, or Interests, as applicable, in Classes 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A will be solicited with respect to this Plan.

6.6 ***Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code.*** The Holders of Classes 10(b)A and 10(c)A are deemed under the Plan to have rejected the Plan. Accordingly, the Debtors will seek confirmation of the Plan with respect to such Holders of Classes 10(b)A and 10(b)C pursuant to section 1129(b) of the Bankruptcy Code.

ARTICLE VII

MEANS FOR IMPLEMENTATION OF THE PLAN

7.1 ***Substantive Consolidation for Purposes of Treating Impaired Claims.*** This Plan is a joint Plan that does not provide for substantive consolidation of the Estates; however, the Debtors reserve the right to request substantive consolidation prior to the Confirmation Hearing.

7.2 ***Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors.*** After the Effective Date, the Reorganized Debtors shall continue to exist as separate corporate entities in accordance with the applicable law in the respective jurisdiction in which they are incorporated and pursuant to their respective certificates or Articles of incorporation and by-laws in effect prior to the Effective Date, except to the extent such certificates or Articles of incorporation and by-laws are amended under this Plan. Notwithstanding anything else to the contrary in this Plan, the Unimpaired Claims of a particular Debtor or Reorganized Debtor shall remain the obligations solely of such Debtor or Reorganized Debtor and shall not become obligations of any other Debtor or Reorganized Debtor by virtue of this Plan, the Chapter 11 Cases, or otherwise. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for professionals' fees, disbursements, expenses, or related support services without application to the Bankruptcy Court.

7.3 ***Preservation of Causes of Action*****.** In accordance with section 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors will retain and may (but are not required to) enforce all Retained Actions. After the Effective Date, the Reorganized Debtors, in their sole and absolute discretion, shall have the right to bring, settle, release, compromise, or enforce such Retained Actions (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The Reorganized Debtors or any successors, in the exercise of their sole discretion, may pursue such Retained Actions so long as it is in the best interests of the Reorganized Debtors or any successors holding such rights of action. The failure of the Debtors to specifically list any claim, right of action, suit, proceeding or other Retained Action in this Plan does not, and will not be deemed to, constitute a waiver or release by the Debtors or the Reorganized Debtors of such claim, right of action, suit, proceeding or other Retained Action, and the Reorganized Debtors will retain the right to pursue such claims, rights of action, suits, proceedings and other Retained Actions in their sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise) or laches will apply to such claim, right of action, suit, proceeding, or other Retained Action upon or after the confirmation or consummation of this Plan.

7.4 ***Corporate Governance, Directors, Officers, and Corporate Action*****.**

(a) *Certificates of Incorporation and By-Laws*. Effective on the Effective Date, the certificate of incorporation and by-laws of Reorganized Group shall be amended and restated substantially as set forth in Exhibits 7.4(a) and 7.4(b), respectively, to the Plan, which shall (i) include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code; and (ii) authorize the issuance of New Common Stock in an amount not less than the amount necessary to permit the distributions thereof required or contemplated by this Plan. In addition, the certificates or Articles of incorporation and by-laws of the Affiliate Debtors shall be amended as necessary to satisfy the provisions of this Plan and the Bankruptcy Code. On the Effective Date, or as soon thereafter as is practicable, the Reorganized Debtors shall file with the Secretary of State of the State of Delaware, in accordance with Section 303 of the Delaware General Corporation Law, the Amended Certificate of Incorporation and any certificates setting forth the amendments to the certificates of incorporation of the Affiliate Debtors that are made pursuant to this Plan. After the Effective Date, the Reorganized Debtors may amend and restate their certificates or Articles of incorporation and by-laws as permitted by applicable law.

(b) *Directors and Officers of the Reorganized Debtors*. As of the Effective Date, the initial directors and officers of Reorganized Group shall be the persons identified in the Plan Supplement. The board of directors of Reorganized Group shall initially have five members, consisting of: (i) K. Paul Singh, the current CEO of Group, (ii) John F. DePodesta, the current Executive Vice President of Group, (iii) one member appointed by the holders of the Holding Notes Claims, (iv) one member appointed by the holders of the IHC Second Lien Note Claims, and (v) one member jointly appointed by the holders of the IHC Second Lien Note Claims and the Holding Notes Claims, after consultation with the Debtors. The boards of directors of the Reorganized Debtors other than Reorganized Group shall be comprised of members of the board of directors of Reorganized Group, or such other persons as are designated by the board of directors of Reorganized Group. The officers of the Reorganized Debtors other than Reorganized Group shall be comprised of the officers of Reorganized Group, or such other persons as are designated by the board of directors of Reorganized Group. Pursuant to section 1129(a)(5), the Debtors will disclose in the Plan Supplement the identity and affiliations of any person proposed to serve on the initial board of directors of Reorganized Group, and, to the extent such person is an insider other than by virtue of being a director, the nature of any compensation for such person. The classification and composition of the board of directors of each of the Reorganized Debtors shall be consistent with the Amended Certificate of Incorporation and By-Laws and the certificates or articles of incorporation and bylaws of the Affiliate Debtors; provided, however, that the length of the initial term of each director shall be two (2) years. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the Amended Certificate of Incorporation and By-Laws and the certificates or articles of incorporation and bylaws of the Affiliate Debtors, the other constituent documents of the Reorganized Debtors, and applicable law. Each member of the board of directors of each of the Debtors will be deemed to have resigned on the Effective Date.

(c) *Corporate Action*. On the Effective Date, the adoption of the Amended Certificate of Incorporation or similar constituent documents, the adoption of the Amended By-Laws, the selection of directors and officers for the Reorganized Debtors, and all other actions contemplated by this Plan shall be authorized and approved in all respects (subject to the provisions of this Plan). All matters provided for in this Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with this Plan, shall be deemed to have timely occurred in accordance with applicable law and shall be in effect, without any requirement of further action by the security holders or directors of the Debtors or the Reorganized Debtors. On the Effective Date, the appropriate officers of the Reorganized Debtors and members of the boards of directors of the Reorganized Debtors are authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by this Plan in the name of and on behalf of the Reorganized Debtors.

7.5 *Cancellation of Notes, Instruments, Debentures, Preferred Stock and Common Stock* . On the Effective Date, except as provided in Section 5.3 with respect to (i) the Holding First Lien Secured Term Loan and (ii) Section 5.4 with respect to the Modified IHC Second Lien Notes, the Group Notes, the Holding Notes, the Old Common Stock, the indentures, or other instruments or documents evidencing, creating or governing any such indebtedness, equity interests or obligations of a Debtor that are Impaired under this Plan shall be cancelled and shall be discharged; provided, however, that the Group Notes, Holding Notes, Old Common Stock, the indentures, or other instruments or documents evidencing, creating or governing such indebtedness, equity interests or obligations of a Debtor shall continue in effect to the extent necessary to allow the Reorganized Debtors to make distributions pursuant to this Plan. As of the Effective Date, all Old Common Stock that has been authorized to be issued but that has not been issued shall be deemed cancelled and extinguished without any further action of any party.

7.6 *Issuance of New Securities and Related Matters*.

(a) *Issuance of New Common Stock*. On or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall issue all instruments, certificates and other documents, including but not limited to the New Common Stock required to be issued or distributed pursuant to this Plan without further act or action under applicable law, regulation, order, or rule. The offer and issuance of the New Common Stock, and the distribution thereof, under this Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code. In the period pending distribution of New Common Stock to any Holder entitled pursuant to this Plan to receive New Common Stock, such Holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the New Stockholders Agreement and the Registration Rights Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Holder's New Common Stock (including receiving any proceeds of permitted transfers of such New Common Stock) and to exercise all other rights in respect of the New Common Stock (so that such Holder shall be deemed for tax purposes to be the owner of the New Common Stock).

(b) *Holding Warrants*. On or as soon as reasonably practicable after the Effective Date, Holders of Holding Notes Claims shall receive their Pro Rata share of the Holding Warrants. The offer and issuance of the Holding Warrants, and the distribution thereof, under this Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code. In the period pending distribution of the Holding Warrants to any Holder entitled pursuant to this Plan to receive the Holding Warrants, such Holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the Warrant Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Holding Warrants (including receiving any proceeds of permitted transfers of such Holding Warrants) and to exercise all other rights in respect of the Holding Warrants (so that such Holder shall be deemed for tax purposes to be the owner of the Holding Warrants).

(c) *Group Warrants.* On or as soon as reasonably practicable after the Effective Date, Holders of Group Notes Claims shall receive their Pro Rata share of the Group Warrants. The offer and issuance of the Group Warrants, and the distribution thereof, under this Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code. In the period pending distribution of the Group Warrants to any Holder entitled pursuant to this Plan to receive Group Warrants, such Holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the Warrant Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Group Warrants (including receiving any proceeds of permitted transfers of such Group Warrants) and to exercise all other rights in respect of the Group Warrants (so that such Holder shall be deemed for tax purposes to be the owner of the Group Warrants).

(d) *Registration Rights Agreement*. Without limiting the effect of section 1145 of the Bankruptcy Code, on the Effective Date, Reorganized Group will enter into the Registration Rights Agreement for the benefit of the Holders of New Common Stock substantially in the form attached to this Plan as Exhibit 7.6(d).

(e) *Contingent Value Rights.* On or as soon as reasonably practicable after the Effective Date, Holders of Class 10(a) Interests shall receive their pro rata share of the CVRs. The issuance of the CVRs and the distribution thereof under this Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code.

(f) *Termination of Registration*. Subject to any requirements of law, promptly following the Effective Date, Reorganized Group shall terminate the registration of its securities and suspend all reporting obligations pursuant to the Exchange Act.

(g) *Stock Exchange Listing*. Upon the Effective Date, Reorganized Group shall take all actions necessary for the New Common Stock to be quoted on the OTCBB, or "Pink Sheets," including complying with all applicable requirements of the Pink Sheets with respect to non-reporting companies. If and when the Reorganized Debtors complete an initial public offering of the New Common Stock or other registration of New Common Stock for public sale, the Reorganized Debtors shall use their best efforts, subject to the New Stockholders Agreement, to list the New Common Stock on a United States national stock exchange.

(h) *Execution and Delivery of the New Stockholders Agreement*. Without limiting the effect of section 1145 of the Bankruptcy Code, on the Effective Date, Reorganized Group will enter into the New Stockholders Agreement for the benefit of the Holders of New Common Stock substantially in the form attached to this Plan as Exhibit 7.6(h).

7.7 *Management Stock Plan Awards.*

(a) On the Effective Date, 4% of the New Common Stock of Reorganized Group shall be issued to senior management pursuant to the Management Stock Plan, on the terms set forth in the Management Compensation Plan attached hereto as Exhibit 7.7.

(b) On the Effective Date, warrants exercisable into shares of New Common Stock equal to 6% of the sum of (i) the Distributable New Equity of Reorganized Group and (ii) the 4% of New Common Stock of Reorganized Group for distribution to management through the Management Stock Plan shall be distributed to management, on the terms set forth in the Management Compensation Plan attached hereto as Exhibit 7.7.

(c) The compensation, cash bonus targets, and severance policies shall remain those that were effective as of December 31, 2008, subject to the continued approval of the Board of Directors of Reorganized Group.

7.8 *Reservation of Rights with Respect to Potential Additional Debtor*. This Plan is premised in part on either (i) a consensual restructuring of the Holding First Lien Secured Term Loan

Claims, or (ii) should the First Lien Lenders attempt to exercise remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan during these Chapter 11 Cases, the Reinstatement of the Holding First Lien Secured Term Loan Claims and the consequent cure of bankruptcy-related defaults (including any defaults arising from a change of control of the Debtors as a result of the transactions consummated in the Chapter 11 Cases) under the documents underlying the Holding Secured Term Loan or, in the absence of such cure, a temporary injunction preventing holders of Holding First Lien Secured Term Loan Claims from enforcing remedies on account of such bankruptcy-related defaults. To the extent such bankruptcy-related defaults cannot be cured and the Debtors cannot obtain the temporary injunction described above, the Debtors reserve the right, should the Potential Additional Debtors identified on Exhibit 1.82 attached hereto file petitions for relief under chapter 11 of the Bankruptcy Code prior to the Confirmation Hearing and become Additional Debtors, to make this Plan applicable to such Additional Debtors and to have Claims against such Additional Debtors receive treatment identical to similarly situated Claim Holders under this Plan.

ARTICLE VIII

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 ***Assumption of Executory Contracts and Unexpired Leases*** **.** On the Effective Date, all executory contracts or unexpired leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except those executory contracts and unexpired leases that (a) have been rejected by order of the Bankruptcy Court or (b) are the subject of a motion to reject pending on the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to this Article VIII shall revest in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption or applicable federal law.

8.2 ***Cure of Defaults of Assumed Executory Contracts and Unexpired Leases*** **.** The provisions (if any) of each executory contract or unexpired lease to be assumed under this Plan which are or may be in default shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or on such terms as the parties to each executory contract or unexpired lease may agree (“Cure”). Any party to an executory contract or unexpired lease who wishes to assert that Cure shall be required as a condition to assumption shall file and serve a proposed Cure Claim so as to be received by the Debtors or Reorganized Debtors, as applicable, and their counsel at the address set forth in Article 15.9 hereof within 45 days after entry of the Confirmation Order (the “Cure Claim Submission Deadline”), after which the Debtors or Reorganized Debtors, as the case may be, shall have 45 days to file any objections thereto. Should a party to an executory contract or unexpired lease not file a proposed Cure Claim by the Cure Claim Submission Deadline in accordance with the procedures set forth herein, then any default then existing under such executory contract or unexpired lease shall be deemed cured as of the day following the Cure Claim Submission Deadline and such party shall forever be barred from asserting against the Debtors or the Reorganized Debtors, as applicable, a Claim that arose under such executory contract or unexpired lease on or prior to the Confirmation Date. If there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of any Reorganized Debtor or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, the matter shall be set for hearing in the Bankruptcy Court on the next available hearing date, or such other date as may be agreed upon, and Cure, if any, shall occur following the entry of a Final Order of the Bankruptcy Court resolving the dispute and approving the assumption or assumption and assignment, as the case may be; provided, however, that if there is a dispute as to the amount of Cure that cannot be resolved consensually among the parties, the Debtors shall have the right to reject the contract or lease for a period of five days after entry of a Final Order establishing a Cure amount in excess of that asserted by the Debtors. If the Cure amount was filed and served in accordance with the procedures set forth herein and is not disputed, the Debtors or Reorganized Debtors, as the case may be, shall pay the Cure Claim, if any, to the claimant within a reasonable practicable period. Disputed Cure amounts that are resolved by agreement or Final Order shall be paid by the Debtors within 20 days of such agreement or Final Order.

8.3 ***Compensation and Benefit Programs*****.** If applicable, and except as otherwise expressly provided hereunder, all employment and severance contracts and policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to their employees, retirees, and non-employee directors and the employees and retirees of their respective subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans, life, and accidental death and dismemberment insurance plans and contracts are treated as executory contracts under this Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, subject to any and all rights of the Reorganized Debtors to amend or terminate any of the foregoing.

8.4 ***Intercompany Executory Contracts and Intercompany Unexpired Leases*** **.** Any Claim outstanding at the time of assumption of an intercompany executory contract or an intercompany unexpired lease shall be Reinstated and shall be satisfied in a manner to be agreed upon by the relevant Debtors and/or non-Debtor Affiliates.

ARTICLE IX

PROVISIONS GOVERNING DISTRIBUTIONS

9.1 ***Distributions for Claims as of the Effective Date*****.** Except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions to be made on account of Claims as of the Effective Date, shall be made on the Effective Date or as soon thereafter as is practicable. Any distribution to be made on the Effective Date pursuant to this Plan shall be deemed as having been made on the Effective Date if such distribution is made on the Effective Date or as soon thereafter as is practicable. Any payment or distribution required to be made under this Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Notwithstanding the date on which any distribution of securities is made to a Holder of a Claim, as of the date of the distribution such Holder shall be deemed to have the rights of a Holder of such securities (subject to the terms and conditions of this Plan) distributed as of the Effective Date.

9.2 ***Interest on Claims*****.** Unless otherwise specifically provided for in this Plan, the Confirmation Order or other order of the Bankruptcy Court, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

9.3 ***Distributions by Disbursing Agent*****.** Other than as specifically set forth below, the Disbursing Agent or applicable Indenture Trustee shall make all distributions required to be made under this Plan. The Reorganized Debtors may act as Disbursing Agent or may employ or contract with other entities to assist in or make the distributions required by this Plan.

9.4 ***Surrender of Cancelled Instruments or Securities*****.** As a condition precedent to receiving any distribution on account of a Claim or Interest, each Holder of an instrument evidencing a Claim or Interest (a "Certificate") shall be deemed to have surrendered the Certificates, or, with respect to indebtedness that is governed by an agreement and administered by an Indenture Trustee, agent, or servicer (each hereinafter referred to as a "Servicer"), the respective Servicer, and such Certificate will be cancelled solely with respect to the Debtors and such cancellation will not alter the obligations or rights of any non-Debtor third parties vis-à-vis one another to such instruments. Servicer may (but shall not be required to) request that registered Holders of Certificates surrender their Certificates for cancellation. The surrender requirement does not apply to any Claims or Interests Reinstated pursuant to the terms of this Plan.

9.5 ***Delivery of Distributions and Undeliverable or Unclaimed Distributions*** **.**

(a) *Delivery of Distributions in General* . Distributions to Holders of Claims and Interests shall be made at the addresses set forth in the Debtors' records unless such addresses are superseded by proofs of claim or transfers of claim filed pursuant to Bankruptcy Rule 3001.

(b) *Undeliverable and Unclaimed Distributions.*

(i) Holding and Investment of Undeliverable and Unclaimed Distributions . If the distribution to any Holder of a Claim or Interest is returned to the Reorganized Debtors or the Disbursing Agent as undeliverable or is otherwise unclaimed, no further distributions shall be made to such Holder unless and until the Reorganized Debtors or the Disbursing Agent is notified in writing of such Holder's then current address.

(ii) After Distributions Become Deliverable . The Disbursing Agent shall make all distributions that have become deliverable or have been claimed since the Distribution Date as soon as practicable after such distribution has become deliverable or been claimed.

(iii) Failure to Claim Undeliverable Distributions . Any Holder of a Claim or Interest that does not assert a Claim pursuant to this Plan for an undeliverable or unclaimed distribution within one (1) year after the Effective Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such Claim for an undeliverable or unclaimed distribution against the Debtors or their Estates, the Reorganized Debtors or their property. Any New Common Stock held for distribution on account of such Claim shall be canceled and of no further force or effect. Nothing contained in this Plan shall require any Disbursing Agent, including, but not limited to, the Reorganized Debtors, to attempt to locate any Holder of a Claim or Interest.

9.6 ***Allocation of Plan Distributions Between Principal and Interest*** **.** To the extent that any Claim entitled to a distribution under this Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, for all income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent that the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

9.7 ***Withholding and Reporting Requirements*** **.** In connection with this Plan and all Distributions under this Plan, the Disbursing Agent shall, to the extent applicable, comply with all tax withholding, payment, and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all Distributions under this Plan shall be subject to any such withholding, payment, and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding, payment, and reporting requirements. All amounts properly withheld from Distributions to a Holder as required by applicable law and paid over to the applicable taxing authority for the account of such Holder shall be treated as part of the Distributions to such Holder. All persons holding Claims or Interests shall be required to provide any information necessary to effect information reporting and withholding of such taxes. For example, with respect to any employee-related withholding, if the Debtors are obligated by law to withhold amounts from Distributions to a present or former employee to satisfy such present or former employee's tax and other payroll obligations, the Disbursing Agent may withhold a portion of the Distributions allocated to the Holder of an Allowed Claim that is a present or former employee, whether or not such Distributions are in the form of Cash, in such amount as is determined necessary to satisfy such Holder's tax and other payroll obligations with respect to the Distributions. Notwithstanding any other provision of this Plan, except to the extent withheld from Distributions to the Holder, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to this Plan unless and until such Holder has made arrangements satisfactory to the

Disbursing Agent for the payment and satisfaction of such withholding tax obligations or such tax obligation that would be imposed upon the Plan Administrator in connection with such Distribution. Any property to be distributed pursuant to this Plan shall, pending the implementation of such arrangements, be treated as an undeliverable Distribution pursuant to Section 9.5 of this Plan.

9.8 ***Setoffs.*** The Reorganized Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy laws, but shall not be required to, set off against any Claim or Interest, the payments or other distributions to be made pursuant to this Plan in respect of such Claim or Interest, the claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim or Interest; provided, however, that neither the failure to do so nor the allowance of any Claim or Interest hereunder shall constitute a waiver or release by the Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against such Holder.

9.9 ***Fractional Shares.*** No fractional shares of New Common Stock shall be distributed. Where a fractional share would otherwise be called for, the actual issuance shall reflect a rounding up (in the case of .50 or more than .50) of such fraction to the nearest whole New Common Stock share or a rounding down of such fraction (in the case of less than .50) to the nearest whole New Common Stock share.

ARTICLE X

PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS

10.1 ***Reservation of Right to Object to Allowance or Asserted Priority of Claims.*** Nothing in this Plan shall waive, prejudice or otherwise affect the rights of the Debtors, the Reorganized Debtors or the Holders of any Claim to object at any time, including after the Effective Date, to the validity or asserted priority of any Claim, including without limitation, whether any such Claim should be treated as a Subordinated Claim. Moreover, the Debtors reserve the right to dispute, contest, or offset against, any Reinstated Claim following or prior to the Effective Date, either in the Bankruptcy Court or in the ordinary course in such manner or tribunal as may otherwise be appropriate.

ARTICLE XI

ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS

11.1 ***Professional Claims.***

(a) All final requests for payment of Professional Fees pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code must be made by application filed with the Bankruptcy Court and served on the Reorganized Debtors, their counsel, counsel to any statutory committee appointed in the Chapter 11 Cases, and other necessary parties-in-interest no later than sixty (60) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to such applications must be filed and served on the Reorganized Debtors, their counsel, counsel to any statutory committee appointed in the Chapter 11 Cases, and the requesting Professional or other entity on or before the date that is thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which the applicable application was served.

(b) Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors shall employ and pay Professionals in the ordinary course of business.

11.2 ***Substantial Contribution Compensation and Expenses Bar Date.*** Any Person (including the Indenture Trustees) who requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code shall file an application with the clerk of the Bankruptcy Court on or before the 45th day after the Effective Date (the “503 Deadline”), and serve such application on counsel for the Debtors and the United States Trustee for the District of Delaware, and such other parties as may be decided by the Bankruptcy Court on or before the 503 Deadline, or be forever barred from seeking such compensation or expense reimbursement. Without limiting the foregoing, the Professionals employed by the Consenting Noteholders shall be entitled to file a substantial contribution request pursuant to section 503(b) and the Debtors shall support any such request for reimbursement of fees and expenses expended in pursuit of a consensual restructuring and consistent with the prepetition retention agreements between the Debtors and such Professionals employed by the Consenting Noteholders.

11.3 ***Other Administrative Claims*.** All other requests for payment of an Administrative Claim (other than as set forth in Article 11.1 and Article 11.2 of this Plan) must be filed with the Claims Agent and served on counsel for the Debtors no later than 45 days after the Effective Date (the “Administrative Claims Bar Date”). Any request for payment of an Administrative Claim pursuant to this Article 11.3 that is not timely filed and served shall be disallowed automatically without the need for any objection from the Debtors or the Reorganized Debtors. The Debtors or the Reorganized Debtors may settle an Administrative Claim without further Bankruptcy Court approval. Unless the Debtors or the Reorganized Debtors object to an Administrative Claim within 60 days after the Administrative Claims Bar Date (unless such objection period is extended by the Bankruptcy Court), such Administrative Claim shall be deemed allowed in the amount requested. In the event that the Debtors or the Reorganized Debtors object to an Administrative Claim, the Bankruptcy Court shall determine the allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to an Administrative Claim which is paid or payable in the ordinary course of business.

11.4 ***Section 503(b) Applications*.** The Company shall support, by the filing of legal memoranda and oral argument, all reasonable requests for the payment of Andrews Kurth LLP’s and Stroock & Stroock & Lavan LLP’s fees, expenses and disbursements, as counsel to the Ad Hoc Group of IHC Second Lien Note Claims and the Ad Hoc Group of Holding Notes Claims, respectively, consistent with the terms of their engagement agreements with the Debtors, as may be amended, pursuant to section 503(b) of the Bankruptcy Code or otherwise that are made to the Bankruptcy Court.

ARTICLE XII

CONFIRMATION AND CONSUMMATION OF THE PLAN

12.1 ***Conditions to Confirmation*.** Confirmation of the Plan shall be subject to satisfaction of the following conditions at or prior to the time the Confirmation Order is entered:

(a) The Confirmation Order shall be reasonably acceptable in form and substance to the Debtors and the Requisite Noteholders.

(b) No Termination Event (as defined in the Plan Support Agreement) has occurred and terminated the Plan Support Agreement.

(c) The Disclosure Statement has been approved by the Bankruptcy Court.

12.2 ***Conditions to Effective Date*.** The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Order confirming this Plan shall have been entered and become a Final Order in form and substance reasonably satisfactory to the Debtors and the Requisite Noteholders.

(b) Any material alteration or interpretation to any term or provision of this Plan by the Bankruptcy Court shall be reasonably acceptable to the Debtors and the Requisite Noteholders.

(c) All other documents and agreements necessary to implement this Plan on the Effective Date shall have been executed and delivered and all other actions required to be taken in connection with the Effective Date shall have occurred.

(d) The Effective Date shall have occurred not later than the one hundred and twentieth (120th) day following the Petition Date.

12.3 ***Waiver of Conditions.*** Each of the conditions set forth in Section 12.1 or 12.2 of this Plan may be waived in whole or in part by the Debtors, with prior written consent of the Requisite Noteholders, without any other notice to parties in interest or the Bankruptcy Court and without a hearing.

ARTICLE XIII

EFFECT OF PLAN CONFIRMATION

13.1 ***Binding Effect.*** This Plan shall be binding upon and inure to the benefit of the Debtors, all present and former Holders of Claims and Interests, and their respective successors and assigns, including, but not limited to, the Reorganized Debtors.

13.2 ***Discharge of the Debtors.*** Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in this Plan or in the Confirmation Order, the distributions and rights that are provided in this Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims, Causes of Action and Interests in the Debtors or any of their assets or properties (including liabilities arising from any default of the Debtors or non-Debtor guarantors under the Holding First Lien Secured Term Loan and the IHC Second Lien Notes solely as a result of the Debtors' commencing these Chapter 11 Cases and/or the consummation of the transaction contemplated by this Plan), regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Claims, Causes of Action or Interests, including, but not limited to, Claims, Causes of Action and Interests that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims, Causes of Action and Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment or a termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not (a) a proof of claim or interest based upon such Claim, Cause of Action or Interest is Filed or deemed Filed under section 501 of the Bankruptcy Code, (b) a Claim or Interest based upon such Claim, Cause of Action or Interest is allowed under section 502 of the Bankruptcy Code, or (c) the Holder of such a Claim, Cause of Action, liability, lien, obligation, right, or Interest accepted this Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims against and Interests in the Debtors, subject to the occurrence of the Effective Date.

13.3 ***Compromises and Settlements.*** Pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019(a), the Debtors may compromise and settle various Claims against them and claims that they have against other Persons up to and including the Effective Date. After the Effective Date, the Reorganized Debtors may compromise and settle any Claims against them and any claims they may have against other Persons without approval from the Bankruptcy Court.

13.4 ***Satisfaction of Subordination Rights.*** All Claims against the Debtors and all rights and claims between or among Claim Holders relating in any manner whatsoever to Claims against the Debtors, based upon any claims subordination rights (if any), shall be deemed satisfied by the distributions under the Plan to Claim Holders having such subordination rights, and such subordination rights shall be deemed waived, released, discharged and terminated as of the Effective Date. Distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment or like legal process by any Claim Holder by reason of any claimed subordination rights or otherwise, so that each Claim Holder shall have an receive the benefit of the distributions in the manner set forth in the Plan.

13.5 ***Exculpation and Limitation of Liability*****.** Except as otherwise specifically provided in this Plan, the Debtors, the Reorganized Debtors, any of such parties' respective present or former officers, directors, employees, advisors, Professionals, or agents, the Indenture Trustees and their agents and Professionals, the Consenting Noteholders and their agents and Professionals and any of such parties' predecessors, successors and assigns, shall not have or incur, and are hereby released from, any claim, obligation, Cause of Action or liability to one another or to any Holder of any Claim or Interest (or any Equity Interests in Affiliate Debtors), or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any act or omission in connection with, or arising out of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the preparation or formulation of the Plan, the administration of the Plan or the property to be distributed under the Plan except for their gross negligence or willful misconduct and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Notwithstanding any other provision of this Plan, no Holder, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, and no successors or assigns of the foregoing, shall have any right of action against the Debtors, the Reorganized Debtors, the Indenture Trustees, the Consenting Noteholders, or any of such parties' respective present or former members, officers, directors, employees, advisors, representatives, Professionals or agents, for any act or omission in connection with, relating to or arising out of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan except for their gross negligence or willful misconduct. Any Holder of a Claim or Interest that is to be distributed shares of New Common Stock or Other Interests pursuant to this Plan shall have duly executed and delivered to Reorganized Group, as an express condition precedent to such Holder's receipt of such shares of New Common Stock or Other Interests, a counterpart of the New Stockholders Agreement; provided, however, that (and without limiting the strict requirement that any such Holder execute and deliver to Reorganized Group a counterpart of the New Stockholders Agreement as hereinabove provided) any such Holder shall be automatically bound by, and any shares of New Common Stock or Other Interests to be received by such Holder shall be automatically subject to, the terms of the New Stockholders Agreement whether or not such Holder shall have executed and/or delivered a counterpart of the New Stockholders Agreement.

13.6 ***Indemnification Obligations*****.** In satisfaction and compromise of the Indemnitees' Indemnification Rights: (a) all Indemnification Rights shall be released and discharged on and as of the Effective Date except for Continuing Indemnification Rights (which shall remain in full force and effect to the fullest extent allowed by law or contract on and after the Effective Date and shall not be modified, reduced, discharged, or otherwise affected in any way by the Chapter 11 Cases); (b) the Debtors or the Reorganized Debtors, as the case may be, shall maintain directors' and officers' insurance providing coverage for those Indemnitees currently covered by such policies for the remaining term of such policy and shall maintain tail coverage under policies in existence as of the Effective Date for a period of 6 years after the Effective Date, to the fullest extent permitted by such provisions, in each case insuring such parties in respect of any Causes of Action against such Persons based upon any act or omission related to such Person's service with, for, or on behalf of the Debtors in at least the scope and amount as currently maintained by the Debtors (the "Insurance Coverage"); (c) the insurers who issue the Insurance Coverage shall be authorized to pay any professional fees and expenses incurred in connection with any action relating to any Indemnification Rights and Continuing Indemnification Rights; and (d) the Debtors or the Reorganized Debtors, as the case may be, shall indemnify Indemnitees with Continuing Indemnification Rights and agree to pay for any deductible or retention amount that may be payable in connection with any claim covered under either the foregoing Insurance Coverage or any prior similar policy.

13.7 ***Release by Debtors and Debtors in Possession*****.** Pursuant to section 1123(b)(3) of the Bankruptcy Code, effective as of the Effective Date, each Debtor, in its individual capacity and as a debtor-in-possession for and on behalf of its Estate and its successors and assigns, shall release and discharge and be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged all Released Parties for and from any and all Causes of Action, based in whole or in part on any act, omission, occurrence or event taking place on or prior to the Effective Date in any manner arising from, based on, or relating to, in whole or in part, the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in this Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, or any act, omission, occurrence, or event in any manner related to any such Claims, Interests, restructuring, or the Chapter 11 Cases. The Reorganized Debtors and any newly-formed entities that will be continuing the Debtors' businesses after the Effective Date shall be bound, to the same extent the Debtors are bound, by the releases and discharges set forth above.

13.8 ***Release by Holders of Claims and Interests*****.** On the Effective Date, (a) each Person who votes to accept this Plan and (b) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each entity (other than a Debtor), which has held, holds, or may hold a Claim against or Interest in the Debtors, in consideration for the obligations of the Debtors and the Reorganized Debtors under this Plan and New Common Stock, Modified IHC Second Lien Notes, Holding Warrants, Group Warrants, Contingent Value Rights and other contracts, instruments, releases, agreements, or documents to be delivered in connection with this Plan (each, a "Release Obligor"), shall have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged all Released Parties for and from any claim or Cause of Action, based in whole or in part on any act, omission, occurrence, or event taking place on or prior to the Effective Date in any manner arising from, based on, or relating to, in whole or in part, the Debtors, the subject matter of, or the transaction or event giving rise to, the claim of such Release Obligor, the business or contractual arrangements between any Release Obligor and any Debtor or any Released Party, the restructuring of Claims and Interests prior to the Chapter 11 Cases, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction, obligation, restructuring, or the Chapter 11 Cases, including, but not limited to, any claim relating to, or arising out of the Debtors' Chapter 11 Cases, the negotiation and filing of this Plan, the filing of the Chapter 11 Cases, the formulation, preparation, negotiation, dissemination, filing, implementation, administration, confirmation, or consummation of this Plan, the Disclosure Statement, the Exhibits, any instrument, release, or other agreement or document created, modified, amended or entered into in connection with this Plan; provided, however, that this Article 13.8 shall not release any Released Party from any Cause of Action held by a governmental entity existing as of the Effective Date based on (i) the Internal Revenue Code or other domestic state, city, or municipal tax code, (ii) the environmental laws of the United States or any domestic state, city, or municipality, (iii) any criminal laws of the United States or any domestic state, city, or municipality, (iv) the Exchange Act, the Securities Act, or other securities laws of the United States or any domestic state, city, or municipality, (v) the Employee Retirement Income Security Act of 1974, as amended, or (vi) the laws and regulations of the Bureau of Customs and Border Protection of the United States Department of Homeland Security.

13.9 ***Injunction*****.** The satisfaction, release, and discharge pursuant to this Article XIII shall act as an injunction against any Person commencing or continuing any action, employment of process, or act to collect, offset, or recover any Claim, Interest, or Cause of Action satisfied, released, or discharged under this Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.

13.10 ***Temporary Injunction with Respect to Guarantee Claims*****.** To the extent the First Lien Lenders attempt to exercise remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan and the Plan does not act to cure a default of the Debtors or non-Debtor guarantors under the Holding First Lien Secured Term Loan relating to the Debtors' commencement of these Chapter 11 Cases, the Confirmation Order approving this Plan shall act as a temporary injunction against the enforcement of such defaults against any Debtor or non-Debtor guarantor. The Debtors and non-Debtor guarantors shall remain fully liable for obligations arising under the Holding First Lien Secured Term Loan, but Holders of Holding First Lien Secured Term Loan Claims shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover any Claim relating to the Holding First Lien Secured Term Loan and arising solely from the commencement of these Chapter 11 Cases so long as Reorganized Group continues to provide or cause to be provided such treatment to Holders of Holding First Lien Secured Term Loan Claims as provided under this Plan. The temporary injunction will expire automatically if Reorganized Group defaults under this Plan by failing to provide or cause to be provided such treatment to Holders of Holding First Lien Secured Term Loan Claims as provided under this Plan and fails to cure such default within 30 days after receipt by the Debtors of written notice of such default from the affected Holding First Lien Secured Term Loan Lender.

13.11 ***Term of Bankruptcy Injunction or Stays***. Except as otherwise provided in Section 13.10 of this Plan, all injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

ARTICLE XIV

RETENTION OF JURISDICTION

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim or Priority Tax Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

(b) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or this Plan for periods ending on or before the Effective Date;

(c) resolve any matters related to the assumption, and assignment, or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor or the Reorganized Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

(d) ensure that distributions to Holders of Claims and Interests are accomplished pursuant to the provisions of this Plan and the Bankruptcy Code;

(e) decide or resolve any motions, adversary proceedings, contested, or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

(f) enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan and all contracts, instruments, releases, and other agreements or documents created in connection with this Plan, the Disclosure Statement, and the Confirmation Order;

(g) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of this Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to this Plan, or any entity's rights arising from or obligations incurred in connection with this Plan or such documents;

(h) approve any modification of this Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code; approve any modification of the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate this Plan;

(i) hear and determine all applications for compensation and reimbursement of expenses of Professionals under this Plan or under sections 330, 331, 503(b), 1103, and 1129(c)(9) of the Bankruptcy Code, which shall be payable by the Debtors only upon allowance thereof pursuant to an order entered by the Bankruptcy Court, provided, however, that the fees and expenses of the

Reorganized Debtors, incurred after the Effective Date, including counsel fees, may be paid by the Reorganized Debtors in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(j) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation, or enforcement of this Plan or the Confirmation Order;

(k) hear and determine Causes of Action by or on behalf of the Debtors or the Reorganized Debtors;

(l) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(m) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or distributions pursuant to this Plan are enjoined or stayed;

(n) determine any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement, or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order;

(o) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

(p) hear and determine all matters related to (i) the property of the Estates from and after the Confirmation Date and (ii) the activities of the Reorganized Debtors;

(q) hear and determine disputes with respect to compensation of the Reorganized Debtors' professional advisors;

(r) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code;

(s) hear and determine any issue relating to the injunction under Section 13.10 of this Plan; and

(t) enter an order closing the Chapter 11 Cases.

ARTICLE XV

MISCELLANEOUS PROVISIONS

15.1 ***Effectuating Documents and Further Transactions*****.** Each of the Debtors or the Reorganized Debtors is authorized to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of this Plan and any notes, securities or rights issued pursuant to this Plan.

15.2 ***Corporate Action*****.** Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the stockholders or directors of one (1) or more of the Debtors or the Reorganized Debtors shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as appropriate) pursuant to the applicable general corporation law of the states in which the Debtors or the Reorganized Debtors are incorporated without any requirement of further action by the stockholders or directors of the Debtors or the Reorganized Debtors.

15.3 ***Exemption from Transfer Taxes.*** Pursuant to section 1146(c) of the Bankruptcy Code, the following will not be subject to any stamp tax, recording tax, personal property tax, real estate transfer tax, sales, or use tax or other similar tax: (a) the issuance, transfer, or exchange of notes or equity securities under this Plan; (b) the creation of any mortgage, deed of trust, lien, pledge, or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including, without limitation, any merger agreements; agreements of consolidation, restructuring, disposition, liquidation, or dissolution; deeds; bills of sale; and transfers of tangible property. Unless the Bankruptcy Court orders otherwise, all sales, transfers, and assignments of owned and leased property approved by the Bankruptcy Court on or prior to the Effective Date, shall be deemed to have been in furtherance of, or in connection with, this Plan.

15.4 ***Payment of Statutory Fees.*** All fees payable pursuant to section 1930, chapter 123, title 28, United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date.

15.5 ***Amendment or Modification of the Plan.*** Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, the Debtors may, with the written consent of the Requisite Noteholders, alter, amend, or modify this Plan at any time prior to or after the Confirmation Date but prior to the substantial consummation of this Plan. A Holder of a Claim or Interest that has accepted this Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

15.6 ***Severability of Plan Provisions.*** If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

15.7 ***Successors and Assigns.*** This Plan shall be binding upon and inure to the benefit of the Debtors, and their respective successors and assigns, including, without limitation, the Reorganized Debtors. The rights, benefits, and obligations of any Person named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person.

15.8 ***Revocation, Withdrawal, or Non-Consummation.*** Subject to the obligations and covenants of the Debtors under the Plan Support Agreement, the Debtors reserve the right to revoke or withdraw this Plan as to any or all of the Debtors prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw this Plan as to any or all of the Debtors, or if confirmation or consummation as to any or all of the Debtors does not occur, then, with respect to such Debtors, (a) this Plan shall be null and void in all respects, (b) any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), assumption or rejection of executory contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (c) nothing contained in this Plan shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person, or (iii) constitute an admission of any sort by the Debtors or any other Person.

15.9 ***Notice*****.** All notices, requests, and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Primus Telecommunications Group, Incorporated
7901 Jones Branch Drive
Suite 900
McLean, Virginia 22102
Telephone: (703) 902-2800
Facsimile: (703) 902-2814
Attn: John F. DePodesta

with a copy to:

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
333 West Wacker Drive
Chicago, Illinois 60606
Telephone: (312) 407-0700
Facsimile: (312) 407-0411
Attn: George N. Panagakis
T. Kellan Grant
Nathan L. Stuart

and

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
333 West Wacker Drive
Chicago, Illinois 60606
Telephone: (312) 407-0700
Facsimile: (312) 407-0411
Attn: Eric M. Davis

Counsel to the Debtors

(b) if to the Ad Hoc Group of Holding Notes Claims, to:

STROOCK & STROOCK & LAVAN LLP
180 Maiden Lane
New York, New York 10038
Facsimile: (212) 806-6006
Attn: Kristopher M. Hansen
Matthew Schwartz
Lori E. Kata

Counsel to the Ad Hoc Group of Holding Notes Claims

(c) if to the Ad Hoc Group of IHC Second Lien Notes Claims, to:

ANDREWS KURTH LLP
450 Lexington Avenue, 15th Floor
New York, New York 10017
Facsimile: (212) 850-2929
Attn: Paul N. Silverstein
Jonathan I. Levine

Counsel to the Ad Hoc Group of IHC Second Lien Notes Claims

15.10 *Governing Law*. Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that an exhibit or schedule to this Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of Delaware, without giving effect to the principles of conflicts of law of such jurisdiction.

15.11 *Tax Reporting and Compliance*. The Reorganized Debtors are hereby authorized, on behalf of each of the Debtors, to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtors for all taxable periods ending after the Petition Date through, and including, the Effective Date.

15.12 *Exhibits and Schedules*. All exhibits and schedules to this Plan, including the Exhibits and Plan Schedules, are incorporated and are a part of this Plan as if set forth in full herein.

15.13 *Filing of Additional Documents*. Subject to the obligations and covenants of the Debtors under the Plan Support Agreement, on or before substantial consummation of this Plan, the Debtors shall File such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan.

Dated: April , 2009

Respectfully Submitted,

Primus Telecommunications Group, Incorporated
(for itself and on behalf of the Affiliate Debtors)

By: ______________________
Name: John F. DePodesta
Title: Executive Vice President

Counsel:

George N. Panagakis
T. Kellan Grant
Nathan L. Stuart
Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

Eric M. Davis (I.D. No. 3621)
Davis Lee Wright (I.D. No. 4324)
Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
(302) 651-3000

Attorneys for Debtors and Debtors-in-Possession

Exhibit 2.2

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Case Nos. 09-10867 (KG) through 09-10870 (KG)
PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, et al.,	)	Chapter 11
Debtors.	)	

DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED JOINT PLAN OF REORGANIZATION OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED AND ITS AFFILIATE DEBTORS

George N. Panagakis
T. Kellan Grant
Nathan L. Stuart
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
333 West Wacker Drive
Chicago, IL 60606
(312) 407-0700
and

Eric M. Davis (I.D. No. 3621)
Davis Lee Wright (I.D. No. 4324)
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
(302) 651-3000

Proposed Counsel for the Debtors and
Debtors in Possession

Dated: Wilmington, DE
April 8, 2009

EXECUTIVE SUMMARY

On March 16, 2009, Primus Telecommunications Group, Incorporated (“Group”), a Delaware corporation, along with Primus Telecommunications Holding, Inc. (“PTHI”), Primus Telecommunications IHC, Inc. (“IHC”), and Primus Telecommunications International, Inc. (“PTII”) (collectively, the “Debtors”) filed petitions under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Debtors, along with their non-Debtor operating affiliates, are hereinafter referred to as the “Company.” Chapter 11 of the Bankruptcy Code allows a debtor to propose a plan of reorganization that dictates treatment of claims against, and shareholder interests in, such a debtor company. A plan of reorganization must be voted on by holders of claims and interests and then must meet various standards to be approved (or confirmed) by the Bankruptcy Court. Consummation of a confirmed plan of reorganization is necessary for a debtor to emerge from chapter 11.

The purpose of this Disclosure Statement is to provide to the Holders of Claims against, and Interests in, the Debtors adequate information to make an informed judgment about the Plan, which is annexed to this document as Appendix A.

A. The Need for Chapter 11 Restructuring

THE DEBTORS ARE HOLDING COMPANIES THAT OWN 100% OF THE STOCK OF VARIOUS OPERATING SUBSIDIARIES. NONE OF THE OPERATING SUBSIDIARIES HAVE FILED FOR CHAPTER 11 RELIEF. DESCRIPTIONS OF THE BUSINESS OPERATIONS OF THE COMPANY ARE MADE WITH RESPECT TO THE DEBTORS’ OPERATING SUBSIDIARIES.

The Company is an integrated facilities-based telecommunications services provider. In 2004, the Company began the process of transitioning from its core businesses of long distance voice and dial-up Internet Service Provider (“ISP”) services – both of which were subject to product substitution and declining usage (cellular services replacing traditional land line phones; broadband replacing dial-up ISP services) – into an integrated provider by expanding its portfolio to include such higher-margin products as local voice, VOIP, broadband, wireless, data, and hosting services. These efforts enhanced the Company’s bundled service capabilities, and as a result, reduced the competitive vulnerability of the Company’s core retail voice long distance and dial-up ISP businesses. The Company’s operational transformation efforts were effectively executed with revenues from these new offerings currently representing approximately 25% of total revenues. In 2006 and 2007, the Company reported EBITDA (earnings before interest, tax, depreciation and amortization) of approximately $58.6 million and $63.3 million, respectively, after an EBITDA of $16.7 million in 2005. While smaller, less experienced, and lacking the resources of its major competitors, the Company has established strong positions in its major global markets, including ranking as the second largest alternative communications company and the fifth largest Internet service provider in Canada, the third largest Internet service provider and the fourth largest full service carrier in Australia.

During the first six months of 2008, the Company reported consecutive quarters of revenue growth, a significant accomplishment in the telecommunications industry and, as a consequence, materially raised its annual EBITDA guidance to $75 million and was targeting to become free cash flow breakeven during 2009.

However, beginning in the last half of 2008, the Company experienced financial difficulties due primarily to the accelerated deterioration in global market, credit, and economic conditions. In particular, the Company was adversely affected by the strengthening of the U.S. dollar given that over 80% of its revenues are generated outside the United States in foreign currencies.

The recent severe downturn in global economic conditions, the strengthening of the U.S. dollar, and the contraction of capital markets has impaired both the Company’s liquidity and its ability to service its debt. In the past, the Company has serviced its debt through a combination of: (i) making cash payments for principal and interest; (ii) retiring debt by purchasing it at a discount; (iii) retiring convertible debt in exchange for shares of common stock; and (iv) exchanging unsecured notes for second lien secured notes.

As is the case for many companies, the current global financial crisis has limited the Company’s ability to generate sufficient cash from operations to continue meeting its debt obligations. While lower consumer spending worldwide has weakened demand for the Company's products and services, thus putting pressure on sales revenues, the more significant impact on cash is a result of the fact that the vast majority of the Company's revenue is derived in local foreign currencies from sales and operations outside of the United States. The Company's debt, on the other hand, is denominated in U.S. dollars. As a result, the dramatic strengthening of the U.S. dollar relative to other foreign currencies has substantially reduced the amount of U.S. dollars the Company receives from its foreign operations after conversion of the foreign currencies into U.S. dollars. In turn, this reduces the amount of cash available to the Company to service its debt.

Aside from the impact of the strengthening dollar, the global financial crisis has restricted the Company's access to liquidity in other ways. The unprecedented tightening of the global capital markets has limited the Company's ability to refinance existing debt, to raise cash through the issuance of new debt or equity, or through asset sales, given the dramatic decline in asset valuations and the scarcity of credit available to potential buyers.

The Company has invested in and finances its operations principally through debt issued by the Debtors as holding companies for the Debtors' operating company subsidiaries, which are not subject to these Chapter 11 Cases. The Plan is based upon a consensual restructuring of only certain debt, as set forth below, issued by the Debtors, and generally does not affect the Debtors' otherwise successful operating company subsidiaries.

The Debtors' principal obligations for funded debt are (i) obligations outstanding under the senior secured term loan facility dated February 18, 2005, and due 2011 (the "Holding First Lien Secured Term Loan"), by and between PTHI, a wholly-owned subsidiary of Group, Lehman Commercial Paper, Inc. ("Lehman"), as administrative agent, and the lenders party thereto (collectively, the "First Lien Secured Term Lenders"), which are guaranteed by Group, IHC, PTII, and certain other subsidiaries of PTHI and secured by certain assets of PTHI and its guarantor subsidiaries and stock pledges, (ii) obligations outstanding under the senior secured credit agreement, dated March 27, 2007, and due 2012, by and between an indirect wholly-owned Canadian subsidiary of the Company, Primus Telecommunications Canada, Inc. ("Primus Canada"), Guggenheim Corporate Financing, LLC ("Guggenheim"), as administrative agent, and the lenders party thereto (the "Canadian Term Loan"), secured by the assets of the Company's Canadian operations and guaranteed by Group, PTHI, and certain other subsidiaries (prior to the Petition Date, Guggenheim and the Debtors entered into a waiver and amendment agreement whereby Guggenheim agreed to waive certain defaults, including certain alleged preexisting defaults and defaults relating to the commencement of these Chapter 11 Cases in consideration for certain amendments to the Canadian Term Loan, including a mandatory prepayment schedule and an earlier maturity in 2011), (iii) 14 1/4% senior secured notes issued by IHC in February and March 2007, and in May 2008, and due 2011 (the "IHC Second Lien Notes"), under which certain obligations are guaranteed by Group, PTHI, and certain subsidiaries and affiliates and secured by certain assets of IHC and the guarantor subsidiaries and additional stock pledges (in connection with the settlement embodied in the Plan, and in consideration for the IHC Second Lien Noteholders' forbearance with respect to guarantee claims against certain of the Debtors' operating subsidiaries, and as further provided in the Supplemental Indenture attached to the Plan as Exhibit 1.67, the obligations secured by the IHC Second Lien Notes' collateral will be amended to provide that all obligations of the issuer and PTII are secured by PTII's assets, including 65% of voting stock of foreign subsidiaries owned by PTII), (iv) 8% senior notes issued by PTHI and guaranteed by Group on January 16, 2004, and due 2014 (the "8% Senior Notes"), (v) 5% exchangeable senior notes issued on June 28, 2006, by PTHI and guaranteed by Group and due in 2010 (the "5% Exchangeable Senior Notes," and together with the 8% Senior Notes, the "Holding Notes"), (vi) 3 3/4% convertible senior notes issued by Group on September 15, 2003, and due 2010 (the "3 3/4% Convertible Senior Notes"), (vii) step up convertible subordinated debentures issued by Group on February 27, 2006, and due 2009 (the "Step Up Convertible Subordinated Debentures"), and (viii) 12 3/4% senior notes issued by Group on October 15, 1999 and due 2009 (the "12 3/4% Senior Notes," and together with the 3 3/4% Convertible Senior Notes and the Step Up Convertible Subordinated Debentures, the "Group Notes").

faced with declining liquidity, upcoming interest payments, over $24 million in 2009 debt maturities, and the inability to access the capital markets to restructure its balance sheet, the Company pursued various strategic alternatives in the fourth quarter of 2008 and early 2009, including seeking to extend the maturities on its debt due in 2009, seeking to implement debt exchanges, seeking to issue new debt for cash and/or in exchange for debt, and pursuing asset sales. Ultimately, the efforts to restructure outside of chapter 11 were unsuccessful and the Company commenced negotiations with a majority of its senior noteholders. Those negotiations led to the formation of the consensual Plan to restructure the Company's debt obligations, and the Debtors filed these Chapter 11 Cases to implement their restructuring.

B. Capital and Equity Structure

The following table describes the Debtors' various material capital obligations and equity interests, ranked in order of relative priority based on either contractual or structural subordination:

1. Holding First Lien Secured Term Loan

Holding First Lien Secured Term Loan: A $100 million senior secured term loan facility entered into on February 18, 2005, due in 2011, by PTHI and guaranteed by Group, PTHI, IHC, PTII, and certain other subsidiaries, secured by first priority liens on certain assets of PTHI and its guarantor subsidiaries and pledges of 65% of the capital stock of first-tier foreign subsidiaries. Approximately $96.25 million remained outstanding as of the Petition Date.

2. IHC Second Lien Notes

IHC Second Lien Notes: IHC Second Lien Notes, issued February 2007, March 2007, and May 2008 by IHC and due in 2011. Certain obligations under the IHC Second Lien Notes are guaranteed by Group, PTHI, and certain subsidiaries and affiliates and secured by certain assets of IHC and the guarantor subsidiaries and additional stock pledges. In connection with the settlement embodied in the Plan, and in consideration for the IHC Second Lien Noteholders' forbearance with respect to guarantee claims against certain of the Debtors' operating subsidiaries, and as further provided in the Supplemental Indenture attached to the Plan as Exhibit 1.67, the definition of "Obligations" secured by the IHC Second Lien Notes' collateral will be amended to provide that all obligations of the Issuer and PTII are secured by PTII's assets, including 65% of voting stock of foreign subsidiaries owned by PTII. Approximately $173 million of the IHC Second Lien Notes remained outstanding as of the Petition Date (after accounting for approximately $2 million of IHC Second Lien Notes owned by the Company).

3. Holding Notes

8% Senior Notes: issued in January 2004 by PTHI and due in 2014. The 8% Senior Notes are guaranteed by Group. Approximately $186 million of 8% Senior Notes remained outstanding as of the Petition Date.

5% Exchangeable Senior Notes: issued in June 2006 by PTHI and due in 2010. The 5% Exchangeable Senior Notes are guaranteed by Group. Approximately $23.4 million of the 5% Exchangeable Senior Notes remained outstanding as of the Petition Date.

4. Group Notes

Step Up Convertible Subordinated Debentures: issued in February 2006 by Group and due August 2009. Approximately $8.6 million of the Step Up Convertible Subordinated Debentures remained outstanding as of the Petition Date.

3 3/4% Convertible Senior Notes: issued in September 2003 by Group and due September 2010. Approximately $34.2 million of the 3 3/4% Convertible Senior Notes remained outstanding as of the Petition Date.

12 3/4% Senior Notes: issued in October 1999 by Group and due October 15, 2009. Approximately $14.2 million of the 12 3/4% Senior Notes remained outstanding as of the Petition Date.

5. Equity Interests

Common Stock: as of September 30, 2008, 300 million shares of common stock were authorized and 142,632,540 shares were issued and outstanding.

C. Restructuring Under the Plan

1. Administrative and Priority Tax Claims

Subject to the provisions of sections 330(a), 331, and 503(b) of the Bankruptcy Code, each Holder of an Administrative Claim shall be paid by the Debtors, at their election, in full, in Cash, upon the latest of (i) the Effective Date, (ii) the due date thereof in accordance with its terms, (iii) in respect of liabilities incurred in the ordinary course of business, the date upon which such liabilities are payable in the ordinary course of such Debtor's business, consistent with past practices, or (iv) such other date as may be agreed upon between the Holder of such Administrative Claim, the Debtors, and the Requisite Noteholders.

Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of an allowed Priority Tax Claim shall either (i) have its Claim Reinstated, (ii) receive equal Cash payments during a period not to exceed six years after the assessment of the tax on which such Claim is based, totaling the aggregate amount of such Claim, plus simple interest at the rate required by applicable law on any outstanding balance from the Effective Date, or such lesser rate as is agreed to by a particular taxing authority, or (iii) such other treatment as is agreed to by the holder of a Priority Tax Claim and the Debtors (or the Reorganized Debtors).

2. Unimpaired Claims

Pursuant to the Plan, several classes of Claims will be reinstated on the Effective Date unless the Holders of such Claims and the Debtors agree to a different treatment. The reinstated Claims are, therefore, unimpaired by the Chapter 11 Cases. Accordingly, the Holders of such Claims will not be entitled to vote. The following classes of Claims are unimpaired:

- Class 1A, 1B, 1C, and 1D Non Tax Priority Claims: consists of all Claims, other than Administrative Claims or Priority Tax Claims, that are entitled to priority in payment pursuant to sections 507(a) and 507(b) of the Bankruptcy Code;
- Class 2A, 2B, 2C, and 2D Other Secured Claims: consists of all Claims (but not including Administrative Claims, Holding First Lien Secured Term Loan Claims, or IHC Second Lien Note Claims) that are secured by a lien on property in which a Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of the setoff, pursuant to section 553 of the Bankruptcy Code;
- Class 7A, 7B, 7C, and 7D General Unsecured Claims: consists of all Claims that are not an Administrative Claim, Priority Tax Claim, Non-Tax Priority Claim, Holding First Lien Secured Term Loan Claim, IHC Second Lien Note Claim, Holding Notes Claim, Group Notes Claim, or Intercompany Claim;
- Class 8A, 8B, 8C, and 8D Intercompany Claims: consists of all Claims by Debtors or non-Debtor Affiliates against another Debtor or non-Debtor Affiliate; and
- Class 9A, 9B, 9C, and 9D Equity Interests in Affiliate Debtors: consists of the common stock of PTHI and IHC outstanding immediately prior to the Petition Date.

3. Impaired Claims

The impaired classes are comprised of the claims of lenders under the first lien secured term loan (whose treatment is improved under the Plan but who are nonetheless entitled to vote on the Plan), certain noteholders and Holders of equity interests. The Plan provides for a distribution to members of all impaired classes except Class 10(b)A Other Interests and 10(c)A Subordinated Claims, but each class's entitlement to a distribution is contingent on payment in full of all classes with higher priority.

The distribution to each impaired class will include an equity component – either Distributable New Equity, Warrants, or Contingent Value Rights ("CVRs"). The ability of an impaired class to receive full satisfaction of its claims depends on the enterprise value of Reorganized Group. The Plan, therefore, contemplates that the rights of each impaired class to receive a distribution are triggered when the enterprise value of Reorganized Group reaches certain thresholds.

The following chart lists the impaired classes of claims (other than claims arising under the first lien secured term loan which will be reinstated on more favorable terms if the lenders under that loan continue to forbear from exercising remedies against non-Debtor guarantors) and summarizes the treatment that each class will receive once all higher ranking classes are paid in full.

Description and Amount of Claims or Interests	Summary of Treatment[1]
Classes 4A, 4B, and 4C: IHC Second Lien Note Claims	Each Holder of a Class 4A, 4B, or 4C Claim is entitled to vote to accept or to reject the Plan.
Classes 4A, 4B, and 4C consist of all IHC Second Lien Note Claims. Estimated Amount of IHC Second Lien Note Claims: Approximately $173 million plus all accrued and unpaid interest owing under the IHC Second Lien Notes.	On the Effective Date, each Holder of an IHC Second Lien Note Claim shall receive its Pro Rata share of (i) Modified IHC Second Lien Notes in the amount of $123 million and (ii) 50% of the Distributable New Equity and, as part of the distribution to Classes 4A, 4B, and 4C, the Company shall pay all reasonable fees, expenses, and disbursements of counsel to the Ad Hoc Group of IHC Second Lien Notes Claims, Andrews Kurth LLP consistent with the terms of the engagement agreement between Andrews Kurth LLP and the Debtors, as may be amended. The Modified IHC Second Lien Notes shall be subordinated in right of payment to the Holding First Lien Secured Term Loan as described in the Elective Term Loan Treatment Summary attached hereto as Appendix G. **Estimated Percentage Recovery: to %**

1 All estimated percentage recoveries in this chart, and elsewhere in this Disclosure Statement, are based on a range of recoveries, with the low point of such range being based on the midpoint of the enterprise value range established by CRT Investment Banking LLC ("CRT"), or $ million, and the high point of such range being based on the implied enterprise value based on the prepetition negotiations between the Holders of IHC Second Lien Notes and Holding Notes and the Debtors, or $375 million, as set forth more fully below in Section II.E. Summary of Treatment of Claims and Interests Under the Plan and Section X.E. Valuation of Reorganized Group.

Description and Amount of Claims or Interests	Summary of Treatment[1]
Classes 5A and 5B: Holding Notes Claims Classes 5A and 5B consist of all Holding Notes Claims. Estimated Amount of Holding Notes Claims: Approximately \$209.4 million, consisting of (i) approximately \$186 million of 8% Senior Notes, and (ii) \$23.4 million of 5% Exchangeable Senior Notes, plus (iii) accrued and unpaid interest owing under the 8% Senior Notes and the 5% Exchangeable Senior Notes.	Each Holder of a Class 5A or 5B Claim is entitled to vote to accept or to reject the Plan. On the Effective Date, each Holder of a Holding Notes Claim shall be entitled to receive its Pro Rata share of (i) 50% of the Distributable New Equity and (b) Holding Warrants and, as part of the distribution to Classes 5A and 5B, the Company shall pay all reasonable fees, expenses, and disbursements of counsel to the Ad Hoc Group of Holding Notes Claims, Stroock & Stroock & Lavan LLP consistent with the terms of the engagement agreement between Stroock & Stroock & Lavan LLP and the Debtors, as may be amended. **Estimated Percentage Recovery: to %**
Class 6A: Group Notes Claims Class 6A consists of all Group Notes Claims. Estimated Amount of Group Notes Claims: Approximately \$57 million, consisting of (i) approximately \$34.2 million of 3 3/4% Convertible Senior Notes, (ii) approximately \$8.6 million of Step Up Convertible Subordinated Debentures, (iii) approximately \$14.2 million of 12 3/4% Senior Notes, plus (iv) all accrued and unpaid interest owing under the 12 3/4% Senior Notes, the 3 3/4% Convertible Senior Notes, and the Step Up Convertible Subordinated Debentures.	Each Holder of a Class 6A Claim is entitled to vote to accept or to reject the Plan. On the Effective Date, each Holder of a Group Notes Claim shall be entitled to receive its Pro Rata share of Group Warrants. **Estimated Percentage Recovery: to %**
Class 10(a)A Old Common Stock Interests Class 10(a)A consists of any common stock of Group or any predecessor company outstanding at any time prior to the Petition Date.	Each Holder of a Class 10(a)A Interest is entitled to vote to accept or to reject the Plan. On the Effective Date, the Old Common Stock will be cancelled, and Holders of Old Common Stock shall receive their Pro Rata share of Contingent Value Rights. **Estimated Recovery:**
Class 10(b)A Other Interests Class 10(b)A includes without limitation all options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character to acquire any Old Common Stock.	Each Holder of a Class 10(b)A Interest is deemed to have rejected the Plan. On the Effective Date, Other Interests will be discharged and cancelled and the Holders of Other Interests shall not receive or retain any distribution on account of such Other Interests. **Percentage Recovery: 0%**

Description and Amount of Claims or Interests	Summary of Treatment[1]
Class 10(c)A Subordinated Claims Class 10(c)A consists of any Claim, including without limitation, claims under federal or state securities laws, arising from the rescission of a purchase or sale of Old Common Stock, any Claim for damages arising from the purchase or sale of Old Common Stock, or any Claim for reimbursement, contribution, or indemnification on account of any such Claim.	Each Holder of a Class 10(c)A Claim is deemed to have rejected the Plan. On the Effective Date, Subordinated Claims will be discharged and cancelled and the Holders of Subordinated Claims shall not receive or retain any distribution on account of such Subordinated Claims. **Percentage Recovery: 0%**

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I. INTRODUCTION AND DISCLAIMER

The Debtors submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors (the "Plan") and filed with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). A copy of the Plan is annexed as Appendix A to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, the need to seek chapter 11 protection, significant events in the chapter 11 cases, and the anticipated organization of the Reorganized Debtors upon successful emergence from chapter 11. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with securities to be issued under the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of claims entitled to vote under the Plan must follow for their votes to be counted.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in U.S. dollars.

This Disclosure Statement describes certain aspects of the Plan, the Debtors' operations, the Debtors' Financial Forecasts, and other related matters. FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS, APPENDICES, AND SCHEDULES THERETO IN THEIR ENTIRETY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

UNDER THE PLAN, UNSECURED CLAIMS OTHER THAN THOSE BASED ON THE DEBTORS' NOTES OR PURCHASE OF OLD COMMON STOCK ARE NOT AFFECTED BY THESE CASES AND ARE ANTICIPATED TO BE PAID IN FULL IN THE ORDINARY COURSE OF BUSINESS. ONLY CLAIMS HELD BY (A) HOLDERS OF OUTSTANDING NOTES ISSUED BY THE DEBTORS AND (B) HOLDERS OF THE COMPANY'S OLD COMMON STOCK INTERESTS, OTHER INTERESTS, AND SUBORDINATED CLAIMS ARE IMPAIRED BY THE PLAN.

NO PERSON IS AUTHORIZED BY ANY OF THE DEBTORS IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THIS DISCLOSURE STATEMENT OR THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, APPENDICES, AND/OR SCHEDULES ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE DEBTORS.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY CREDITOR DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE INFORMATION REGARDING THE HISTORY, BUSINESS, AND OPERATIONS OF THE DEBTORS AND THEIR NON-DEBTOR OPERATING SUBSIDIARIES AND THE HISTORICAL FINANCIAL

INFORMATION REGARDING THE DEBTORS IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN BUT, AS TO CONTESTED MATTERS AND ADVERSARY PROCEEDINGS, IS NOT TO BE CONSTRUED AS AN ADMISSION OR A STIPULATION BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN, AND NOTHING STATED HEREIN WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED A REPRESENTATION OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY, INCLUDING ARTICLE VIII, “RISK FACTORS TO BE CONSIDERED,” OF THIS DISCLOSURE STATEMENT, BEFORE VOTING TO ACCEPT OR TO REJECT THE PLAN.

EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, ALL INFORMATION CONTAINED HEREIN HAS BEEN PROVIDED BY THE DEBTORS.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Disclosure Statement contains forward-looking statements, including statements concerning possible or assumed future results of operations of the Debtors and those preceded by, followed by, or that include the word may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, potential, or continue or the negative of such terms and other comparable terminology. You should understand that the factors described below, in addition to those discussed elsewhere in this Disclosure Statement, could materially affect the Debtors' future results and could cause those results to differ materially from those expressed in such forward looking statements. These factors include:

- market conditions that adversely affect demand for certain of the Company's products and services, and that delay attaining profitability and positive cash flow;
- fluctuating foreign currencies could adversely affect the Company's revenue, operations and cash flow;
- the potential for additional adverse commercial and credit market developments;
- issues related to the Company's financial situation and liquidity needs increasing the risk that it is unable to invest adequately in the business and may fail to attract and retain sufficient customers;
- potential difficulties in attracting and retaining quality management and key personnel to execute the Company's current business strategy;
- competition against large, financially stronger competitors;
- a rapidly changing telecommunications industry; and
- a regulatory environment that is subject to constant change.

ANY FINANCIAL FORECASTS OR OTHER FORWARD-LOOKING ANALYSES CONTAINED HEREIN WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

II. OVERVIEW OF THE DEBTORS AND THE PLAN

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan.

The following overview is a general summary only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information, and financial statements and notes thereto appearing elsewhere in this Disclosure Statement and the Plan.

A. Business Overview

THE DEBTORS ARE HOLDING COMPANIES THAT OWN 100% OF THE STOCK OF VARIOUS OPERATING SUBSIDIARIES. NONE OF THE OPERATING SUBSIDIARIES HAVE FILED FOR CHAPTER 11 RELIEF. DESCRIPTIONS OF THE BUSINESS OPERATIONS OF THE COMPANY ARE MADE WITH RESPECT TO THE DEBTORS' OPERATING SUBSIDIARIES.

Founded in 1994, the Company is an integrated facilities-based telecommunications services provider offering a portfolio of international and domestic voice, wireless, Internet, VOIP, and data and hosting services to business and residential retail customers and other carriers primarily located in North America, Australia, and western Europe. The Company is now the second largest alternative communications company and the fifth largest Internet service provider in Canada, and the third largest Internet service provider and the fourth largest full service carrier in Australia.

The Company is headquartered in McLean, Virginia. As of December 31, 2008, the Company had 193 employees in the United States and 1,611 employees in its foreign operating segments. The Company's primary operating markets are divided into four geographic segments: the United States, Canada, Europe, and Asia-Pacific. For the quarter ended September 30, 2008, the Company had revenue of $231.8 million and for the year ended December 31, 2008, the Company had revenue of approximately $896 million. The Company's revenues are principally derived from its telecommunications and related communications services. Over 80% of the Company's revenues are generated through its operations outside of the United States.

B. Existing Capital Structure

The Debtors' principal obligations for funded debt are (i) obligations outstanding under the Holding First Lien Secured Term Loan dated February 18, 2005, and due 2011, by and between PTHI, a wholly-owned subsidiary of Group, Lehman, as administrative agent, and the lenders party thereto, which are guaranteed by Group, IHC, PTII, and certain other subsidiaries of PTHI and secured by certain assets of PTHI and its guarantor subsidiaries and stock pledges, (ii) obligations outstanding under the Canadian Term Loan, dated March 27, 2007, and due 2012 by and between an indirect wholly-owned Canadian subsidiary of the Company, Primus Canada, Guggenheim, as administrative agent, and the lenders party thereto, secured by the assets of the Company's Canadian operations and guaranteed by Group, PTHI, and certain subsidiaries (prior to the Petition Date, Guggenheim and the Debtors entered into a waiver and amendment agreement whereby Guggenheim agreed to waive certain defaults, including certain alleged preexisting defaults and defaults relating to the commencement of these Chapter 11 Cases in consideration for certain amendments to the Canadian Term Loan, including a mandatory prepayment schedule and an earlier maturity in 2011), (iii) the IHC Second Lien Notes, under which certain obligations are guaranteed by Group, PTHI, and certain subsidiaries and affiliates and secured by certain assets of IHC and the guarantor subsidiaries and additional stock pledges (in connection with the settlement embodied in the Plan, and in consideration for the IHC Second Lien Noteholders' forbearance with respect to guarantee claims against certain of the Debtors' operating subsidiaries, and as further provided in the Supplemental Indenture attached to the Plan as Exhibit 1.67, the obligations secured by the IHC Second Lien Notes' collateral will be amended to provide that all obligations of the Issuer and PTII are secured by PTII's assets, including 65% of voting stock of foreign subsidiaries owned by PTII, the maturity of the IHC Second Lien Notes will be extended to 2013, and for a period of time interest will be paid partly in cash and partly in payment-in-kind securities), (iv) 8% Senior Notes issued by PTHI on January 16, 2004, and due 2014 and guaranteed by Group, (v) 5% Exchangeable Senior

Notes issued on June 28, 2006, by PTHI and due on June 30, 2010 and guaranteed by Group, (vi) 3 3/4% Convertible Senior Notes issued by Group on September 15, 2003, and due 2010, (vii) Step Up Convertible Subordinated Debentures issued by Group on February 27, 2006, and due 2009, and (viii) 12 3/4% Senior Notes issued by Group on October 15, 1999 and due 2009.

C. Plan Negotiations

The Debtors believe that the value of the Company's businesses could be damaged significantly by a prolonged chapter 11 case or by the filing of bankruptcy proceedings involving the non-Debtor operating subsidiaries. After discussions with various noteholders, the Debtors therefore concluded that the proposed restructuring should be implemented through the Plan Support Agreement. After several months of extensive negotiations, the Consenting Noteholders entered into a Plan Support Agreement with the Debtors. The Plan Support Agreement provides for (i) the reduction of principal debt obligations by approximately $315 million or over 50%, (ii) the reduction of interest payments by over 50%, and (iii) the extension of certain debt maturities.

In addition to negotiating the Plan Support Agreement with the Consenting Noteholders, the Debtors also consulted with a group of Holding First Lien Secured Term Loan Lenders and Guggenheim, the administrative agent for the Canadian Term Loan. The Debtors recognized that the support of the Holding First Lien Secured Term Loan Lenders and Guggenheim would be helpful for a successful reorganization because, among other things, initiating the Chapter 11 Cases would violate certain covenants of the Holding First Lien Secured Term Loan and the Canadian Term Loan, and would result in an event of default. Upon an event of default, the Holding First Lien Secured Term Loan Lenders and Guggenheim might have been able to exercise remedies against guarantor non-Debtor operating subsidiaries that could disrupt the Company's operations and inhibit the Debtors' ability to administer effectively the Chapter 11 Cases. Accordingly, the Debtors requested waivers to avoid breaching certain covenants upon the filing of the Chapter 11 Cases, which Guggenheim granted prior to the Petition Date.

In consideration for the covenant waivers, the Debtors agreed to provide certain accommodations to the Canadian Term Loan prior to the Petition Date. In addition to their commitment to pay reasonable fees and expenses of Guggenheim incurred while negotiating the waivers totaling approximately $150,000 and their acknowledgement of certain obligations and guarantees under the Canadian Term Loan, the Debtors agreed to certain modifications of the respective agreements, including a mandatory prepayment schedule and an earlier maturity in 2011. These waivers were finalized prior to the Petition Date.

Although the Debtors were unable to reach a similar waiver agreement with the Holding First Lien Secured Term Loan Lenders prior to the Petition Date, the Debtors and the Holding First Lien Secured Term Loan Lenders did agree to a forbearance agreement with respect to the bankruptcy-related defaults while the parties continued to negotiate. The Holding First Lien Secured Term Loan Lenders were represented in the negotiations by lenders holding a majority in amount of the Holding First Lien Secured Term Loan facility because of the bankruptcy of Lehman, the agent under the facility. This group of Holding First Lien Secured Term Loan Lenders made up the Required Lenders necessary to direct actions by the agent with respect to the facility.

During the negotiations, the Debtors provided the Holding First Lien Secured Term Loan Lenders and their representatives with substantial diligence materials, even though these materials should ordinarily have been provided to them by Lehman as the agent under the facility. The Debtors also held multiple meetings and discussions with the Holding First Lien Secured Term Loan Lenders and their legal and financial advisors. The parties ultimately reached agreement on modifications to the Holding First Lien Secured Term Loan that would reasonably improve the Holding First Lien Secured Term Loan Lenders' position in exchange for the Holding First Lien Secured Term Loan Lenders' support of the Plan as set forth in a Loan Agreement Modifications Term Sheet, subject to definitive documentation and other conditions. Negotiations ultimately stalled, however, in connection with the extended forbearance agreement that was to facilitate the implementation of the Loan Agreement Modifications Term Sheet. Specifically, the parties were unable to agree upon the payment of fees of the Holding First Lien Secured Term Loan Lenders' professionals absent supporting billing detail. Notwithstanding the impasse regarding the terms of a consensual extended forbearance, however, the Debtors informed the Holding First Lien Secured Term Loan Lenders that they were prepared to proceed with the Plan upon terms consistent with a consensual restructuring.

D. General Structure of the Plan

PTHI, an Affiliate Debtor in the Chapter 11 Cases, is a holding company for the Debtors' operating company subsidiaries. The Plan is structured around a consensual restructuring of certain debt held by the Debtors. The operations of the Company's non-Debtor Affiliates generally will be unaffected by the Chapter 11 Cases. If, however, the Plan of Group is not successfully confirmed, then the Debtors will not proceed with the plans of PTHI, IHC, or PTII and no distributions will be made.

Under the Plan, there are eight classes of Impaired Claims (Class 3A, 3B, 3C and 3D Holding First Lien Secured Term Loan Claims, Class 4A, 4B, and 4C IHC Second Lien Note Claims, Class 5A and 5B Holding Notes Claims, Class 6A Group Notes Claims, and Class 10(c)A Subordinated Claims) and two classes of Impaired Interests (Class 10(a)A Old Common Stock Interests and Class 10(b)A Other Interests). All other Claims and Interests are Unimpaired. Holders of Class 1A, 1B, 1C, and 1D Non-Tax Priority Claims, Class 2A, 2B, 2C, and 2D Other Secured Claims, Class 7A, 7B, 7C, and 7D General Unsecured Claims, Class 8A, 8B, 8C, and 8D Intercompany Claims, and Class 9A, 9B, 9C, and 9D Equity Interests in Affiliate Debtors will be unaffected by the Plan.

Holders of IHC Second Lien Notes have security interests and a pledge on 65% of the stock in the foreign operating subsidiaries that are subordinate to the security interests of the Holding First Lien Secured Term Lenders. Based upon the liquidation value analysis of the Company, as set forth below and in Article X.D of this Disclosure Statement, the value available for distribution to Holders of Claims and Interests upon a liquidation of the Company, after payment of the Holding First Lien Secured Term Loan Claims, would be substantially less than the amount required to satisfy the Claims held by the Holders of IHC Second Lien Notes. In the absence of the consensual restructuring of the Company's debt provided for by the Plan, the Debtors do not believe that Class 5A and 5B Holding Notes Claims, Class 6A Group Notes Claims, Class 7A, 7B, 7C, and 7D General Unsecured Claims, Class 8A, 8B, 8C, and 8D Intercompany Claims, Class 9A, 9B, 9C, and 9D Equity Interests in Affiliate Debtors, Class 10(a)A Old Common Stock Interests, Class 10(b)A Other Interests, and Class 10(c)A Subordinated Claims would be entitled to receive or retain any property on account of such Claims and Interests in the event of a liquidation.

The Company and the Consenting Noteholders recognize that the continued dedication of the Company's employees, trade, and other unsecured creditors to the Company's business is critical to maximizing value. In this regard, as set forth below, the Consenting Noteholders have authorized and consented to the restructuring of their debt to provide for (i) the reinstatement of Class 7A, 7B, 7C, and 7D General Unsecured Claims, Class 8A, 8B, 8C, and 8D Intercompany Claims and Class 9A, 9B, 9C, and 9D Equity Interests in Affiliate Debtors, and (ii) a contingent distribution of new equity to Class 10(a)A Old Common Stock Interests. Specifically, the Plan provides for the Company's balance sheet to be restructured by:

(i) reinstating the Class 2A, 2B, 2C, and 2D Other Secured Claims and the Class 3A, 3B, 3C, and 3D Holding First Lien Secured Term Loan Claims, provided that if the First Lien Lenders forbear from exercising remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan during the pendency of these Chapter 11 Cases, the terms of the Holding First Lien Secured Term Loan will be modified substantially as described in the Elective Term Loan Treatment Summary attached hereto as Appendix G, and as documented by the Holding First Lien Secured Term Loan Amendment attached to the Plan as Exhibit 5.3;

(ii) modifying the IHC Second Lien Notes and distributing new equity to Holders of Class 4A, 4B, and 4C IHC Second Lien Note Claims;

(iii) distributing new equity to Holders of Class 5A and 5B Holding Notes Claims;

(iv) issuing Warrants to Holders of Class 5A and 5B Holding Notes Claims and Class 6A Group Notes Claims;

(v) reinstating all other unsecured creditors; and

(vi) granting Holders of Class 10(a)A Old Common Stock Interests contingent rights to receive shares of New Common Stock.

Holders of Class 10(b)A Other Interests and Class 10(c)A Subordinated Claims will not be entitled to receive or retain any property on account of such Interests or Claims under the Plan.

The New Common Stock issued pursuant to the Plan will be subject to the terms and conditions of the New Stockholders Agreement, which will be deemed binding on and enforceable by the Reorganized Debtors, the Consenting Noteholders, and any party that receives New Common Stock.

Unsecured Claims other than those based on purchases of the Debtors' notes or shares of Old Common Stock are classified in Classes 7A, 7B, 7C, and 7D as General Unsecured Claims and will be Unimpaired.

E. Summary of Treatment of Claims and Interests Under the Plan

1. The Debtors.

There are a total of four Debtors. Each Debtor has been assigned a letter below for the purposes of classifying and treating Claims against and Interests in each Debtor for balloting purposes. The Claims against and Interests in each Debtor, in turn, have been assigned to separate numbered Classes with respect to each Debtor, based on the type of Claim involved. Accordingly, the classification of any particular Claim or Interest in any of the Debtors depends on the particular Debtor against which such Claim is asserted (or in which such Interest is held) and the type of Claim or Interest in question. The letters applicable to the four Debtors are as follows:

Letter	Debtor Name
A	Primus Telecommunications Group, Incorporated
B	Primus Telecommunications Holding, Inc.
C	Primus Telecommunications IHC, Inc.
D	Primus Telecommunications International, Inc.

2. Overview of Treatment

As contemplated by the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified under the Plan. Administrative Claims are to be paid in full upon the latest of (i) the Effective Date, (ii) the due date thereof in accordance with their terms, (iii) for ordinary course Administrative Claims, when such claims become due, or (iv) such other date agreed upon by the Holder of the Administrative Claim, the Debtors, and the Requisite Noteholders. Unless the Holder of Such Claim and the applicable Debtor agree otherwise, on the Effective Date Priority Tax Claims are to be either (i) Reinstated, (ii) paid in equal Cash payments during a period not to exceed six years after the assessment of the tax on which such Claim is based, or (iii) provided such other treatment as agreed upon by the Holder of the Priority Tax Claim and the Debtors (or the Reorganized Debtors). See Section VII.C.1 for a summary of the treatment proposed under the Plan for Administrative Claims and Section VII.C.2 for a summary of the treatment proposed under the Plan for Priority Tax Claims.

In addition, the Plan provides that all Class 1A, 1B, 1C, and 1D Non-Tax Priority Claims; Class 2A, 2B, 2C, and 2D Other Secured Claims; Class 7A, 7B, 7C, and 7D General Unsecured Claims; Class 8A, 8B, 8C, and 8D Intercompany Claims; and Class 9A, 9B, 9C, and 9D Equity Interests in Affiliate Debtors will be Reinstated, unless the Holder of such Claim or Interest and the applicable Debtor agree to a different treatment. Class 3A, 3B, 3C, and 3D Holding First Lien Secured Term Loan Claims will be reinstated, provided that if the Holding First Lien

Secured Term Loan Lenders do not terminate the Forbearance Agreement prior to the effective date, the terms of the Holding First Lien Secured Term Loan will be modified substantially on the terms described in the Holding First Lien Secured Term Loan Tem Sheet attached hereto as Appendix G.

The table below summarizes the classification and treatment of the prepetition Claims and Interests under the Plan. For certain classes of Claims and Interests, estimated percentage recoveries are also set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including the value ascribed to the securities to be issued under the Plan, for purposes of the Plan, as discussed below and in Section X.E.

Based, in part, on information provided to it by the Debtors, CRT has evaluated the total enterprise value of Reorganized Group. CRT's valuation establishes the value of Reorganized Group on a going concern basis as between **[AMOUNT]** and **[AMOUNT],** with a midpoint of **[AMOUNT]**. This valuation is based on numerous assumptions, including, among other things, an assumption that the operating results projected for Reorganized Group will be achieved in all material respects, including revenue growth and improvements in operating margins, earnings, and cash flow. *The valuation assumptions also consider, among other matters, (i) market valuation information concerning certain publicly traded securities and privately negotiated transactions of certain other companies that are considered relevant, (ii) certain general economic, capital markets, and industry information considered relevant to the business of the Reorganized Group, and (iii) such other investigations and analysis deemed necessary or appropriate. The valuation assumptions are not a prediction or reflection of post-confirmation value of the New Common Stock.*

The distributions provided under the Plan are largely the product of extensive negotiations among the Debtors and certain of their creditors, including the Consenting Noteholders. As described in more detail in this Disclosure Statement, prior to the Petition Date the Debtors worked with the Consenting Noteholders to prearrange a financial restructuring that would result in brief chapter 11 cases and a material reduction of debt and debt service. As a result of these negotiations, the parties reached agreement with respect to the reinstatement of a portion of the IHC Second Lien Notes and the distribution of 50% of the New Common Stock of Reorganized Group to holders of IHC Second Lien Notes and the distribution of the remaining 50% of the New Common Stock of Reorganized Group to holders of Holding Notes. The implied enterprise value of Reorganized Group that would result in the payment in full of the IHC Second Lien Notes Claims is $375 million. This negotiated enterprise value was reached as a result of arm's-length negotiations between sophisticated parties with a direct financial interest in the resulting outcome. As a result, in estimating potential recoveries under the Plan, the Debtors have used the midpoint of the CRT enterprise valuation, or $ million, as the basis for the low point in the recovery range, and have used the implied enterprise value of $375 million as the basis for the high point in the recovery range.

The Debtors intend to seek to consummate the Plan and cause the Effective Date to occur as quickly as practicable. There can be no assurance, however, as to when or whether the Effective Date will occur.

The Debtors believe that the Plan provides distributions to all Classes of Claims that reflect an appropriate resolution of the Claims, taking into account the differing nature and priority of such Claims.

3. Classification of Debtors' Claims and Interests

Description and Amount of Claims or Interests	Summary of Treatment
Classes 1A, 1B, 1C, and 1D: Non-Tax Priority Claims Class 1 consists of all Claims, other than Administrative Claims or Priority Tax Claims, that are entitled to priority in payment pursuant to sections 507(a) and 507(b) of the Bankruptcy Code.	**Classes 1A, 1B, 1C, and 1D Are Unimpaired Under the Plan.** Each Holder of a Non-Tax Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or to reject the Plan. Unless the Holder of such claim and the Debtors agree to a different treatment, on the Effective Date, each Holder of a Non-Tax Priority Claim will have its Claim Reinstated. **Percentage Recovery: Unimpaired**
Classes 2A, 2B, 2C, and 2D: Other Secured Claims Classes 2A, 2B, 2C, and 2D consist of all Claims (but not including Administrative Claims, Holding First Lien Secured Term Loan Claims, or IHC Second Lien Note Claims) that are secured by a lien on property in which a Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of the setoff, pursuant to section 553 of the Bankruptcy Code.	**Classes 2A, 2B, 2C, and 2D Are Unimpaired Under the Plan.** Each Holder of an Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or to reject the Plan. Unless the Holder of such claim and the Debtors agree to a different treatment, on the Effective Date, each Holder of an Other Secured Claim will have its Claim Reinstated. **Percentage Recovery: Unimpaired**
Classes 3A, 3B, 3C, and 3D: Holding First Lien Secured Term Loan Claims Classes 3A, 3B, 3C, and 3D consists of all Holding First Lien Secured Term Loan Claims. Estimated Amount of Holding First Lien Secured Term Loan Claims: Approximately \$96.25 million plus all accrued and unpaid interest owing under the Holding First Lien Secured Term Loan.	**Classes 3A, 3B, 3C, and 3D Are Impaired Under the Plan.** Each Holder of a Holding First Lien Secured Term Loan Claim is entitled to vote to accept or to reject the Plan. On the Effective Date, each Holder of a Holding First Lien Secured Term Loan Claim shall have its Claim Reinstated: provided, however, that if the First Lien Lenders forbear from exercising remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan during the pendency of these Chapter 11 Cases, the terms of the Holding First Lien Secured Term Loan will be modified substantially on the terms described in the Elective Term Loan Treatment Summary attached hereto as Appendix G, and as documented by the Holding First Lien Secured Term Loan Amendment attached to the Plan as Exhibit 5.3. **Percentage Recovery: Reinstated, as modified**

Description and Amount of Claims or Interests	Summary of Treatment
Classes 4A, 4B, and 4C: IHC Second Lien Note Claims Classes 4A, 4B, and 4C consist of all IHC Second Lien Note Claims. Estimated Amount of IHC Second Lien Note Claims: Approximately $173 million plus all accrued and unpaid interest owing under the IHC Second Lien Notes.	**Classes 4A, 4B, and 4C Are Impaired Under the Plan.** Each Holder of an IHC Second Lien Note Claim is entitled to vote to accept or to reject the Plan. On the Effective Date, each Holder of an IHC Second Lien Note Claim shall receive its Pro Rata share of (i) Modified IHC Second Lien Notes in the amount of $123 million and on the terms described in the Modified IHC Second Lien Notes Term Sheet attached hereto as Appendix C and (ii) 50% of the Distributable New Equity and, as part of the distribution to Classes 4A, 4B, and 4C, the Company shall pay all reasonable fees, expenses, and disbursements of counsel to the Ad Hoc Group of IHC Second Lien Notes Claims, Andrews Kurth LLP consistent with the terms of the engagement agreement between Andrews Kurth LLP and the Debtors, as may be amended. The Modified IHC Second Lien Notes shall be subordinated in right of payment to the Holding First Lien Secured Term Loan as described in the Elective Term Loan Treatment Summary attached hereto as Appendix G. **Estimated Percentage Recovery: % – %**
Classes 5A and 5B: Holding Notes Claims Classes 5A and 5B consist of all Holding Notes Claims. Estimated Amount of Holding Notes Claims: Approximately $209.4 million, consisting of (i) approximately $186 million of 8% Senior Notes, (ii) $23.4 million of 5% Exchangeable Senior Notes, and (iii) all accrued and unpaid interest owing under the 8% Senior Notes and the 5% Exchangeable Senior Notes.	**Classes 5A and 5B Are Impaired Under the Plan.** Each Holder of a Holding Notes Claim is entitled to vote to accept or to reject the Plan. On the Effective Date, each Holder of a Holding Notes Claim shall be entitled to receive its pro rata share of (i) 50% of the Distributable New Equity and (ii) Holding Warrants on the terms described in the Holding Warrants Term Sheet attached hereto as Appendix D, and, as part of the distribution to Classes 5A and 5B, the Company shall pay all reasonable fees, expenses, and disbursements of counsel to the Ad Hoc Group of Holding Notes Claims, Stroock & Stroock & Lavan LLP consistent with the terms of the engagement agreement between Stroock & Stroock & Lavan LLP and the Debtors, as may be amended.. **Estimated Percentage Recovery: % – %**

Description and Amount of Claims or Interests	Summary of Treatment
Class 6A: Group Notes Claims Class 6A consists of all Group Notes Claims. Estimated Amount of Group Notes Claims: Approximately $57 million, consisting of (i) approximately $34.2 million of 3 3/4% Convertible Senior Notes, (ii) approximately $8.6 million of Step Up Convertible Subordinated Debentures, (iii) approximately $14.2 million of 12 3/4% Senior Notes, and (iv) all accrued and unpaid interest owing under the 12 3/4% Senior Notes, the 3 3/4% Convertible Senior Notes, and the Step Up Convertible Subordinated Debentures.	**Class 6A is Impaired Under the Plan.** Each Holder of a Group Notes Claim is entitled to vote to accept or to reject the Plan. On the Effective Date, each Holder of a Group Notes Claim shall be entitled to receive its Pro Rata share of Group Warrants on the terms described in the Group Warrants Term Sheet attached hereto as Appendix E. **Estimated Percentage Recovery: % – %**
Classes 7A, 7B, 7C, and 7D: General Unsecured Claims. Classes 7A, 7B, 7C, and 7D consist of Claims that are not Administrative Claims, Priority Tax Claims, Non-Tax Priority Claims, Other Secured Claims, IHC Second Lien Note Claims, Holding Notes Claims, Group Notes Claims, Intercompany Claims, or Subordinated Claims.	**Classes 7A, 7B, 7C, and 7D Are Unimpaired by the Plan.** Each Holder of a General Unsecured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or to reject the Plan. Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a General Unsecured Claim shall have its Claim Reinstated. **Percentage Recovery: Unimpaired**
Classes 8A, 8B, 8C, and 8D: Intercompany Claims. Classes 8A, 8B, 8C, and 8D consists of Claims by a Debtor or a non-Debtor Affiliate against another Debtor or non-Debtor Affiliate.	**Classes 8A, 8B, 8C, and 8D Are Unimpaired Under the Plan.** Each Holder of an Intercompany Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or to reject the Plan. Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of an Intercompany Claim shall have its Claim Reinstated. **Percentage Recovery: Unimpaired**
Classes 9A, 9B, 9C, and 9D: Equity Interests in Affiliate Debtors. Classes 9A, 9B, 9C, and 9D consist of the common stock of PTHI, IHC, PTII, and any Additional Debtors outstanding immediately prior to the Petition Date.	**Classes 9A, 9B, 9C, and 9D Are Unimpaired Under the Plan.** Each Holder of an Equity Interest is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or to reject the Plan. On the Effective Date, Reorganized Group and Reorganized Holding shall retain the Equity Interests in each Debtors' Subsidiary. **Percentage Recovery: Unimpaired**

Description and Amount of Claims or Interests	Summary of Treatment
Class 10(a)A Old Common Stock Interests Class 10(a)A consists of any common stock of Group or any predecessor company outstanding at any time prior to the Petition Date.	**Class 10(a)A is Impaired.** Each Holder of an Old Common Stock Interest is entitled to vote to accept or to reject the Plan. On the Effective Date, the Old Common Stock will be cancelled, and Holders of Old Common Stock shall receive their Pro Rata share of Contingent Value Rights on the terms described in the Contingent Value Rights Term Sheet attached hereto as Appendix F. **Estimated Recovery:**
Class 10(b)A Other Interests Class 10(b)A includes without limitation all options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character to acquire any Old Common Stock.	**Class 10(b)A is Impaired.** Each Holder of an Other Interest is deemed to have rejected the Plan. On the Effective Date, Other Interests will be discharged and cancelled and the Holders of Other Interests shall not receive or retain any distribution on account of such Other Interests. **Percentage Recovery: 0%**
Class 10(c)A Subordinated Claims Class 10(c)A consists of any Claim, including without limitation, claims under federal or state securities laws, arising from the rescission of a purchase or sale of Old Common Stock, any Claim for damages arising from the purchase or sale of Old Common Stock, or any Claim for reimbursement, contribution, or indemnification on account of any such Claim.	**Class 10(c)A is Impaired.** Each Holder of a Subordinated Claim is deemed to have rejected the Plan. On the Effective Date, Subordinated Claims will be discharged and cancelled and the Holders of Subordinated Claims shall not receive or retain any distribution on account of such Subordinated Claims. **Percentage Recovery: 0%**

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims

Approval by the Bankruptcy Court of this Disclosure Statement means that the Bankruptcy Court has found that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable Holders of Class 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A Claims or Interests to make an informed judgment about whether to accept or reject the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR THEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLASS 4A, 4B, 4C, 5A, 5B, 6A, AND 10(a)A CLAIMS OR INTERESTS AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS ALL HOLDERS OF CLASS 4A, 4B, 4C, 5A, 5B, 6A, AND 10(a)A CLAIMS OR INTERESTS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES, SUPPLEMENTS AND EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtors other than the information contained herein or therein. No such information should be relied upon in making a determination to vote to accept or reject the Plan.

B. Voting Rights

Pursuant to the provisions of the Bankruptcy Code, only holders of claims and interests in classes that are (a) treated as "impaired" by a plan of reorganization and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. Under the Plan, only Holders of Claims or Interests in Classes 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A are entitled to vote on the Plan. Claims and Interests in other Classes are either Unimpaired and their Holders are deemed to have accepted the Plan, or they are receiving no distributions under the Plan and their Holders are deemed to have rejected the Plan.

Holders of Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A Claims or Interests may vote on the Plan only if they are holders as of **[ ]**, the voting record date established by the Bankruptcy Court (the "Voting Record Date").

C. Solicitation Package

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtors, through their voting agent Financial Balloting Group LLC (the "Voting Agent" or "Financial Balloting Group"), will send to Holders of Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A Claims or Interests who are entitled to vote copies of (a) this Disclosure Statement and Plan, (b) the notice of, among other things, (i) the date, time, and place of the hearing to consider confirmation of the Plan and related matters and (ii) the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice"), (c) one or more beneficial owner ballots or master ballots (and return envelopes) to be used in voting to accept or to reject the Plan, and (d) other materials as authorized by the Bankruptcy Court.

If you are the Holder of a Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, or 10(a)A Claim or Interest who is entitled to vote, but you did not receive a beneficial owner ballot or master ballot, or if your beneficial owner ballot or master ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the following:

FINANCIAL BALLOTING GROUP LLC
757 THIRD AVENUE, 3rd FLOOR
NEW YORK, NEW YORK 10017
TELEPHONE: (646) 282-1800
ATTENTION: PRIMUS BALLOT TABULATION

D. Voting Procedures, Ballots, and Voting Deadline

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your beneficial owner ballot or master ballot, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying beneficial owner ballot or master ballot. You should complete and sign your original beneficial owner ballot or master ballot (copies will not be accepted) and return it as instructed in the envelope provided.

Each beneficial owner ballot and master ballot has been coded to reflect the Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, or 10(a)A Claims or Interests it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded beneficial owner ballot(s) or master ballot(s) sent to you with this Disclosure Statement.

This Disclosure Statement and the related materials will be furnished to Holders of IHC Second Lien Notes, Holding Notes, and Group Notes whose names (or the names of whose nominees) appear as of the Voting Record Date on the security holder lists maintained by the Indenture Trustee pursuant to the Indentures governing the IHC Second Lien Notes, Holding Notes, or Group Notes or, if applicable, who are listed as participants in a clearing agency's security position listing. IF SUCH ENTITIES DO NOT HOLD FOR THEIR OWN ACCOUNT, THEY SHOULD PROVIDE COPIES OF THIS DISCLOSURE STATEMENT, THE PLAN AND, IF APPLICABLE, APPROPRIATE BENEFICIAL OWNER BALLOTS OR MASTER BALLOTS, TO THE BENEFICIAL OWNERS. Special voting instructions apply to nominees of beneficial owners and securities clearing agencies. Those special instructions will accompany the master ballot. Those instructions may be different from the general instructions contained herein. If you have any questions, please contact the Voting Agent.

All votes to accept or reject the Plan must be cast by using the beneficial owner ballot or master ballot enclosed with this Disclosure Statement or, in the case of a bank, brokerage firm or other nominee holding IHC Second Lien Notes, Holding Notes, or Group Notes in its own name on behalf of a beneficial owner, or any agent thereof (each, a "Nominee"), the master ballot provided to such Nominee under separate cover (or manually executed facsimiles thereof). IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BENEFICIAL OWNER BALLOT OR MASTER BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BENEFICIAL OWNER BALLOT OR MASTER BALLOT. UNLESS YOU HAVE RECEIVED A PRE-VALIDATED BENEFICIAL OWNER BALLOT (AS DESCRIBED HEREIN) FOR DIRECT RETURN TO THE VOTING AGENT, YOU MUST RETURN YOUR BENEFICIAL OWNER BALLOT TO YOUR NOMINEE IN ENOUGH TIME FOR YOUR VOTE TO BE PROCESSED ON A MASTER BALLOT AND SUBMITTED TO THE VOTING AGENT. MASTER BALLOTS AND PRE-VALIDATED BENEFICIAL OWNER BALLOTS MUST BE RECEIVED NO LATER THAN **[ ]**, 2009, AT **[5]**:00 P.M. EASTERN TIME (THE "VOTING DEADLINE") BY THE FOLLOWING:

FINANCIAL BALLOTING GROUP LLC
ATTENTION: PRIMUS BALLOT TABULATION
757 THIRD AVENUE, 3rd FLOOR
NEW YORK, NEW YORK 10017

UNLESS OTHERWISE PROVIDED IN THE INSTRUCTIONS ACCOMPANYING THE BENEFICIAL OWNER BALLOTS OR MASTER BALLOTS, FAXED BENEFICIAL OWNER BALLOTS OR FAXED MASTER BALLOTS WILL NOT BE TABULATED BY THE VOTING AGENT. PRE-VALIDATED BENEFICIAL OWNER BALLOTS OR MASTER BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. BENEFICIAL OWNER BALLOTS OR MASTER BALLOTS THAT ARE SIGNED BUT DO NOT SPECIFY WHETHER THE HOLDER ACCEPTS OR REJECTS THE PLAN WILL NOT BE COUNTED. DO NOT RETURN ANY STOCK CERTIFICATES, DEBT INSTRUMENTS, OR OTHER EVIDENCES OF YOUR CLAIM WITH YOUR BENEFICIAL OWNER BALLOT OR MASTER BALLOT.

If you have any questions about (a) the procedure for voting your Class 4A, 4B, 4C, 5A, 5B, 6A, or 10(a)A Claim or Interest, (b) the packet of materials that you have received, or (c) the amount of your Claim, or if you wish to obtain, at your own expense unless otherwise specifically required by Rule 3017(d) of the Bankruptcy Rules, an additional copy of the Plan, this Disclosure Statement, or any appendices or exhibits to such documents, please contact:

FINANCIAL BALLOTING GROUP LLC
757 THIRD AVENUE, 3rd FLOOR
NEW YORK, NEW YORK 10017
TELEPHONE: (646) 282-1800
ATTENTION: PRIMUS BALLOT TABULATION

For further information and general instruction on voting to accept or to reject the Plan, see Article XII of this Disclosure Statement and the instructions accompanying your beneficial owner ballot or master ballot.

THE DEBTORS URGE ALL HOLDERS OF CLASS 4A, 4B, 4C, 5A, 5B, 6A, AND 10(a)A CLAIMS OR INTERESTS ENTITLED TO VOTE TO EXERCISE THEIR RIGHT BY COMPLETING THEIR BENEFICIAL OWNER BALLOTS OR MASTER BALLOTS AND RETURNING THEM AS QUICKLY AS POSSIBLE. IF YOU HAVE RECEIVED A RETURN ENVELOPE ADDRESSED TO YOUR NOMINEE, PLEASE ALLOW ADDITIONAL TIME. ALL MASTER BALLOTS AND PRE-VALIDATED BENEFICIAL OWNER BALLOTS MUST BE RECEIVED BY THE VOTING AGENT BY THE VOTING DEADLINE.

E. Confirmation Hearing and Objections to Confirmation

Section 1128 of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan (the "Confirmation Hearing"). The Debtors have requested that the Bankruptcy Court schedule the Confirmation Hearing as soon as possible, at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street Room Courtroom 3 Wilmington, Delaware 19801. At the Confirmation Hearing, the Debtors will request confirmation of the Plan, as may be modified from time to time under section 1129(b) of the Bankruptcy Code. The Debtors may modify the Plan, to the extent permitted by section 1127(a) of the Bankruptcy Code and Rule 3019 of the Bankruptcy Rules, as necessary to confirm the Plan. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequently adjourned Confirmation Hearing. Notice of the Confirmation Hearing will be provided to Holders of Claims and Interests or their representatives (the "Confirmation Hearing Notice") pursuant to an order of the Bankruptcy Court. Objections to confirmation must be filed with the Bankruptcy Court by the date designated in the Confirmation Hearing Notice and are governed by Rules 3020(b) and 9014 of the Bankruptcy Rules. Objections to confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount and Class of the Claim. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

F. Confirmation Hearing and Deadline for Objections to Confirmation

1. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. The hearing on confirmation of the Plan has been scheduled for **[ ]** at **[.m.]**. Such hearing may be adjourned from time to time by announcing such adjournment in open court, all without further notice to parties-in-interest, and the Plan may be modified by the Debtors pursuant to section 1127 of the Bankruptcy Code prior to, during, or as a result of that hearing, without further notice to parties-in-interest.

2. Date Set for Filing Objection to Confirmation of the Plan

The time by which all objections to confirmation of the Plan must be filed with the Court and received by the parties listed in the Confirmation Hearing Notice has been set for **[ ]** at **[.m.]**. A copy of the Confirmation Hearing Notice is enclosed with this Disclosure Statement.

IV. HISTORY AND STRUCTURE OF THE DEBTORS

A. Overview of Business Operations and Corporate Structure

1. Description of the Company's Business

THE DEBTORS ARE HOLDING COMPANIES THAT OWN 100% OF THE STOCK OF VARIOUS OPERATING SUBSIDIARIES. NONE OF THE OPERATING SUBSIDIARIES HAVE FILED FOR CHAPTER 11 RELIEF. DESCRIPTIONS OF THE BUSINESS OPERATIONS OF THE COMPANY ARE MADE WITH RESPECT TO THE DEBTORS' OPERATING SUBSIDIARIES.

The Company was founded in 1994 to create a global, facilities-based telecommunications services provider. The Company's services include bundled data, Internet, digital subscriber line, e-commerce, web hosting, enhanced application, virtual private network, voice, and other value-added services. The Company owns and operates an extensive global network of owned and leased transmission facilities, including 18 carrier-grade international gateway and domestic switching systems, approximately 500 interconnection points-of-presence throughout the world, ownership interests in undersea fiber optic cable systems, and a variety of operational relationships that allow the Company to deliver telecommunications traffic worldwide. The Company's focus is to service the demand for high quality, competitively priced communications services that is being driven by the globalization of the world's economies, the worldwide trend toward telecommunications deregulation and the growth of broadband, Internet, VOIP, wireless, and data traffic.

The Company serves corporate, small- and medium-sized business, residential and data, ISP, and telecommunication carrier customers primarily located in the North American, European and Asian-Pacific regions of the world. For the year ended December 31, 2008, the Company had annual revenues of approximately $896 million, and business, residential, and carrier customers represented 24%, 50%, and 26% of those revenues, respectively.

Since its inception, the Company's mission has been to provide customers with competitive values and state-of-the-art service while remaining a comprehensive provider of quality services and innovative solutions. In recent years, the Company has selectively targeted opportunities to participate in growth areas for telecommunications, such as broadband, VOIP, local, wireless, data, and hosting. The Company has sought to achieve these initiatives by enhancing investment in network infrastructure to support new services and customers and the migration of existing customers onto the Company's network, investing in sales and marketing programs and direct sales and telemarketing personnel to increase revenue and contribution from these products, and targeting investments to support increased customer retention efforts.

For the quarter ended September 30, 2008, the Company had revenue of $231.8 million. The Company's revenues are principally derived from its telecommunications and related communications services. The Company's services can be classified into three main product categories: voice, data/Internet, and VOIP. Within these three main product categories, the Company offers customers a wide range of services, including:

- international and domestic long distance service;
- wholesale and retail VOIP services;
- high-speed broadband and dial-up Internet access;
- local voice services;
- data center services;
- wireless services;
- and prepaid services.

2. Prepetition Financial Results

Set forth below is selected financial data for the Company, including its direct and indirect subsidiaries, on a consolidated basis for the years ended 2005, 2006, 2007, and the first three quarters of fiscal year 2008. The financial data for the years ended 2005, 2006, and 2007 were audited.

CONSOLIDATED BALANCE SHEET

{in 000s}	*(Unaudited)* 30-Sep-08	*(Audited)* 2007	*(Audited)* 2006	*(Audited)* 2005
Assets				
Current Assets				
Cash and Cash Equivalents	47,630	81,282	64,317	42,999
Restricted Cash		362		
Net Accounts Receivable	111,612	113,588	118,012	141,909
Prepaid Expense and Other Current Assets	19,852	28,660	24,278	31,905
Total Current Assets	179,094	223,892	206,607	216,813
Restricted Cash	9,510	9,677	8,415	10,619
Property, Plant & Equipment				
Network Equipment		164,027	110,110	753,593
Furniture and Equipment		12,102	6,544	69,837
Leasehold Improvements		5,686	981	15,409
Construction In Progress		10,462	6,132	3,945
Gross Property, Plant & Equipment		192,277	123,767	842,784
Accumulated Depreciation		(47,678)	(12,085)	(556,903)
Net Property & Equipment	133,588	144,599	111,682	285,881
Goodwill	38,026	40,134	34,893	85,745
Net Other Intangible Assets	1,188	1,557	2,762	11,392
Other Assets	31,272	40,544	27,891	30,639
Total Assets	392,678	460,403	392,250	641,089
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts Payable	64,704	74,893	70,586	83,941
Accrued Interconnection Costs	38,474	44,911	48,942	64,333
Deferred Revenue	15,405	16,513	18,315	30,037
Accrued Expenses and Other Current Liabilities	53,266	54,420	46,984	31,400
Accrued Income Taxes	26,812	30,791	17,921	16,339
Accrued Interest	11,231	12,460	13,627	13,268
Current Portion of Long-Term Obligations	12,737	11,228	36,997	16,092
Total Current Liabilities	222,629	245,216	253,372	255,410
Net Long-Term Obligations	601,784	662,675	607,077	619,120
Other Liabilities	2,969	52	56	2,893
Total Liabilities	827,382	907,943	860,505	877,423
Stockholders' Equity				
Common Stock	1,426	1,426	1,138	1,053
Additional Paid-In Capital	718,895	718,695	692,941	686,196
Retained Earnings (Accumulated Deficit)	(1,064,473)	(1,074,778)	(1,087,996)	(850,038)
Accumulated Other Comprehensive Loss)	(90,552)	(92,883)	(74,338)	(73,545)
Total Stockholders' Equity	(434,704)	(447,540)	(468,255)	(236,334)
Total Liabilities & Stockholders' Equity	392,678	460,403	392,250	641,089

CONSOLIDATED INCOME STATEMENT

{in 000s}	*(Unaudited)* YTD September 2008	*(Audited)* 2007	*(Audited)* 2006	*(Audited)* 2005
Net Revenues	694,316	902,183	1,002,379	1,168,017
Operating Expenses				
Cost of Revenue (Exclusive of Depreciation)	434,584	554,886	659,433	775,305
Selling, General and Administrative Expense	209,196	284,016	284,307	376,007
Depreciation and Amortization	25,407	30,534	47,428	86,436
Loss on Sale or Disposal of Assets	(7,041)	1,464	16,097	13,364
Asset Impairment Write-Down			209,248	
Total Operating Expenses	662,146	870,900	1,216,513	1,251,112
Income (Loss) From Operations	32,170	31,283	(214,134)	(83,095)
Interest Expense	(41,557)	(61,347)	(54,128)	(53,403)
Accretion on Debt Premium (Discount)	456	(449)	(1,732)	
Change in Fair Value of Derivatives Embedded within Convertible Debt			5,373	
Gain (Loss) on Early Extinguishment or Restructuring of Debt	34,608	(7,652)	7,409	(1,693)
Interest and Other Income	16	5,701	3,690	2,278
Foreign Currency Transaction Gain	(13,204)	32,693	10,633	(12,485)
Income (Loss) Before Income Taxes and Equity in Net Income (Loss) of Subsidiaries	12,489	229	(242,889)	(148,398)
Income Tax Benefit (Expense)	(1,526)	9,230	(4,866)	(3,809)
Income from Continuing Operations	10,963	9,459	(247,755)	(152,207)
Income from Discontinued Operations, Net of Tax	(658)	145	2,382	2,970
Gain From Sale of Discontinued Operations, Net of Tax		6,132	7,415	—
Net Income (Loss)	10,305	15,736	(237,958)	(149,237)

B. Capital Structure of the Company

1. Prepetition Equity

Group has no outstanding preferred stock. Group has three series of preferred stock authorized – 485,000 shares of Preferred Series A and Preferred Series B, 559,950 shares of Preferred Series C, and an additional 1,410,050 shares of preferred stock that have not been designated – but no shares of preferred stock have been issued.

Group has one outstanding series of common stock. As of September 30, 2008, 300 million shares of common stock were authorized and 142,632,540 shares were issued and outstanding.

2. Material Prepetition Debt Obligations

As of the Petition Date, the Company's total consolidated funded debt obligations were approximately $580.0 million principal amount and consisted of, among other things, a term loan, secured and unsecured notes and debentures. The major components of the Company's consolidated funded debt obligations are described in greater detail below.

In February 2005, PTHI, the only direct wholly-owned subsidiary of Group, entered into the Holding First Lien Secured Term Loan, a six-year, $100 million senior secured term loan facility maturing in 2011. The Holding First Lien Secured Term Loan is guaranteed by Group, PTHI, IHC, PTII, and certain other subsidiaries, and is secured by first priority liens on certain assets of PTHI and its guarantor subsidiaries, and by pledges of 65% of the capital stock of first-tier foreign subsidiaries. The Company borrowed $100 million under the Holding First Lien Secured Term Loan in February 2005 and currently owes approximately $96.25 million.

In January 2004, PTHI completed the sale of $240 million in aggregate principal amount of 8% Senior Notes due 2014. The 8% Senior Notes are guaranteed by Group. As of the Petition Date, approximately $186 million of 8% Senior Notes remained outstanding.

In February 2007, the Company amended the Holding First Lien Secured Term Loan to enable IHC, a wholly-owned subsidiary of the Company, to issue and have outstanding up to $200 million of authorized indebtedness in the form of the newly authorized IHC Second Lien Notes. In February 2007, IHC issued in private transactions $57.2 million in principal amount of the IHC Second Lien Notes in exchange for $40.7 million of certain of the Company's outstanding securities and $23.6 million in cash. In March 2007, IHC also issued for cash in private transactions an additional $51.0 million principal amount of the IHC Second Lien Notes with a $0.3 million discount. In May 2008, IHC issued $67.1 million principal amount of the IHC Second Lien Notes and cash in private transactions in exchange for certain of the Company's outstanding debt securities. The IHC Second Lien Notes are guaranteed by Group, PTHI, IHC, and certain other subsidiaries, and are secured by a second lien on substantially all of the assets of IHC and its guarantor subsidiaries. Certain obligations under the IHC Second Lien Notes are guaranteed by Group, PTHI, and certain subsidiaries and affiliates and secured by certain assets of IHC and the guarantor subsidiaries and additional stock pledges. In connection with the settlement embodied in the Plan, and in consideration for the IHC Second Lien Noteholders' forbearance with respect to guarantee claims against certain of the Debtors' operating subsidiaries, and as further provided in the Supplemental Indenture attached to the Plan as Exhibit 1.67, among other things, the obligations secured by the IHC Second Lien Notes' collateral will be amended to include, in the case of PTII, all obligations and liabilities of PTII and IHC which may arise under or in connection with the IHC Second Lien Notes, the maturity of the IHC Second Lien Notes will be extended from 2011 to 2013, and for a period of time interest will be paid partly in cash and partly in payment-in-kind securities. Approximately $173 million of the IHC Second Lien Notes remained outstanding as of the Petition Date (after accounting for approximately $2 million of IHC Second Lien Notes owned by the Company).

In June 2006, PTHI issued $56.3 million of the 5% Exchangeable Senior Notes for certain of Group's outstanding securities and cash. The 5% Exchangeable Senior Notes mature on June 30, 2010. As of the Petition Date, approximately $23.4 million of the 5% Exchangeable Senior Notes remained outstanding.

In February 2006, Group completed the exchange of $27.4 million principal amount of the Company's subordinated debentures due 2007 for $27.5 million principal amount of the Company's Step Up Convertible Subordinated Debentures due August 2009. As of the Petition Date, approximately $8.6 million of the Step Up Convertible Subordinated Debentures remained outstanding.

In September 2003, Group completed the sale of $132 million in aggregate principal amount of the 3 3/4% Convertible Senior Notes, which are due September 2010. As of the Petition Date, approximately $34.2 million of the 3 3/4% Convertible Senior Notes remained outstanding.

In October 1999, Group completed the sale of $250 million in aggregate principal amount of the 12 3/4% Senior Notes, which are due October 15, 2009. As of the Petition Date, approximately $14.2 million of the 12 3/4% Senior Notes remain outstanding.

In March 2007, an indirect wholly-owned Canadian subsidiary, Primus Canada, entered into the $35 million Canadian Term Loan that matures in 2012 to refinance an existing Canadian credit facility. The Canadian Term Loan is secured by the assets of the Company's Canadian operations and certain guarantees, including guarantees by Group and PTHI. Prior to the Petition Date, Guggenheim and the Debtors entered into a waiver and amendment agreement whereby Guggenheim agreed to waive certain defaults, including certain alleged preexisting defaults and defaults relating to the commencement of these Chapter 11 Cases, in consideration for certain amendments to the Canadian Term Loan, including a mandatory prepayment schedule and an earlier maturity in 2011.

C. Board of Directors and Executive Officers

The following is a list of the directors and executive officers as of September 30, 2008.

Name	Title
K. Paul Singh	Chairman, President, Chief Executive Officer, and Director
John F. DePodesta	Executive Vice President, Chief Legal Officer, Chief Corporate Development Officer, Secretary, and Director
Thomas R. Kloster	Chief Financial Officer
Tracy B. Lawson	Vice President, Corporate Controller
Mark Guirgis	Vice President, Planning and Analysis, and Assistant Secretary
David E. Hershberg	Director
Douglas M. Karp	Director
Pradman P. Kaul	Director
Paul G. Pizzani	Director
John G. Puente	Director

K. Paul Singh. Mr. Singh co-founded the Company in 1994 with Mr. DePodesta and serves as its Chairman, President and Chief Executive Officer. From 1991 until he co-founded the Company, Mr. Singh served as the Vice President of Global Product Marketing for MCI. Prior to joining MCI, Mr. Singh was the founder, Chairman and Chief Executive Officer of Overseas Telecommunications, Inc. ("OTI"), a provider of international private digital network services to large multinational corporations, which he founded in 1984 and which was purchased by MCI in 1991. Mr. Singh served as Vice President of Strategic Planning at M/A-Com Corporation prior to launching OTI. Mr. Singh holds an MBA from Harvard Business School and an MSEE from the State University of New York at Stony Brook.

John F. DePodesta. Mr. DePodesta co-founded the Company in 1994 with Mr. Singh and serves as a director and its Executive Vice President, Chief Legal Officer, Chief Corporate Development Officer, and Secretary. Mr. DePodesta served from 1994 to 2002 as the Chairman of the Board of Iron Road Railways Incorporated ("Iron Road"), which he co-founded in 1994. He served as Senior Vice President, Law and Public Policy, of Genesis Health Ventures, Inc. from January 1996 through March 1998. Additionally, from 1994 to 1999, he served as "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 and prior thereto as General Counsel-Reorganization for the Trustees of the Penn Central Transportation Company, Debtor in Reorganization. In 2001, Bangor & Aroostook Railroad Company ("BAR"), a wholly-owned subsidiary of Iron Road, and in 2002 certain affiliates of BAR, entered chapter 11 bankruptcy proceedings. The BAR's plan of reorganization was confirmed in 2007. In 2001, Quebec Southern Railway Company Ltd. ("QSR"), a wholly-owned subsidiary of Iron Road, filed a Notice of Intention to Make a Proposal under provisions of the Bankruptcy and Insolvency Act of Canada. In 2005, QSR filed a bankruptcy petition and thereafter liquidated its remaining assets. Mr. DePodesta also served on the Board of Directors of Genesis HealthCare Corporation from 2004 until June 2007. Mr. DePodesta holds a BA from Harvard College and a JD from the University of Pennsylvania Law School.

Thomas R. Kloster. Mr. Kloster has served as the Company's Chief Financial Officer since January 1, 2005. Prior to his appointment as Chief Financial Officer, Mr. Kloster served as the Company's Senior Vice President – Corporate Finance from August 2003 to December 2004. From September 2001 to August 2003, Mr. Kloster served as Vice President of Business Operations and Development for Sprint International. From May 2000 to September 2001, Mr. Kloster was the Chief Financial Officer and Controller of Cidera, Inc., a satellite-based provider of Internet content. From May 1996 through May 2000, Mr. Kloster served as the Corporate Controller and Chief Financial Officer of North America for the Company.

Tracy B. Lawson. Ms. Lawson has served as the Company's Vice President – Corporate Controller since January 2003 as well as Vice President – Finance for United States operations from May 2005 until September 2006. Upon joining the Company in 1998 until January 2003, Ms. Lawson served as Senior Manager of Corporate and United States Operations Financial Reporting and as Director of Global Financial Reporting, responsible for corporate financial reporting, consolidation of the Company's financial results and external reporting to investors. Prior to joining the Company, Ms. Lawson was employed by MCI as Manager of Profit & Loss Consolidations and Executive Reporting from 1991 until 1998.

Mark Guirgis. Mr. Guirgis has served as the Company's Vice President – Planning and Analysis since January 2003 and Assistant Secretary of the Company since August 2003. Since joining the Company in 1998 as Director of Corporate Planning and Analysis, Mr. Guirgis has been responsible for consolidation of its annual business plans, financial forecasts and long-term projections as well as industry analysis and general corporate development activities. Prior to joining the Company, Mr. Guirgis was Manager of Consolidations in the Corporate Planning and Analysis department at MCI, where he worked from 1993 to 1998.

David E. Hershberg. Mr. Hershberg became a director of the Company in 1995. Mr. Hershberg is the founder, and has, since 1994, been Chairman and Chief Executive Officer 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., the company that acquired Satellite Transmission Systems, Inc. Mr. Hershberg has a BSEE from Rensselaer Polytechnic Institute, an MSEE from Columbia University and a Masters of Management Science from Stevens Institute. He is a winner of the Long Island Entrepreneur of the Year Award and a member of the Society of Satellite Professionals Hall of Fame.

Douglas M. Karp. Mr. Karp became a director of the Company in June 1998. Mr. Karp is currently Managing Partner and Co-Chief Executive Officer of Tailwind Capital Partners, LLC, a private equity firm. From August 2000 through April 2003, Mr. Karp was a Managing Partner of Pacific Partners LLC, a private equity and advisory firm. Prior to August 2000, Mr. Karp was a managing director and member of the Operating Committee 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 several private companies.

Pradman P. Kaul. Mr. Kaul became a director of the Company in May 2002. Mr. Kaul was elected as the President and Chief Executive Officer of Hughes Communications, Inc., the world's leading supplier of broadband satellite services and network solutions using interactive VSAT (very small aperture terminal) products, in January 2006. Hughes Network Systems, LLC ("HNS") is 100% owned by Hughes Communications. Mr. Kaul has been the Chairman and Chief Executive Officer of HNS since January 2000 and served as President and Chief Operating Officer, Executive Vice President, and Director of engineering of HNS. Prior to joining HNS, Mr. Kaul held several positions with COMSAT Laboratories, including Manager, High Speed Digital Logic from June 1968 to April 1973. Mr. Kaul received a BSEE degree from George Washington University and a MS degree in Electrical Engineering from the University of California at Berkeley. He holds numerous patents and has published articles and papers on a variety of technical topics concerning satellite communications. Mr. Kaul has been elected to be a member of the National Academy of Engineering.

Paul G. Pizzani. Mr. Pizzani became a director of the Company in December 2002. Mr. Pizzani has been a partner of Pizzani Hamlin Capital, L.L.C. ("PH Capital"“), which is an advisor to AIG Capital Partners, an indirectly wholly-owned subsidiary of American International Group, Inc. ("AIG"), since April 1999. Mr. Pizzani is also a partner at Cartesian Capital Group, an asset management firm specializing in private equity investment, since August 2006. Prior to forming PH Capital, Mr. Pizzani was a Managing Director of Wasserstein Perella Emerging Markets ("Wasserstein"), where he specialized in private equity investments and debt transactions. Prior to joining Wasserstein, Mr. Pizzani served as Treasurer of COMSAT Corporation, an international communications company. Mr. Pizzani was nominated by the former holders of the Company's Series C Convertible Preferred Stock for appointment as a director of the Company.

John G. Puente. Mr. Puente became a director of the Company in 1995. Mr. Puente also serves on the Board of Directors of MICROS Systems, Inc. From 1987 to 1995, Mr. Puente was Chairman of the Board and Chief Executive Officer of Orion Network Systems, a satellite telecommunications company. From 1997 to 1999, Mr. Puente was Chairman of the Board of Telogy Networks, Inc., a privately-held company. Prior to joining Orion, Mr. Puente was Vice Chairman of M/A-Com Inc., 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.

D. Prepetition Separation Agreements

Prior to the Petition Date, the Debtors, upon approval of the Board of Directors and consultation with certain of the Consenting Noteholders, memorialized the application of existing severance policies with respect to two of the Debtors' executives: John F. DePodesta and Thomas R. Kloster. The Debtors accordingly entered into appropriate separation agreements with Mr. DePodesta and Mr. Kloster, and these agreements will be assumed under the terms of Article 8.1 of the Plan. Generally, Mr. DePodesta's separation agreement provides for post-termination compensation based on a one-year multiple adjusted to reflect years of service (but not to exceed a two-year multiple), and Mr. Kloster's separation agreement provides for one year's compensation plus bonus subject to an overall cap. Among other things, both agreements provide that the executive shall be entitled to payment through his respective termination date of the higher of his base salary as of December 31, 2008, or his base salary in effect prior to the termination date. Both agreements also contain customary release, confidentiality, and non-competition provisions.

E. Events Leading to Restructuring

The Company's financial difficulties primarily stem from the deteriorating global commercial and credit markets, which began to accelerate in the second half of 2008. As a consequence, after the third quarter of 2008, the Company revised its annual EBITDA guidance downward for 2008 from $75 million to the range of $60 million to $65 million. As of September 30, 2008, the Company had $47.6 million of cash and cash equivalents.

While the Company has, since 2000, reduced its debt by approximately $700 million, its remaining level of debt – approximately $580 million – together with recent market and credit challenges have constrained the Company in myriad ways. The level of outstanding debt, together with current credit constraints in the capital markets, have limited the Company's ability to obtain necessary financing for working capital, capital expenditures, debt service requirements, and other purposes. Moreover, the Company's indebtedness required that a substantial portion of the Company's cash flow – approximately $58 million annually – be dedicated to the payment of principal and interest on outstanding indebtedness and other obligations and, as a consequence, such cash flow was unavailable for use in the business. The Company estimated that it required approximately $85 million in annual EBITDA to be cash flow breakeven (after covering debt service, capital expenditures, and cash taxes). However, the current global financial crisis, together with the strengthening of the U.S. dollar, has limited the Company's ability to generate sufficient cash flow from operations to maintain and to grow its business and to meet its debt obligations. These circumstances make it unlikely, absent the restructuring provided by the Plan, that the Company's operations can generate sufficient cash to service the Company's debts in the future.

As of September 30, 2008, the Company had an accumulated deficit of over $1 billion. The Company incurred net losses of $34.6 million in 2002, $10.6 million in 2004, $149.2 million in 2005, and $238 million in 2006. During 2003 and 2007, the Company recognized net income of $54.8 million and $15.7 million, respectively. Of that, $39.4 million in 2003 and $32.7 million in 2007 were the positive impact of foreign currency transaction gains.

The challenge for the Company's revenues has largely been caused by the competitive nature of the telecommunications industry and rapid technological change – as well as the fact that cash constraints have limited the Company's ability to invest in sales and marketing initiatives. The Company's "legacy" businesses of fixed line voice and dial-up ISP services have been subject to product replacement and declining usage. The local and long distance telecommunications, data, broadband, Internet, VOIP, data and hosting and wireless industries are intensely competitive with relatively limited barriers to entry. This is particularly true in the more deregulated countries in which the Company operates. Worldwide, there are numerous entities competing for the same customers. In recent years, incumbent local exchange carriers ("ILECs") and other competitors, including cable companies, have employed aggressive pricing and bundling strategies to achieve greater market share. These pricing and bundling strategies have intensified competitive pressures in the markets where the Company operates and led to declining revenues and margin contribution. In addition, product substitution (e.g., wireless/Internet for fixed line voice; broadband for dial-up Internet services) has resulted in revenue declines in the Company's legacy long distance voice and dial-up ISP businesses.

In addition to the competitive nature of the telecommunications industry, the combined impact of the recent global financial turmoil and the strengthening U.S. dollar has put strains on the Company's liquidity. The confluence of events impaired the Company's near-term possibilities to strengthen its balance sheet and improve liquidity through potential refinancing, debt exchanges, and equity capital infusions. Further, the strained economic conditions – particularly the lack of credit and declining asset valuations – have made the sale of non-strategic assets and businesses to generate enhanced liquidity difficult to complete on acceptable terms or at all.

The greatest adverse impact on the Company has been brought about by the dramatic strengthening of the U.S. dollar. More than 80% of the Company's revenue is generated outside of the United States, while the preponderance of the Company's debt obligations are in U.S. dollars. The Company relies upon the cash generation of its operating subsidiaries to service its debt. Conversion of foreign currencies into a rising U.S. dollar generates less U.S. dollar denominated cash. In short, the combined impact of the recent global financial turmoil and the strengthening U.S. dollar have placed severe strains on the Company's liquidity.

V. SUMMARY OF STRATEGIC INITIATIVES

Current management of the Company is executing a business plan based upon a series of strategic initiatives, the principal aspects of which are summarized below. The Board of Directors of Reorganized Group, which will be selected pursuant to Section 7.4(b) of the Plan, will have the discretion, in its business judgment, to manage the Company as it sees fit. *There can be no assurance that the Board of Directors of Reorganized Group will decide to manage the Company in a manner that is consistent with the current management's business strategy.*

A. Strategies to Enhance Financial Performance and Achieve Profitability

Management has determined not to seek chapter 11 protection for any of its operating entities in order to preserve and to enhance the enterprise value of the Company. Management is pursuing strategies designed to enhance financial performance and achieve profitability, and an improving EBITDA trend over the last several years indicates progress on this front. Key elements of the strategic plans include the following:

- Growth in revenue and contribution of existing services including broadband, VOIP, local, wireless, data, and hosting services revenues; and
- Slowing the rate of decline in revenue and contribution from the Company's legacy voice and dial-up Internet products.

B. Improving Liquidity to Position the Company to Take Advantage of Market Opportunities

In addition to the debt restructurings contemplated by the Plan, management's immediate priorities involve focusing on improving the Company's liquidity through the following actions.

- Pursue additional cost reductions through elimination of non-customer affecting and non-revenue generating expenses;
- Reflecting the diminishing demand for services caused by global recessionary trends, reduce capital expenditures in 2009 by $5 million from the current expected level of $25 million in 2008;
- Continue to pursue sale of select non-core assets; and
- With improved liquidity, a stronger balance sheet and equity currency, consider opportunistic acquisitions of customer bases and/or businesses.

C. Improving and Enhancing Existing Services

Management intends to improve and expand existing integrated local and long distance voice, VOIP, broadband, wireless, data, and hosting services and the migration of customers onto its networks.

By bundling the Company's traditional long distance voice services with local, broadband, wireless, data, and hosting services, management seeks to increase net revenue per customer and improve the Company's competitive ability to attract and to retain business and residential customers.

VI. THE CHAPTER 11 CASES

A. Continuation of Business; Stay of Litigation

On the Petition Date, Group and three of its domestic subsidiaries filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtors have continued to operate as debtors-in-possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. The Debtors are authorized to operate their business in the ordinary course of business, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtors' bankruptcy petition was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors, and the continuation of litigation against the Debtors. This relief provided the Debtors with the "breathing room" necessary to assess and reorganize their business. The automatic stay remains in effect, unless modified by the Bankruptcy Court, until consummation of a plan of reorganization.

B. First Day Pleadings and Orders

On March 16, 2009, the Debtors filed several motions seeking the relief provided by certain so-called "first day orders." First day orders are intended to facilitate the transition between a debtor's prepetition and postpetition business operations by approving certain regular business conduct that may not be authorized specifically under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court.

As qualified by the detailed provisions of the applicable first-day motion and proposed order, the Debtors sought authority for, among other things:

1. Joint Administration

The Debtors requested to consolidate all of the filings in the Chapter 11 Cases under a single case name, in a single docket, for administrative purposes only.

The Debtors seek an order providing that all pleadings in each of the Chapter 11 Cases are to be filed under the case name "Primus Telecommunications Group, Incorporated, et al.," and case number "09-10867 (KG)."

2. Applications for Retention of Skadden; CRT Investment Banking LLC; Epiq Bankruptcy Solutions, LLC; Alvarez and Marsal North America, LLC and Sitrick and Company

The Debtors have requested Bankruptcy Court authorization to retain certain professionals to represent them and assist them in connection with the Chapter 11 Cases. Some of these professionals have been intimately involved with the negotiation and development of the Plan. These professionals may seek monthly compensation and expense reimbursement from the Debtors, pursuant to the "Interim Compensation" order described below.

The Debtors have requested authorization to retain: (i) Skadden, Arps, Slate, Meagher & Flom LLP and its affiliated law practice entities (collectively, "Skadden"), as counsel for the Debtors, (ii) CRT Investment Banking LLC ("CRT") as financial and restructuring advisors to the Debtors, (iii) Epiq Bankruptcy Solutions, LLC ("Epiq"), as claims and noticing agent to the Debtors, (iv) Alvarez and Marsal North America, LLC as financial and turnaround advisors to the Debtors and (v) Sitrick and Company as corporate communications and public relations consultants for the Debtors.

3. Motion to Continue Using Existing Cash Management Systems

The Debtors have requested authorization to continue: (i) maintenance and use of the Debtors' existing cash management system, (ii) maintenance and use of the Debtors' existing bank accounts, (iii) use of existing business forms and checks; and (iv) ordinary course intercompany transactions.

Continued use of their existing cash management system will facilitate the Debtors' smooth and orderly transition into chapter 11, minimize the disruption of their businesses while in chapter 11 and expedite their emergence from chapter 11. As a result of set up time and expenses, requiring the Debtors to adopt and to implement a new cash management system would likely increase the costs of the Chapter 11 Cases. For the same reasons, requiring the Debtors to cancel their existing bank accounts and establish new accounts or requiring the Debtors to create new business forms would only frustrate the Debtors' efforts to reorganize expeditiously.

4. Trading Procedures Motion

The Debtors have requested authorization to preserve the Company's flexibility to use NOLs and maximize tax attributes by requiring Substantial Shareholders (as defined in the proposed Trading Order) to notify the Debtors of such status and of any proposed purchases or sales of Primus Stock (as defined in the proposed Trading Order) by a Substantial Shareholder. Parties who would become or cease to be Substantial Shareholders through a purchase or sale would also be required to provide notice to the Debtors. After receiving notice of a proposed transfer, the Debtors would have 30 days to object to the proposed purchase or sale.

5. Motion Establishing Interim Compensation Procedures

The Debtors have requested that the Bankruptcy Court enter an order to establish procedures pursuant to which court-approved professionals retained by the Debtors may be compensated, and their expenses reimbursed, on a monthly basis. Pursuant to this order, each court-approved professional would deliver to the Debtors and certain parties in interest a monthly statement of fees and expenses incurred for the prior month, and after a 20-day objection period, the Debtors may pay 80% of the fees and 100% of the expenses set forth in such statement. Each court-approved professional must also file interim fee applications with the Bankruptcy Court according to the procedures set forth in the order.

VII. SUMMARY OF THE PLAN OF REORGANIZATION

The primary objectives of the Plan are to (i) alter the Debtors' debt and capital structures to permit them to emerge from their Chapter 11 Cases with a viable capital structure, (ii) maximize the value of the ultimate recoveries to all creditor groups on a fair and equitable basis, and (iii) settle, compromise or otherwise dispose of certain Claims and Interests on terms that the Debtors believe to be fair and reasonable and in the best interests of their respective estates and creditors. The Plan provides for, among other things: (A) the cancellation of certain indebtedness in exchange for new debt and equity and (B) the discharge of certain Claims and cancellation of Interests.

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statements of such terms and provisions.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Debtors under the Plan and will, upon the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors and their Estates, the Reorganized Debtors and other parties in interest. In the event of any conflict between this Disclosure Statement, on the one hand, and the Plan or any other operative document, on the other hand, the terms of the Plan and such other operative document are controlling.

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors, and interest holders. Another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefore the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

B. Overall Structure of the Plan

The Debtors believe that the Plan provides the best and most prompt possible recovery to the Debtors' Claim and Interest Holders. Under the Plan, Claims against and Interests in the Debtors are divided into different classes. If the Plan is confirmed by the Bankruptcy Court and consummated, on the Distribution Date, and at certain times thereafter as Claims are resolved, liquidated or otherwise allowed, the Debtors will make distributions in respect of certain Classes of Claims and Interests as provided in the Plan. The Classes of Claims against and Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan and distributions, if any, to be made under the Plan are described below.

C. Classification and Treatment of Claims and Interests

1. Administrative Claims. Subject to the provisions of sections 330(a), 331, and 503(b) of the Bankruptcy Code, each Holder of an Administrative Claim shall be paid by the Debtors, at their election, in full, in Cash, upon the latest of (i) the Effective Date, (ii) the due date thereof in accordance with its terms, (iii) in respect of liabilities incurred in the ordinary course of business, the date upon which such liabilities are payable in the ordinary course of such Debtor's business, consistent with past practices, or (iv) such other date as may be agreed upon between the Holder of such Administrative Claim, the Debtors, and the Requisite Noteholders.

2. Priority Tax Claims. Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a Priority Tax Claim shall either (i) have its Claim Reinstated, (ii) receive equal Cash payments during a period not to exceed six years after the assessment of the tax on which such Claim is based, totaling the aggregate amount of such Claim, plus simple interest at the rate required by applicable law on any outstanding balance from the Effective Date, or such lesser rate as is agreed to by a particular taxing authority, or (iii) such other treatment as is agreed to by the Holder of a Priority Tax Claim and the Debtors (or the Reorganized Debtors).

3. Classes 1A, 1B, 1C, and 1D: Non-Tax Priority Claims. Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a Non-Tax Priority Claim shall have its Claim Reinstated.

4. Classes 2A, 2B, 2C, and 2D: Other Secured Claims. Unless the Holder of such claim and the Debtors agree to a different treatment, on the Effective Date, each Holder of an Other Secured Claim will have its Claim Reinstated.

5. Classes 3A, 3B, 3C, and 3D: Holding First Lien Secured Term Loan Claims. On the Effective Date, each Holder of a Holding First Lien Secured Term Loan Claim shall have its Claim Reinstated: provided, however, that if the First Lien Lenders forbear from exercising remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan during the pendency of these Chapter 11 Cases, the terms of the Holding First Lien Secured Term Loan will be modified substantially on the terms as described in the Elective Term Loan Treatment Summary attached hereto as Appendix G.

6. Classes 4A, 4B, and 4C: IHC Second Lien Note Claims. On the Effective Date, each Holder of an IHC Second Lien Note Claim shall receive its Pro Rata share of (i) Modified IHC Second Lien Notes in the amount of $123 million and on the terms described in the Modified IHC Second Lien Notes Term Sheet attached hereto as Appendix C and (ii) 50% of the Distributable New Equity and, as part of the distribution to Classes 4A, 4B, and 4C, the Company shall pay all reasonable fees, expenses and disbursements of counsel to the Ad Hoc Group of IHC Second Lien Notes Claims, Andrews Kurth LLP consistent with the terms of the engagement agreement between Andrews Kurth LLP and the Debtors, as may be amended. The Modified IHC Second Lien Notes shall be subordinated in right of payment to the Holding First Lien Secured Term Loan as described in the Elective Term Loan Treatment Summary attached to the Disclosure Statement as Appendix G.

7. Classes 5A and 5B: Holding Notes Claims. On the Effective Date, each Holder of a Holding Note Claim shall be entitled to receive its pro rata share of (i) 50% of the Distributable New Equity and (ii) Holding Warrants to receive up to 30% of the Distributable New Equity of Reorganized Group as more fully described in the Holding Warrants Term Sheet attached hereto as Appendix D and documented in the Warrant Agreement attached as Exhibit 7.5(e) to the Plan and, as part of the distribution to Classes 5A and 5B, the Company shall pay all reasonable fees, expenses, and disbursements of counsel to the Ad Hoc Group of Holding Notes Claims, Stroock & Stroock & Lavan LLP consistent with the terms of the engagement agreement between Stroock & Stroock & Lavan LLP and the Debtors, as may be amended.

8. Class 6A: Group Notes Claims. On the Effective Date, each Holder of a Group Note Claim shall be entitled to receive its Pro Rata share of Group Warrants to purchase up to 15% of the Distributable New Equity of Reorganized Group as more fully described in the Group Warrants Term Sheet attached hereto as Appendix E and documented in the Warrant Agreement attached as Exhibit 7.6(e) to the Plan.

9. Classes 7A, 7B, 7C, and 7D: General Unsecured Claims. Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of a General Unsecured Claim shall have its Claim Reinstated.

10. Classes 8A, 8B, 8C, and 8D: Intercompany Claims. Unless the Holder of such Claim and the applicable Debtor agree to a different treatment, on the Effective Date, each Holder of an Intercompany Claim shall have its Claim Reinstated.

11. Classes 9A, 9B, 9C, and 9D: Equity Interests in Affiliate Debtors. On the Effective Date, Reorganized Group and Reorganized Holding shall retain the Equity Interests in each Debtors' Subsidiary.

12. Class 10(a)A: Old Common Stock Interests. On the Effective Date, the Old Common Stock will be cancelled, and Holders of Old Common Stock shall receive their Pro Rata share of Contingent Value Rights on the terms described in the Contingent Value Rights Term Sheet attached hereto as Appendix F.

13. Class 10(b)A: Other Interests. On the Effective Date, Other Interests will be discharged and cancelled and the Holders of Other Interests shall not receive or retain any distribution on account of such Other Interests.

14. Class 10(c)A: Subordinated Claims. On the Effective Date, Subordinated Claims will be discharged and cancelled and the Holders of Subordinated Claims shall not receive or retain any distribution on account of such Subordinated Claims.

15. Special Provision Regarding Unimpaired Claims. Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal and equitable defenses to setoffs or recoupments against Unimpaired Claims.

16. Procedures For Resolving Disputed, Contingent, and Unliquidated Claims. The Debtors and Reorganized Debtors may contest the amount and validity of any disputed, contingent or unliquidated Claim in the ordinary course of business in the manner and venue in which such Claim would have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced.

D. Method of Distribution Under the Plan

1. Distributions for Claims Allowed as of the Effective Date. Except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions to be made on account of Claims as of the Effective Date, shall be made on the Effective Date or as soon thereafter as is practicable. Any distribution to be made on the Effective Date pursuant to the Plan shall be deemed as having been made on the Effective Date if such distribution is made on the Effective Date or as soon thereafter as is practicable. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Notwithstanding the date on which any distribution of securities is made to a Holder of a Claim, as of the date of the distribution such Holder shall be deemed to have the rights of a Holder of such securities (subject to the terms and conditions of the Plan) distributed as of the Effective Date.

2. Interest on Claims. Unless otherwise specifically provided for in the Plan, the Confirmation Order or other order of the Bankruptcy Court, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

3. Distributions by the Disbursing Agent. Other than as specifically set forth below, the Disbursing Agent or applicable Indenture Trustee shall make all distributions required to be made under the Plan. The Reorganized Debtors may act as Disbursing Agent or may employ or contract with other entities to assist in or make the distributions required by the Plan.

Surrender of Canceled Instruments or Securities. As a condition precedent to receiving any distribution on account of a Claim, each Holder of an instrument evidencing a Claim (a "Certificate") shall be deemed to have surrendered the Certificates, or, with respect to indebtedness that is governed by an agreement and administered by an Indenture Trustee, agent, or servicer (each hereinafter referred to as a "Servicer"), the respective Servicer, and such Certificate will be cancelled solely with respect to the Debtors and such cancellation will not alter the obligations or rights of any non-Debtor third parties vis-à-vis on another to such instruments. Servicer may (but shall not be required to) request that registered Holders of Certificates surrender their Certificates for cancellation. The surrender requirement does not apply to any Claims Reinstated pursuant to the terms of the Plan.

4. Delivery of Distributions and Undeliverable or Unclaimed Distributions

(a) *Delivery of Distributions in General*. Distributions to Holders of Claims and Interests shall be made at the addresses set forth in the Debtors' records unless such addresses are superseded by proofs of claim or transfers of claim filed pursuant to Bankruptcy Rule 3001.

(b) *Undeliverable and Unclaimed Distributions*.

(i) Holding and Investment of Undeliverable and Unclaimed Distributions. If the distribution to any Holder of a Claim or Interest is returned to the Reorganized Debtors or the Disbursing Agent as undeliverable or is otherwise unclaimed, no further distributions shall be made to such Holder unless and until the Reorganized Debtors or the Disbursing Agent is notified in writing of such Holder's then current address.

(ii) After Distributions Become Deliverable. The Disbursing Agent shall make all distributions that have become deliverable or have been claimed since the Distribution Date as soon as practicable after such distribution has become deliverable or been claimed.

(iii) Failure to Claim Undeliverable Distributions. Any Holder of a Claim or Interest that does not assert a Claim pursuant to the Plan for an undeliverable or unclaimed distribution within one (1) year after the Effective Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such Claim for an undeliverable or unclaimed distribution against the Debtors or their Estates, the Reorganized Debtors or their property. Any New Common Stock held for distribution on account of such Claim shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent, including, but not limited to, the Reorganized Debtors, to attempt to locate any Holder of a Claim or Interest.

5. Allocation of Plan Distributions Between Principal and Interest. To the extent that any Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, for U.S. federal income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent that the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

6. Withholding and Reporting Requirements. In connection with the Plan and all Distributions under the Plan, the Disbursing Agent shall, to the extent applicable, comply with all tax withholding, payment, and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all Distributions under the Plan shall be subject to any such withholding, payment, and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding, payment, and reporting requirements. All amounts properly withheld from Distributions to a Holder as required by applicable law and paid over to the applicable taxing authority for the account of such Holder shall be treated as part of the Distributions to such Holder. All persons holding Claims or Interests shall be required to provide any information necessary to effect information reporting and withholding of such taxes. For example, with respect to any employee-related withholding, if the Debtors are obligated by law to withhold amounts from Distributions to a present or former employee to satisfy such present or former employee's tax and other payroll obligations, the

Disbursing Agent may withhold a portion of the Distributions allocated to the Holder of an Allowed Claim that is a present or former employee, whether or not such Distributions are in the form of Cash, in such amount as is determined necessary to satisfy such Holder's tax and other payroll obligations with respect to the Distributions. Notwithstanding any other provision of the Plan, except to the extent withheld from Distributions to the Holder, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Disbursing Agent for the payment and satisfaction of such withholding tax obligations or such tax obligation that would be imposed upon the Plan Administrator in connection with such Distribution. Any property to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable Distribution pursuant to Section 9.5 of the Plan.

7. Setoffs. The Reorganized Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy laws, but shall not be required to, set off against any Claim or Interest, the payments or other distributions to be made pursuant to the Plan in respect of such Claim or Interest, the claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim or Interest; provided, however, that neither the failure to do so nor the allowance of any Claim or Interest hereunder shall constitute a waiver or release by the Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against such Holder.

8. Fractional Shares. No fractional shares of New Common Stock shall be distributed. Where a fractional share would otherwise be called for, the actual issuance shall reflect a rounding up (in the case of .50 or more than .50) of such fraction to the nearest whole New Common Stock share or a rounding down of such fraction (in the case of less than .50) to the nearest whole New Common Stock share.

E. Allowance and Payment of Certain Administrative Claims

1. Professional Claims.

(a) All final requests for payment of Professional Fees pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code must be made by application filed with the Bankruptcy Court and served on the Reorganized Debtors, their counsel, counsel to any statutory committee appointed in the Chapter 11 Cases, and other necessary parties-in-interest no later than sixty (60) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to such applications must be filed and served on the Reorganized Debtors, their counsel, counsel to any statutory committee appointed in the Chapter 11 Cases and the requesting Professional or other entity on or before the date that is thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which the applicable application was served.

(b) Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors shall employ and pay Professionals in the ordinary course of business.

2. Substantial Contribution Compensation and Expenses Bar Date.

Any Person (including the Indenture Trustees) who requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code shall file an application with the clerk of the Bankruptcy Court on or before the 45th day after the Effective Date (the "503 Deadline"), and serve such application on counsel for the Debtors and the United States Trustee for the District of Delaware, and such other parties as may be decided by the Bankruptcy Court on or before the 503 Deadline, or be forever barred from seeking such compensation or expense reimbursement. Without limiting the foregoing, the Professionals employed by the Consenting Noteholders shall be entitled to file a substantial contribution request pursuant to section 503(b) and the Debtors shall support any such request for reimbursement of fees and expenses expended in pursuit of a consensual restructuring and consistent with the prepetition retention agreements between the Debtors and such Professionals employed by the Consenting Noteholders.

3. Other Administrative Claims.

All other requests for payment of an Administrative Claim (other than as set forth in Article 11.1 and Article 11.2 of the Plan) must be filed with the Claims Agent and served on counsel for the Debtors no later than 45 days after the Effective Date (the "Administrative Claims Bar Date"). Any request for payment of an Administrative Claim pursuant to Article 11.3 of the Plan that is not timely filed and served shall be disallowed automatically without the need for any objection from the Debtors or the Reorganized Debtors. The Debtors or the Reorganized Debtors may settle an Administrative Claim without further Bankruptcy Court approval. Unless the Debtors or the Reorganized Debtors object to an Administrative Claim within 60 days after the Administrative Claims Bar Date (unless such objection period is extended by the Bankruptcy Court), such Administrative Claim shall be deemed allowed in the amount requested. In the event that the Debtors or the Reorganized Debtors object to an Administrative Claim, the Bankruptcy Court shall determine the allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to an Administrative Claim which is paid or payable in the ordinary course of business.

4. Section 503(b) Applications.

The Company shall support, by the filing of legal memoranda and oral argument, all reasonable requests for the payment of Andrews Kurth LLP's and Stroock & Stroock & Lavan LLP's fees, expenses and disbursements, as counsel to the Ad Hoc Group of IHC Second Lien Note Claims and the Ad Hoc Group of Holding Notes Claims respectively, consistent with the terms of their engagement agreements with the Debtors, as may be amended, pursuant to section 503(b) of the Bankruptcy Code or otherwise that are made to the Bankruptcy Court.

F. Resolution of Disputed, Contingent and Unliquidated Claims

1. Reservation of Right to Object to Allowance or Asserted Priority of Claims

Nothing in the Plan shall waive, prejudice, or otherwise affect the rights of the Debtors, the Reorganized Debtors, or the Holders of any Claim to object at any time, including after the Effective Date, to the validity or asserted priority of any Claim, including without limitation, whether any such Claim should be treated as a Subordinated Claim. Moreover, the Debtors reserve the right to dispute, contest, or offset against, any Reinstated Claim following or prior to the Effective Date, either in the Bankruptcy Court or in the ordinary course in such manner or tribunal as may otherwise be appropriate.

G. Means for Implementation of the Plan

1. Transactions Authorized Under the Plan

(a) Reserved.

2. Continued Corporate Existence and Vesting of Assets in Reorganized Debtors

From and after the Effective Date the Reorganized Debtors will continue to exist as separate corporations in accordance with the applicable law in the respective jurisdictions in which they are incorporated or otherwise organized, and pursuant to their respective certificates or articles of incorporation and by-laws in effect prior to the Effective Date, except to the extent such certificates or articles of incorporation and by-laws are amended, modified, or replaced pursuant to the Plan. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for professionals' fees, disbursements, expenses, or related support services without application to the Bankruptcy Court.

3. Preservation of Causes of Action

In accordance with section 1123(b)(3) of the Bankruptcy Code the Reorganized Debtors will retain and may (but are not required to) enforce all Retained Actions. After the Effective Date, the Reorganized Debtors, in their sole and absolute discretion, shall have the right to bring, settle, release, compromise, or enforce such Retained Actions (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The Reorganized Debtors or any successors, in the exercise of their sole discretion, may pursue such Retained Actions so long as it is in the best interests of the Reorganized Debtors or any successors holding such rights of action. The failure of the Debtors to specifically list any claim, right of action, suit, proceeding or other Retained Action in the Plan does not, and will not be deemed to, constitute a waiver or release by the Debtors or the Reorganized Debtors of such claim, right of action, suit, proceeding or other Retained Action, and the Reorganized Debtors will retain the right to pursue such claims, rights of action, suits, proceedings and other Retained Actions in their sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise) or laches will apply to such claim, right of action, suit, proceeding, or other Retained Action upon or after the confirmation or consummation of the Plan.

4. Corporate Governance, Directors and Officers and Corporate Action

(a) *Certificates of Incorporation and By-Laws.* Effective on the Effective Date, the certificate of incorporation and by-laws of Reorganized Group shall be amended and restated substantially as set forth in Exhibits 7.4(a) and 7.4(b), respectively, to the Plan, which shall (i) include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code; and (ii) authorize the issuance of New Common Stock in an amount not less than the amount necessary to permit the distributions thereof required or contemplated by the Plan. In addition, the certificates or articles of incorporation and by-laws of the Affiliate Debtors shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code. On the Effective Date, or as soon thereafter as is practicable, the Reorganized Debtors shall file with the Secretary of State of the State of Delaware, in accordance with section 303 of the Delaware General Corporation Law, the Amended Certificate of Incorporation and any certificates setting forth the amendments to the certificates of incorporation of the Affiliate Debtors that are made pursuant to the Plan. After the Effective Date, the Reorganized Debtors may amend and restate their certificates or articles of incorporation and by-laws as permitted by applicable law.

(b) *Directors and Officers of the Reorganized Debtors.* As of the Effective Date, the initial directors and officers of Reorganized Group shall be the persons identified in the Plan Supplement. The board of directors of Reorganized Group shall initially have five members, consisting of: (a) K. Paul Singh, the current CEO of Group, (b) John F. DePodesta, the current Executive Vice President of Group, (c) one member appointed by the holders of the Holding Notes Claims, (d) one member appointed by the Holders of the IHC Second Lien Notes Claims, and (e) one member appointed jointly by the Holders of the IHC Second Lien Note Claims and the Holding Notes Claims, after consultation with the Debtors. The boards of directors of the Reorganized Debtors other than Reorganized Group shall be comprised of members of the board of directors of Reorganized Group, or such other persons as are designated by the board of directors of Reorganized Group. The officers of the Reorganized Debtors other than Reorganized Group shall be comprised of the officers of Reorganized Group, or such other persons as are designated by the board of directors of Reorganized Group. Pursuant to section 1129(a)(5), the Debtors will disclose in the Plan Supplement the identity and affiliations of any person proposed to serve on the initial board of directors of Reorganized Group, and, to the extent such person is an insider other than by virtue of being a director, the nature of any compensation for such person. The classification and composition of the board of directors of each of the Reorganized Debtors shall be consistent with the Amended Certificate of Incorporation and By-Laws and the certificates or articles of incorporation and bylaws of the Affiliate Debtors; provided, however, that the length of the initial term of each director shall be two (2) years. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the Amended Certificate of Incorporation and By-Laws and the certificates or articles of incorporation and bylaws of the Affiliate Debtors, the other constituent documents of the Reorganized Debtors, and applicable law. Each member of the board of directors of each of the Debtors will be deemed to have resigned on the Effective Date.

(c) *Corporate Action.* On the Effective Date, the adoption of the Amended Certificate of Incorporation or similar constituent documents, the adoption of the Amended By-Laws, the selection of directors and officers for the Reorganized Debtors, and all other actions contemplated by the Plan shall be authorized and approved in all respects (subject to the provisions of the Plan). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan, shall be deemed to have timely occurred in accordance with applicable law and shall be in effect, without any requirement of further action by the security holders or directors of the Debtors or the Reorganized Debtors. On the Effective Date, the appropriate officers of the Reorganized Debtors and members of the boards of directors of the Reorganized Debtors are authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan in the name of and on behalf of the Reorganized Debtors.

5. Possible Substantive Consolidation of Certain of the Debtors.

(a) *Effect if Substantive Consolidation Occurs* . The Plan is a joint Plan that does not provide for substantive consolidation of the Estates. The Debtors reserve the right, however, to seek prior to or in connection with the Confirmation Hearing to have the Estates of certain of the Debtors substantively consolidated. The Debtors believe that the substantive consolidation of these Estates, if sought and approved, would not negatively impact the Holders of most Claims against these Debtors. This is because the treatment provisions for most of the Classes of Claims for each of these Debtors is identical. The Debtors believe that only Holders of Claims with respect to which multiple Debtors are liable on account of guarantees or otherwise ("Multiple Debtor Claims") would be impacted by the possible substantive consolidation of these Debtors. If the substantive consolidation at issue is sought and approved, the Holders of such Multiple Debtor Claims would not be entitled to assert the full amount of their Claims against each of the Debtors, but would instead be entitled to a single recovery on account of their Claims against the substantively consolidated Estates of these Debtors. The largest Holders of such Multiple Debtor Claims are the Holders of Class 4A, 4B, and 4C IHC Second Lien Note Claims and Class 5A and 5B Holding Notes Claims. The treatment provisions relating to such Claims, however, already reflect the impact of any such substantive consolidation and hence the possible substantive consolidation of these Debtors will not affect the Holders of Class 4A, 4B, and 4C IHC Second Lien Note Claims and Class 5A and 5B Holding Notes Claims. It is anticipated, moreover, that the Holders of Class 4A, 4B, and 4C IHC Second Lien Note Claims and Class 5A and 5B Holding Notes Claims will vote in favor of the Plan (indeed, the terms of the Plan and the content of this Disclosure Statement were negotiated extensively with certain of the Holders of Class 4A, 4B, and 4C IHC Second Lien Note Claims and Class 5A and 5B Holding Notes Claims).

(b) *Effect if Substantive Consolidation Does Not Occur* . To the extent that the Estates of any Debtors are not substantively consolidated pursuant to the Plan, Claims held against one Debtor will be satisfied solely from the Cash and assets of such Debtor and its Estate, provided that, to the extent of any insufficiency, funds may be advanced to the relevant Debtors by the Estate of Group. Except as specifically set forth herein, nothing in the Plan or this Disclosure Statement shall constitute or be deemed to constitute an admission that any of the Debtors is subject to or liable for any claim against any other Debtor. ADDITIONALLY, CLAIMANTS HOLDING CLAIMS AGAINST MULTIPLE DEBTORS, TO THE EXTENT ALLOWED IN EACH DEBTOR'S CASE, WILL BE TREATED AS A SEPARATE CLAIM AGAINST EACH DEBTOR'S ESTATE FOR ALL PURPOSES (INCLUDING, BUT NOT LIMITED TO, VOTING AND DISTRIBUTION, PROVIDED, HOWEVER, THAT THERE SHALL BE ONLY A SINGLE RECOVERY ON ACCOUNT OF SUCH CLAIMS AND ANY DISTRIBUTION FROM A DEBTOR ON ACCOUNT OF SUCH CLAIMS SHALL TAKE INTO ACCOUNT THE DISTRIBUTIONS TO BE MADE BY OTHER DEBTORS, IF ANY, ON ACCOUNT OF SUCH CLAIMS PURSUANT TO THE PLAN), AND SUCH CLAIMS WILL BE ADMINISTERED AND TREATED IN THE MANNER PROVIDED IN THE PLAN.

6. Cancellation of Notes, Instruments, Debentures, Preferred Stock and Common Stock

On the Effective Date, except as provided for in Section 5.3 of the Plan with respect to (i) the Holding First Lien Secured Term Loan and (ii) Section 5.4 of the Plan with respect to the Modified IHC Second Lien Notes, the Group Notes, the Holding Notes, the Old Common Stock, the indentures, or other instruments or documents evidencing, creating, or governing any such indebtedness, equity interests, or obligations of a Debtor that are Impaired under the Plan shall be cancelled and shall be discharged; provided, however, that the Group Notes, Holding Notes, Old Common Stock, the indentures, or other instruments or documents evidencing, creating or governing such indebtedness, equity interests or obligations of a Debtor shall continue in effect to the extent necessary to allow the Reorganized Debtors to make distributions pursuant to the Plan. As of the Effective Date, all Old Common Stock that has been authorized to be issued but that has not been issued shall be deemed cancelled and extinguished without any further action of any party.

7. Issuance of New Securities and Related Matters

(a) *Issuance of New Common Stock*. On or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall issue all instruments, certificates and other documents, including but not limited to the New Common Stock required to be issued or distributed pursuant to the Plan without further act or action under applicable law, regulation, order, or rule. The offer and issuance of the New Common Stock and the distribution thereof under the Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code. In the period pending distribution of New Common Stock to any Holder entitled pursuant to the Plan to receive New Common Stock, such Holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the New Stockholders Agreement and the Registration Rights Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Holder's New Common Stock (including receiving any proceeds of permitted transfers of such New Common Stock) and to exercise all other rights in respect of the New Common Stock (so that such Holder shall be deemed for tax purposes to be the owner of the New Common Stock).

(b) *Holding Warrants*. On or as soon as reasonably practicable after the Effective Date, Holders of Holding Notes Claims shall receive warrants to receive up to 30% of the Distributable New Equity of Reorganized Group as more fully described in the Holding Warrants Term Sheet attached hereto as Appendix D and documented in the Warrant Agreement attached as Exhibit 7.6(e) to the Plan. The issuance of the Holding Warrants, and the distribution thereof, under the Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code. In the period pending distribution of the Holding Warrants to any Holder entitled pursuant to the Plan to receive the Holding Warrants, such Holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the Warrant Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Holding Warrants (including receiving any proceeds of permitted transfers of such Holding Warrants) and to exercise all other rights in respect of the Holding Warrants (so that such Holder shall be deemed for tax purposes to be the owner of the Holding Warrants).

(c) *Group Warrants*. The Holders of Group Notes Claims shall receive Group Warrants to purchase up to 15% of the Distributable New Equity of Reorganized Group as more fully described in the Group Warrants Term Sheet attached hereto as Appendix E and documented in the Warrant Agreement attached as Exhibit 7.6(e) to the Plan. The offer and issuance of the Group Warrants and the distribution thereof under the Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code. In the period pending distribution of the Group Warrants to any Holder entitled pursuant to the Plan to receive Group Warrants, such Holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the Warrant Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Group Warrants (including receiving any proceeds of permitted transfers of such Group Warrants) and to exercise all other rights in respect of the Group Warrants (so that such Holder shall be deemed for tax purposes to be the owner of the Group Warrants).

(d) *Contingent Value Rights*. On or as soon as reasonably practicable after the Effective Date, Holders of Class 10(a) Claims shall receive their Pro Rata share of the CVRs. The issuance of the CVRs and the distribution thereof under the Plan shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code.

(e) *Registration Rights Agreement*. Without limiting the effect of section 1145 of the Bankruptcy Code, on the Effective Date, Reorganized Group will enter into the Registration Rights Agreement for the benefit of the Holders of New Common Stock substantially in the form attached to the Plan as Exhibit 7.6(d).

(f) *Termination of Registration*. Subject to any requirements of law, promptly following the Effective Date, Reorganized Group shall terminate the registration of its securities and suspend all reporting obligations pursuant to the Exchange Act.

(g) *Stock Exchange Listing.* Upon the Effective Date, Reorganized Group shall take all actions necessary for the New Common Stock to be quoted on the OTCBB, or "Pink Sheets," including complying with all applicable requirements of the Pink Sheets with respect to non-reporting companies. If and when the Reorganized Debtors complete an initial public offering of the New Common Stock or other registration of New Common Stock for public sale, the Reorganized Debtors shall use their best efforts, subject to the New Stockholders Agreement, to list the New Common Stock on a United States national stock exchange.

(h) *Execution and Delivery of the New Stockholders Agreement.* Without limiting the effect of section 1145 of the Bankruptcy Code, on the Effective Date, Reorganized Group will enter into the New Stockholders Agreement for the benefit of the Holders of New Common Stock substantially in the form attached to the Plan as Exhibit 7.6(h).

8. Management Stock Plan Awards

(a) On the Effective Date, 4% of the New Common Stock of Reorganized Group shall be issued to senior management pursuant to the Management Stock Plan on the terms set forth in the Management Compensation Plan attached as Exhibit 7.7 of the Plan.

(b) On the Effective Date, warrants exercisable into shares of New Common Stock equal to 6% of the sum of (i) the Distributable New Equity of Reorganized Group and (ii) the 4% of New Common Stock of Reorganized Group for distribution to management through the Management Stock Plan shall be distributed to management on the terms set forth in the Management Compensation Plan attached as Exhibit 7.7 of the Plan.

(c) The compensation, cash bonus targets, and severance policies shall remain those that were effective as of December 31, 2008, subject to the continued approval of the Board of Directors of Reorganized Group.

9. Reservation of Rights with Respect to Potential Additional Debtors

The Plan is premised in part on either (i) a consensual restructuring of the Holding First Lien Secured Term Loan Claims, or (ii) should the First Lien Lenders attempt to exercise remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan during these Chapter 11 Cases, the Reinstatement of the Holding First Lien Secured Term Loan Claims and the consequent cure of bankruptcy-related defaults (including any defaults arising from a change of control of the Debtors as a result of the transactions consummated in the Chapter 11 Cases) under the documents underlying the Holding Secured Term Loan or, in the absence of such cure, a temporary injunction preventing holders of Holding First Lien Secured Term Loan Claims from enforcing remedies on account of such bankruptcy-related defaults. To the extent such bankruptcy-related defaults cannot be cured and the Debtors cannot obtain the temporary injunction described above, the Debtors reserve the right, should the Potential Additional Debtors identified on Exhibit 1.82 attached to the Plan file petitions for relief under chapter 11 of the Bankruptcy Code prior to the Confirmation Hearing and become Additional Debtors, to make the Plan applicable to such Additional Debtors and to have Claims against such Additional Debtors receive treatment identical to similarly situated Claim Holders under the Plan.

H. Treatment of Executory Contracts and Unexpired Leases

1. Assumption of Executory Contracts and Unexpired Leases

On the Effective Date, all executory contracts or unexpired leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except those executory contracts and unexpired leases that (a) have been rejected by order of the Bankruptcy Court or (b) are the subject of a motion to reject pending on the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to Article VIII of the Plan shall revest in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption or applicable federal law.

2. Cure of Defaults of Assumed Executory Contracts and Unexpired Leases

The provisions (if any) of each executory contract or unexpired lease to be assumed under the Plan which are or may be in default shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code by payment of the default amount in Cash on the Effective Date or on such terms as the parties to each executory contract or unexpired lease may agree ("Cure"). Any party to an executory contract or unexpired lease who wishes to assert that Cure shall be required as a condition to assumption shall file and serve a proposed Cure Claim so as to be received by the Debtors or Reorganized Debtors, as applicable, and their counsel at the address set forth in Article 15.9 of the Plan within 45 days after entry of the Confirmation Order (the "Cure Claim Submission Deadline"), after which the Debtors or Reorganized Debtors, as the case may be, shall have 45 days to file any objections thereto. Should a party to an executory contract or unexpired lease not file a proposed Cure Claim by the Cure Claim Submission Deadline in accordance with the procedures set forth herein, then any default then existing under such executory contract or unexpired lease shall be deemed cured as of the day following the Cure Claim Submission Deadline and such party shall forever be barred from asserting against the Debtors or the Reorganized Debtors, as applicable, a Claim that arose under such executory contract or unexpired lease on or prior to the Confirmation Date. If there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of any Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, the matter shall be set for hearing in the Bankruptcy Court on the next available hearing date, or such other date as may be agreed upon, and Cure, if any, shall occur following the entry of a Final Order of the Bankruptcy Court resolving the dispute and approving the assumption or assumption and assignment, as the case may be; provided, however, that if there is a dispute as to the amount of Cure that cannot be resolved consensually among the parties, the Debtors shall have the right to reject the contract or lease for a period of five days after entry of a Final Order establishing a Cure amount in excess of that asserted by the Debtors. If the Cure amount was filed and served in accordance with the procedures set forth herein and is not disputed, the Debtors or Reorganized Debtors, as the case may be, shall pay the Cure Claim, if any, to the claimant within a reasonable practicable period. Disputed Cure amounts that are resolved by agreement or Final Order shall be paid by the Debtors within 20 days of such agreement or Final Order.

3. Compensation and Benefits Programs

If applicable, and except as otherwise expressly provided hereunder, all employment and severance contracts and policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to their employees, retirees, and non-employee directors and the employees and retirees of their respective subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans, life, and accidental death and dismemberment insurance plans and contracts are treated as executory contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, subject to any and all rights of the Reorganized Debtors to amend or to terminate any of the foregoing.

4. Intercompany Executory Contracts and Intercompany Unexpired Leases

Any Claim outstanding at the time of assumption of an intercompany executory contract or an Intercompany Unexpired Lease shall be Reinstated and shall be satisfied in a manner to be agreed upon by the relevant Debtors and/or non-Debtor Affiliates.

I. Confirmation and Consummation of the Plan

1. Conditions to Confirmation

Confirmation of the Plan is subject to satisfaction of the following conditions at or prior to the time the Confirmation Order is entered:

(a) The Confirmation Order will be reasonably acceptable in form and substance to the Debtors and the Requisite Noteholders.

(b) No Termination Event (as defined in the Plan Support Agreement) has occurred and terminated the Plan Support Agreement.

(c) This Disclosure Statement has been approved by the Bankruptcy Court.

2. Conditions to Effective Date

The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Order confirming the Plan, shall have been entered and become a Final Order in form and substance reasonably satisfactory to the Debtors and the Requisite Noteholders.

(b) Any material alteration or interpretation to any term or provision of the Plan by the Bankruptcy Court shall be reasonably acceptable to the Debtors and the Requisite Noteholders.

(c) All other documents and agreements necessary to implement the Plan on the Effective Date shall have been executed and delivered and all other actions required to be taken in connection with the Effective Date shall have occurred.

(d) The Effective Date shall have occurred not later than the one hundred and twentieth (120th) day following the Petition Date.

3. Waiver of Conditions

Each of the conditions set forth in Section 12.1 or 12.2 of the Plan may be waived in whole or in part by the Debtors, with prior written consent of the Requisite Noteholders, without any other notice to parties in interest or the Bankruptcy Court and without a hearing.

J. Effect of Plan Confirmation

1. Binding Effect.

The Plan shall be binding upon and inure to the benefit of the Debtors, all present and former Holders of Claims and Interests, and their respective successors and assigns, including, but not limited to, the Reorganized Debtors.

2. Discharge of the Debtors.

Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in the Plan or in the Confirmation Order, the distributions and rights that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims, Causes of Action, and Interests in the Debtors or any of their assets or properties (including liabilities arising from any default of the Debtors or non-Debtor guarantors under the Holding First Lien Secured Term Loan and the IHC Second Lien Notes solely as a result of the Debtors commencing these Chapter 11 Cases and/or the consummation of the transaction contemplated by the Plan), regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, Causes of Action, or Interests, including, but not limited to, Claims, Causes of Action, and Interests that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims, Causes of Action, and Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment or a termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not (a) a proof of claim or interest based upon such Claim, Cause of Action, or Interest is Filed or deemed Filed under section 501 of the Bankruptcy Code, (b) a Claim or Interest based upon such Claim, Cause of Action, or Interest is allowed under section 502 of the Bankruptcy Code, or (c) the Holder of such a Claim, Cause of Action, liability, lien, obligation, right, or Interest accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims against and Interests in the Debtors, subject to the occurrence of the Effective Date.

3. Compromises and Settlements.

Pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019(a), the Debtors may compromise and settle various Claims against them and claims that they have against other Persons up to and including the Effective Date. After the Effective Date, the Reorganized Debtors may compromise and settle any Claims against them and any claims they may have against other Persons without approval from the Bankruptcy Court.

4. Satisfaction of Subordination Rights.

All Claims against the Debtors and all rights and claims between or among Claim Holders relating in any manner whatsoever to Claims against the Debtors, based upon any claims subordination rights (if any), shall be deemed satisfied by the distributions under the Plan to Claim Holders having such subordination rights, and such subordination rights shall be deemed waived, released, discharged and terminated as of the Effective Date. Distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment or like legal process by any Claim Holder by reason of any claimed subordination rights or otherwise, so that each Claim Holder shall have an receive the benefit of the distributions in the manner set forth in the Plan.

5. Exculpation and Limitation of Liability.

Except as otherwise specifically provided in the Plan, the Debtors, the Reorganized Debtors, any of such parties' respective present or former officers, directors, employees, advisors, Professionals, or agents, the Indenture Trustees and their agents and Professionals, the Consenting Noteholders and their agents and Professionals and any of such parties' predecessors, successors and assigns, shall not have or incur, and are hereby released from, any claim, obligation, Cause of Action or liability to one another or to any Holder of any Claim or Interest (or any Equity Interests in Affiliate Debtors), or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any act or omission in connection with, or arising out of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the preparation or formulation of the Plan, the administration of the Plan or the property to be distributed under the Plan except for their gross negligence or willful misconduct and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Notwithstanding any other provision of the Plan, no Holder, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, and no successors or assigns of the foregoing, shall have any right of action against the Debtors, the Reorganized Debtors, the Indenture Trustees, the Consenting Noteholders, or any of such parties' respective present or former members, officers, directors, employees, advisors, representatives, Professionals or agents, for any act or omission in connection with, relating to or arising out of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan except for their gross negligence or willful misconduct.

6. Indemnification Obligations.

In satisfaction and compromise of the Indemnitees' Indemnification Rights: (a) all Indemnification Rights shall be released and discharged on and as of the Effective Date except for Continuing Indemnification Rights (which shall remain in full force and effect to the fullest extent allowed by law or contract on and after the Effective Date and shall not be modified, reduced, discharged, or otherwise affected in any way by the Chapter 11 Cases); (b) the Debtors or the Reorganized Debtors, as the case may be, shall maintain directors' and officers' insurance providing coverage for those Indemnitees currently covered by such policies for the remaining term of such policy and shall maintain tail coverage under policies in existence as of the Effective Date for a period of 6 years after the Effective Date, to the fullest extent permitted by such provisions, in each case insuring such parties in respect of any Causes of Action against such Persons based upon any act or omission related to such Person's service with, for, or on behalf of the Debtors in at least the scope and amount as currently maintained by the Debtors (the "Insurance Coverage"); (c) the insurers who issue the Insurance Coverage shall be authorized to pay any professional fees and expenses incurred in connection with any action relating to any Indemnification Rights and Continuing Indemnification Rights; and (d) the Debtors or the Reorganized Debtors, as the case may be, shall indemnify Indemnitees with Continuing Indemnification Rights and agree to pay for any deductible or retention amount that may be payable in connection with any claim covered under either the foregoing Insurance Coverage or any prior similar policy.

7. Release by Debtors and Debtors in Possession.

Pursuant to section 1123(b)(3) of the Bankruptcy Code, effective as of the Effective Date, each Debtor, in its individual capacity and as a debtor-in-possession for and on behalf of its Estate and its successors an assigns, shall release and discharge and be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged all Released Parties for and from any and all Causes of Action based in whole or in part on any act, omission, occurrence, or event taking place on or prior to the Effective Date in any manner arising from, based on, or relating to, in whole or in part, the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, or any act, omission, occurrence, or event in any manner related to any such Claims, Interests, restructuring, or the Chapter 11 Cases. The Reorganized Debtors and any newly-formed entities that will be continuing the Debtors' businesses after the Effective Date shall be bound, to the same extent the Debtors are bound, by the releases and discharges set forth above.

8. Release by Holders of Claims and Interests.

On the Effective Date, (a) each Person who votes to accept the Plan and (b) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each entity (other than a Debtor), which has held, holds, or may hold a Claim against or Interest in the Debtors, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan and New Common Stock, Modified IHC Second Lien Notes, Holding Warrants, Group Warrants, Contingent Value Rights and other contracts, instruments, releases, agreements, or documents to be delivered in connection with the Plan (each, a "Release Obligor"), shall have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged all Released Parties for and from any claim or Cause of Action based in whole or in part on any act, omission, occurrence, or event taking place on or prior to the Effective Date in any manner arising from, based on, or relating to, in whole or in part, the Debtors, the subject matter of, or the transaction or event giving rise to, the claim of such Release Obligor, the business or contractual arrangements between any Release Obligor and any Debtor or any Released Party, the restructuring of the Claims and Interests prior to the Chapter 11 Cases, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction, obligation, restructuring, or the Chapter 11 Cases, including, but not limited to, any claim relating to, or arising out of the Debtors' Chapter 11 Cases, the negotiation and filing of the Plan, the filing of the Chapter 11 Cases, the formulation, preparation, negotiation, dissemination, filing, implementation, administration, confirmation, or consummation of the Plan, this Disclosure Statement, the Exhibits, any instrument, release, or other agreement or document created, modified, amended or entered into in connection with the Plan; provided, however, that Article 13.8 of the Plan shall not release any Released Party from any Cause of Action held by a governmental entity existing as of the Effective Date based on (i) the Internal Revenue Code or other domestic state, city, or municipal tax code, (ii) the environmental laws of the United States or any domestic state, city, or municipality, (iii) any criminal laws of the United States or any domestic state, city, or municipality, (iv) the Exchange Act, the Securities Act, or other securities laws of the United States or any domestic state, city, or municipality, (v) the Employee Retirement Income Security Act of 1974, as amended, or (vi) the laws and regulations of the Bureau of Customs and Border Protection of the United States Department of Homeland Security.

9. Injunction.

The satisfaction, release, and discharge pursuant to Article XIII of the Plan shall act as an injunction against any Person commencing or continuing any action, employment of process, or act to collect, offset, or recover any Claim, Interest, or Cause of Action satisfied, released, or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.

10. Temporary Injunction with Respect to Guarantee Claims.

To the extent the First Lien Lenders attempt to exercise remedies against non-Debtor guarantors under the Holding First Lien Secured Term Loan and the Plan does not act to cure a default of the Debtors or non-Debtor guarantors under the Holding First Lien Secured Term Loan relating to the Debtors' commencement of these Chapter 11 Cases, the Confirmation Order approving the Plan shall act as a temporary injunction against the enforcement of such defaults against any Debtor or non-Debtor guarantor. The Debtors and non-Debtor guarantors would remain fully liable for obligations arising under the Holding First Lien Secured Term Loan, but Holders of Holding First Lien Secured Term Loan Claims would be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover any Claim relating to the Holding First Lien Secured Term Loan and arising solely from the commencement of these Chapter 11 Cases so long as Reorganized Group continues to provide or cause to be provided such treatment to Holders of Holding First Lien Secured Term Loan Claims as provided under the Plan. The temporary injunction will expire automatically if Reorganized Group defaults under the Plan by failing to provide or cause to be provided such treatment to Holders of Holding First Lien Secured Term Loan Claims as provided under the Plan and fails to cure such default within 30 days after receipt by the Debtors of written notice of such default from the affected Holding First Lien Secured Term Loan Lender.

11. Term of Bankruptcy Injunction or Stays.

Except as otherwise provided in Section 13.10 of the Plan, all injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

K. Summary of Other Provisions of the Plan

The following paragraphs summarize certain other significant provisions of the Plan. The Plan should be referred to for the complete text of these and other provisions of the Plan.

1. Exemption From Certain Transfer Taxes

Pursuant to section 1146(c) of the Bankruptcy Code, the following will not be subject to any stamp tax, recording tax, personal property tax, real estate transfer tax, sales, or use tax or other similar tax: (a) the issuance, transfer, or exchange of notes or equity securities under the Plan; (b) the creation of any mortgage, deed of trust, lien, pledge, or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, any merger agreements; agreements of consolidation, restructuring, disposition, liquidation, or dissolution; deeds; bills of sale; and transfers of tangible property. Unless the Bankruptcy Court orders otherwise, all sales, transfers, and assignments of owned and leased property approved by the Bankruptcy Court on or prior to the Effective Date, shall be deemed to have been in furtherance of, or in connection with, the Plan.

2. Corporate Action

Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under the Plan that would otherwise require approval of the stockholders or directors of one (1) or more of the Debtors or the Reorganized Debtors shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as appropriate) pursuant to the applicable general corporation law of the states in which the Debtors or the Reorganized Debtors are incorporated without any requirement of further action by the stockholders or directors of the Debtors or the Reorganized Debtors.

3. Severability of Plan Provisions

If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

4. Revocation, Withdrawal or Non Consummation

Subject to the obligations and covenants of the Debtors under the Plan Support Agreement, the Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if confirmation or consummation as to any or all of the Debtors does not occur, then, with respect to such Debtors, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), assumption or rejection of executory contracts or leases affected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person, or (iii) constitute an admission of any sort by the Debtors or any other Person.

VIII. RISK FACTORS TO BE CONSIDERED

Holders of Claims against the Debtors should read and consider carefully the information set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference, including any filings made by the Company with the Securities Exchange Commission), prior to voting to accept or reject the Plan. This information, however, should not be regarded as the only risks involved in connection with the Plan and/or its implementation.

A. Certain Bankruptcy Considerations

1. Non-Confirmation or Delay of Confirmation of the Plan

The Bankruptcy Court, which sits as a court of equity, may exercise substantial discretion. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of the Plan not be followed by a need for further financial reorganization and that the value of distributions to dissenting creditors and shareholders not be less than the value of distributions such creditors and shareholders would receive if the Company were liquidated under chapter 7 of the Bankruptcy Code. Although the Company believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

2. Possible Bankruptcy Petitions of Potential Additional Debtors

Although the Debtors intend that only the holding company entities will participate in these Chapter 11 Cases, under certain circumstances, such as the Debtors' inability to cure certain defaults of the Debtor or non-Debtor guarantors under the Holding First Lien Secured Term Loan, it could become necessary for certain operating companies also to file petitions under chapter 11 of the Bankruptcy Code. In such circumstances, the Debtors contemplate only brief chapter 11 cases for the Potential Additional Debtors until the holding company Debtors can complete the restructuring of their balance sheets. If, however, the Potential Additional Debtors are unable to quickly emerge from chapter 11, such delay could result in rapidly declining enterprise value of the Company.

3. Non-Consensual Confirmation

In the event any impaired Class of Claims does not accept a plan, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class of claims has accepted the plan (with such acceptances being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. Because the Plan deems Classes 10(b)A and 10(c)A to have rejected the Plan, these requirements must be satisfied with respect to Classes 10(b)A and 10(c)A. The Company believes that the Plan satisfies these requirements.

4. Risk of Non-Occurrence of the Effective Date

Although the Company believes that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to such timing or as to whether it will occur.

5. General Effect

The filing of a bankruptcy petition by the Debtors, and the publicity attendant thereto, may adversely affect the Debtors' business. The Debtors believe that any such adverse effects may worsen during the pendency of a protracted bankruptcy case if the Plan is not confirmed as expected or if it were necessary for operating subsidiaries to file bankruptcy petitions.

6. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and Interests in, the Debtors. The Bankruptcy Code also provides that the Plan may place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests of such Class. The Debtors believe that all Claims and Interests have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors presently anticipate that they would seek (i) to modify the Plan to provide for whatever classification might be required for confirmation and (ii) to use the acceptances received from any creditor pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such creditor ultimately is deemed to be a member. Any such reclassification of creditors, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which such creditor was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan based upon such reclassification. Except to the extent that modification of classification in the Plan requires resolicitation, the Debtors will, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan of any Holder of Claims pursuant to this solicitation will constitute a consent to the Plan's treatment of such Holder regardless of the Class as to which such Holder is ultimately deemed to be a member. The Debtors believe that under the Federal Rules of Bankruptcy Procedure the Debtors would be required to resolicit votes for or against the Plan only when a modification adversely affects the treatment of the claim of any creditor or equity holder.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or Interest of a particular Class unless the Holder of a particular Claim or Interest agrees to a less favorable treatment of its Claim or Interest. The Debtors believe that they have complied with the requirement of equal treatment. To the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the Confirmation and Consummation of the Plan and could increase the risk that the Plan will not be consummated.

B. Certain Business Considerations

1. Continuing Global Economic Crisis Could Adversely Affect the Company's Business

The current global economic crisis and turbulent financial markets could adversely affect the Company's business, results of operations, and financial condition. Lower consumer spending worldwide could lead to a decline in demand for the Company's products and services. If the global credit markets do not improve, the Company could have difficulty in the future refinancing of debt and raising capital for operations.

2. Material Strengthening of the United States Dollar Against Foreign Currencies May Reduce the Payments in U.S. Dollars from the Foreign Operating Subsidiaries

The Company's largest operating subsidiaries in Canada and Australia generate cash in their respective local currencies. Payments to the United States entities from these foreign operating subsidiaries are reduced by the material strengthening of the U.S. dollar, as the amount in U.S. dollars upon conversion is reduced. These payments are a substantial source of funding for servicing the Company's significant debt obligations, as well as a source for making principal payments. Most of the Company's debt is denominated in U.S. dollars. Therefore, a reduced amount of U.S. Dollars from foreign subsidiaries after conversion from their respective local currencies adversely affects the Company's ability to service or pay off its debt.

3. Fluctuating Foreign Currencies Could Have an Adverse Impact on Operations

A significant portion of the Company's net revenue is derived from sales and operations outside of the United States. The local currency of each country is the functional currency for the respective entities operating in that country. 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 exchange rates have had and may have a significant, and potentially adverse, effect on the Company's operating results. Due to the large percentage of the Company's operations conducted outside of the United States, strengthening of the U.S. dollar relative to the local currency of entities operating abroad could have an adverse impact on future results of operations.

4. Limited Experience in Certain Services May Limit Ability to Attract and Retain New Customers and Grow Revenues

The Company has accelerated initiatives to become an integrated wireline, wireless, data and broadband service provider in order to counter competitive pricing pressures initiated by large incumbent providers in certain of the principal markets where the Company operates and to stem the loss of certain wireline and dial-up ISP customers to competitors' bundled wireless, wireline, data and broadband service offerings. The Company has limited experience in providing bundled services and in providing products to certain markets and many of the Company's competitors have substantially greater resources, capital, and operating experience. Intense competition may limit the Company's ability to develop and market these services successfully and to maintain or to increase revenues.

5. Exposure for Noncompliance with FCC Orders Regarding Enhanced 911 Services

In June 2005, the FCC adopted new rules requiring VOIP providers interconnected to the public switched telephone network to provide E911 service in a manner similar to traditional wireline carriers by November 2005. LINGO, a subsidiary of Group which sells such interconnected VOIP services, was unable, like many interconnected VOIP providers in the industry, to meet this deadline for all of its customers. The Company sought a waiver from the FCC asking for additional time to complete deploying LINGO's E911 service, and the FCC has not yet addressed the waiver petition. As of September 25, 2008, approximately 3% of the Company's LINGO customers were without E911 service as required by the FCC's rules. If and to the extent that the Company is determined to be out of compliance with the FCC order regarding E911 services, it may be subject to fines, penalties, and/or cease and desist orders prohibiting LINGO from providing service on the federal and state levels.

The FCC rules also required interconnected VOIP providers to distribute stickers and labels informing customers of the emergency service limitations associated with the service, as well as to notify and obtain affirmative acknowledgement from customers that they were aware of all of the emergency service limitations associated with the service. The FCC's Enforcement Bureau released an order providing that the Enforcement Bureau will not pursue enforcement against interconnected VOIP providers that have received affirmative acknowledgement from at least 90% of their subscribers. The Company has received affirmative acknowledgement from substantially all of its customers and has effectively satisfied this requirement of the rule. LINGO's current services are more limited than the 911 services offered by traditional wireline telephone companies. These limitations may cause significant delays, or even failures, in callers' receipt of the emergency assistance. Despite the fact that the Company has notified its customers and received affirmative acknowledgement from substantially all of its customers that they understand the differences between the access LINGO provides to emergency services as compared to those available through traditional wireline telephony providers, injured customers may attempt to hold the Company responsible for any loss, damage, personal injury or death suffered as a result of any failure to comply with the FCC mandated E911 service for interconnected VOIP providers. The Company's resulting liability could be significant.

On June 1, 2007, the FCC released a Notice of Proposed Rulemaking Proceeding considering the imposition of additional VOIP E911 obligations on interconnected VOIP providers, like us. Specifically, the Commission is considering requiring interconnected VOIP providers to determine automatically the physical location of their customer rather than allowing customers to manually register their location. Moreover, the Notice includes a tentative conclusion that all interconnected VOIP service providers that allow customers to use their service in more than one location (nomadic VOIP service providers such as us) must utilize automatic location technology that meets the same accuracy standards applicable to providers of mobile phone service providers. At this time, the Company is unable to predict the outcome of this proceeding or its impact on us.

On July 23, 2008, President Bush signed into law the "New and Emerging Technologies 911 Improvement Act of 2008." Prior to enactment, interconnected VOIP providers did not have the same liability protection as wireline or wireless providers that offer emergency 911 calling services. The new law provides public safety entities, interconnected VOIP providers and others involved in handling 911 calls the same liability protections when handling 911 calls from interconnected VOIP users as from mobile or wired telephone service users. The applicability of the liability protection to 911 calling services that do not conform to the FCC's rules is unclear at this time. Additionally, any liability associated with 911 call placement and handling prior to the enactment of this new law would not be covered but the Company is currently unaware of any such liability.

6. FCC Has Extended CPNI Rules to Interconnected VOIP Providers

On April 2, 2007, the FCC extended customer proprietary network information, or CPNI, rules to interconnected VOIP providers. CPNI includes information that appears on customers' bills such as called telephone numbers, the frequency, duration, time and length of calls; and any services or features purchased by the consumer, like caller ID. Pursuant to the CPNI rules, interconnected VOIP providers may not use CPNI without obtaining customer consent except in limited circumstances. Moreover, interconnected VOIP providers are required to adhere to a particular customer approval processes when using CPNI outside of pre-defined limits. Effective December 8, 2007, the Company was required to adhere to specific CPNI rules when using CPNI for marketing purposes. Accordingly, the Company had to implement internal processes in order to comply with the FCC's CPNI rules. As required by the new rules, certifications were filed with the FCC regulating the Company's compliance efforts in this regard. The Company cannot predict the impact of this change on its profitability or retail prices at this time.

7. Exposure from FCC Orders Regarding Access for People with Disabilities

On June 15, 2007, the FCC applied the disability access requirements of Sections 225 and 255 of the Communications Act to providers of interconnected VOIP services, and to equipment manufacturers that make equipment to use with those services. Section 255 of the Communications Act requires, if readily achievable, service providers to ensure that its equipment and service is accessible to and usable by individuals with disabilities. Where readily achievable, the relevant regulations also require service providers to ensure that information and documentation provided in connection with equipment or services be accessible to people with disabilities and that employee training account for accessibility requirements. In addition, the FCC said that interconnected VOIP providers were subject to the requirements of Section 225, including contributing to the Telecommunications Relay Services, or TRS, fund and that they must offer 711 abbreviated dialing for access to relay services. At this time, the Company is not in compliance with these rules. The Company may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties. On October 10, 2007, the FCC granted a limited waiver of the 711 call handling requirement. While still mandating that interconnected VOIP providers are required to transmit 711 calls to a relay center, the FCC waived the requirement until March 31, 2009, insofar as it requires such providers to transmit the 711 call to an "appropriate relay center," meaning the relay center(s) serving the state in which the caller is geographically located or the relay center(s) corresponding to the caller's last registered address. The Company is working on implementing a call routing solution which will route 711 calls to the appropriate relay center as defined in the FCC's order but cannot predict whether the Company will be in compliance at the end of the waiver period.

8. Profitability May Decrease or Costs May Increase Due to Increased Regulation or the Imposition of Additional Taxes, Fees and Surcharges

On August 6, 2007, the FCC released a Report and Order regarding the collection of regulatory fees for Fiscal Year 2007 ("Fees Order"). Pursuant to the Fees Order, the FCC mandated the collection of such fees from interconnected VOIP service providers. The Fees Order mandates that interconnected VOIP providers pay regulatory fees based on reported interstate and international revenues. The Fees Order became effective in mid-November 2007. Regulatory fees for Fiscal Year 2007 will be due in 2008 during a separate filing window yet to be determined. Fiscal Year 2008 fees will also be paid in 2008 during the normal regulatory fee payment window. The assessment of regulatory fees to the Company's service will increase the Company's costs or cause it to increase the price of its retail service offerings and may have an adverse impact on the Company's profitability.

The Company cannot predict the impact of any future laws, regulations and orders adopted either domestically or abroad on the Company's operations and services. But increased regulation and the imposition of additional taxes, fees and surcharges increases the costs associated with providing the Company's service and such taxes, fees and surcharges may or may not be recoverable from its customers. If the Company chooses to absorb such costs, its profit margins would likely decrease. Moreover, even if such costs are recoverable or if the Company chooses to maintain profitability, the Company may need to increase the retail price of its service that could result in making its service less competitive both with other providers of interconnected VOIP service providers and traditional providers of telecommunications services. The net effect could reduce the number of the Company's subscribers, its revenue and its profit margin.

9. The Company is Substantially Smaller than its Major Competitors

The long distance telecommunications, Internet, broadband, DSL, data and hosting and wireless industry is significantly influenced by the marketing and pricing decisions of the larger long distance, Internet access, broadband, DSL, data and hosting and wireless business participants. Prices in the long distance industry have continued to decline in recent years, and as competition continues to increase within each of the Company's service segments and each of its product lines, the Company believes that prices are likely to continue to decrease. Competitors in the Company's core markets include, among others: AT&T, Verizon, the regional bell operating companies (RBOCs), cable companies and the major wireless carriers in the United States; Telstra, SingTel Optus, and Telecom New Zealand in Australia; Telus, BCE, Allstream (formerly AT&T Canada) and the major wireless and cable companies in Canada; and BT, Cable & Wireless United Kingdom, Colt Telecom, Energis and the major wireless carriers in the United Kingdom. Customers frequently change long distance, wireless, broadband providers, and ISPs in response to the offering of lower rates or promotional incentives, increasingly as a result of bundling of various services by competitors. Moreover, competitors' VOIP and broadband product rollouts have added further customer choice and pricing pressure. As a result, generally, customers can switch carriers and service offerings at any time. Competition in all of the Company's markets is likely to remain intense, or even increase in intensity and, as deregulatory influences are experienced in markets outside the United States, competition in non-United States markets is becoming similar to the intense competition in the United States. Many of the Company's competitors are significantly larger than the Company and have substantially greater financial, technical and marketing resources, larger networks, a broader portfolio of service offerings, greater control over network and transmission lines, stronger name recognition and customer loyalty, long-standing relationships with the Company's target customers, and lower debt leverage ratios. As a result, the Company's ability to attract and to retain customers may be adversely affected. Many of the Company's competitors enjoy economies of scale that result in low cost structures for transmission and related costs that could cause significant pricing pressures within the industry. Several long distance carriers in the United States, Canada and Australia and the major wireless carriers and cable companies have introduced pricing and product bundling strategies that provide for fixed, low rates for calls. This strategy of the Company's competitors could have a material adverse effect on its net revenue per minute, results of operations and financial condition if the Company's pricing, set to remain competitive, is not offset by similar declines in the Company's costs. If price pressures and bundling strategies intensify, the Company may not be able to compete successfully in the future, may face quarterly revenue and operating results variability, and may have heightened difficulty in estimating future revenues or results.

10. Operating Losses Could Continue in the Future

As of September 30, 2008, the Company had an accumulated deficit of $1,064.5 million. The Company incurred net losses of $34.6 million in 2002, $10.6 million in 2004, $149.2 million in 2005, and $238.0 million in 2006. During the year ended December 31, 2003 and 2007, the Company recognized net income of $54.8 million and $15.7 million, respectively, of which $39.4 million in 2003 and $32.7 million in 2007 are the positive impact of foreign currency transaction gains. The Company may not recognize net income in future periods.

11. The Telecommunications Industry is Rapidly Changing

The telecommunications industry is changing rapidly due to deregulation, privatization, consolidation, technological improvements, availability of alternative services such as wireless, broadband, DSL, Internet, VOIP, data and hosting and wireless DSL through use of the fixed wireless spectrum, and the globalization of the world's economies. In addition, alternative services to traditional fixed wireline services, such as wireless, broadband, Internet and VOIP services, are a substantial competitive threat. If the Company does not adjust to meet changing market conditions and if the Company does not have adequate resources, it may not be able to compete effectively. The telecommunications industry is marked by the introduction of new product and service offerings and technological improvements. Achieving successful financial results will depend on the Company's ability to anticipate, assess and adapt to rapid technological changes, and offer, on a timely and cost-effective basis, services including the bundling of multiple services that meet evolving industry standards. If the Company does not anticipate, 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, the Company's financial results may be materially and adversely affected.

The rapid enhancement of VOIP technology may result in increasing levels of traditional domestic and international voice long distance traffic being transmitted over the Internet, as opposed to traditional telecommunication networks. Currently, there are significant capital investment savings and cost savings associated with carrying voice traffic employing VOIP technology, as compared to carrying calls over traditional networks. Thus, there exists the possibility that the price of traditional long distance voice services will decrease in order to be competitive with VOIP. Additionally, competition is expected to be intense to switch customers to VOIP product offerings, as is evidenced by numerous recent market announcements in the United States and internationally from industry leaders and competitive carriers concerning significant VOIP initiatives. The Company's ability effectively to retain its existing customer base and generate new customers, either through its traditional network or its own VOIP offerings, may be adversely affected by accelerated competition arising as a result of VOIP initiatives, as well as regulatory developments that may impede its ability to compete, such as restrictions on access to broadband networks owned and operated by others and the requirements to provide E911 services. As competition intensifies as a result of deregulatory, market or technological developments, the Company's results of operations and financial condition could be adversely affected.

12. The Company is Exposed to Constantly Changing Regulations

The Company's operations are subject to constantly changing regulation. There can be no assurance that future regulatory changes will not have a material adverse effect on the Company, or that regulators or third parties will not raise material issues with regard to the Company's compliance or noncompliance with applicable regulations, any of which could have a material adverse effect upon the Company. As a multinational telecommunications company, the Company is subject to varying degrees of regulation in each of the jurisdictions in which the Company provides its services. Local laws and regulations, and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which the Company operates. Enforcement and interpretations of these laws and regulations can be unpredictable and are often subject to the informal views of government officials. Potential future regulatory, judicial, legislative, and government policy changes in jurisdictions where the Company operates could have a material adverse effect on us. Domestic or international regulators or third parties may raise material issues with regard to the Company's compliance or noncompliance with applicable regulations, and therefore may have a material adverse impact on the Company's competitive position, growth and financial performance. Regulatory considerations that affect or limit the Company's business include (1) United States common carrier requirements not to discriminate unreasonably among customers and to charge just and reasonable rates; (2) general uncertainty regarding the future regulatory classification of and taxation of VOIP telephony, the need to provide emergency calling services in a manner required by the FCC that is not yet available commercially on a nation-wide basis and the ability to access broadband networks owned and operated by others; as regulators decide that VOIP is a regulated telecommunications service, the Company's VOIP services may be subject to burdensome regulatory requirements and fees, the Company may be obligated to pay carriers additional interconnection fees and operating costs may increase; (3) general changes at the federal and/or state levels affecting access charges, universal service fund fees and regulatory fee payments would affect the Company's cost of providing services; (4) ongoing regulatory proceedings regarding efforts by Telstra in Australia to increase prices and charges and to deny access to essential facilities; (5) the ultimate outcome of the process launched by the Australian government to help fund the construction of a new national broadband network, including whether and the terms upon which (a) the Company will have access to such network, and (b) the duration upon which the copper wire based last mile infrastructure needed by us to furnish broadband services using the Company's DSLAM network infrastructure will be continued; (6) general changes in access charges and contribution payments could adversely affect the Company's cost of providing long distance, wireless, broadband, VOIP, local and other services; and (7) regulatory proceedings in Canada determining whether and the extent to which regulation should mandate access to networks and interconnection including intra-exchange transport services which the Company uses to interconnect its DSLAM collocation sites and high speed access to business services. Any adverse developments implicating the foregoing could materially adversely affect the Company's business, financial condition, result of operations and prospects.

IX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain anticipated U.S. Federal income tax consequences of the Plan to the Debtors and certain Holders of Claims or Interests. This summary is provided for information purposes only and is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect, which could adversely affect the U.S. Federal income tax consequences described below.

This summary does not address all aspects of U.S. Federal income taxation that may be relevant to a particular Holder of a Claim or Interest in light of its particular facts and circumstances or to certain types of Holders of Claims or Interests subject to special treatment under the Tax Code (for example, non-U.S. taxpayers, financial institutions, broker-dealers, life insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, grantor trusts, persons holding a Claim as part of a "hedging," "integrated," or "constructive" sale or straddle transaction, persons holding claims through a partnership or other pass-through entity, and persons that have a "functional currency" other than the U.S. dollar). This summary does not address the tax considerations applicable to Holders who obtained their Claims or Interests (or the rights underlying such Claims or Interests) in connection with the performance of services. This summary does not discuss any aspects of state, local, or non-U.S. taxation. Except with respect to Holders of Holding First Lien Secured Term Loan Claims, this summary does not address the U.S. Federal income tax consequences to Holders of Claims or Interests that are unimpaired or reinstated under the Plan or Holders of Claims or Interests that are not entitled to receive or retain any property under the Plan.

A substantial amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution or transfer under the Plan. Events occurring after the date of this Disclosure Statement, such as additional tax legislation, court decisions, or administrative changes, could affect the U.S. Federal income tax consequences of the Plan and the transactions contemplated thereby. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view with respect to one or more of the issues discussed below. No ruling will be sought from the IRS with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain Tax Consequences of the Plan

1. U.S. Federal Income Tax Consequences to the Debtors

(a) Cancellation of Debt Income

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any cancellation of indebtedness ("COD") income recognized during the taxable year. COD income generally equals the excess of the adjusted issue price of the indebtedness discharged over the sum of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value of any other property transferred by the debtor in satisfaction of such discharged indebtedness (including stock). COD income also includes any interest that has been previously accrued and deducted but remains unpaid at the time the indebtedness is discharged.

The Tax Code permits a debtor in bankruptcy to exclude its COD income from gross income, but requires the debtor to reduce its tax attributes —such as net operating loss ("NOL") carryforwards, current year NOLs, tax credits, and tax basis in assets (collectively, "Tax Attributes")—by the amount of the excluded COD income. Treasury Regulations address the application of the rules for the reduction of Tax Attributes to situations where a member of a U.S. consolidated group recognizes excluded COD income. Under the ordering rules of the Treasury Regulations, generally, the Tax Attributes of the debtor corporation are reduced first (including its NOLs and the stock basis of its subsidiaries). In this regard, the Treasury Regulations adopt a "tier-down" approach such that if the debtor reduces its basis in its stock in a subsidiary, corresponding reductions must be made to the Tax Attributes of that subsidiary. To the extent that the excluded COD exceeds the Tax Attributes of the debtor member, the Treasury Regulations require the reduction of certain Tax Attributes (NOLs, but not tax basis in assets) of other members of the consolidated group. The reduction in Tax Attributes generally occurs after the calculation of a debtor's tax for the year in which the debt is discharged.

Under the Tax Code, a debtor that realizes excluded COD income may elect to reduce its basis in depreciable assets prior to the reduction of other Tax Attributes, with any excess COD income applied next to reduce NOLs and other Tax Attributes in the prescribed statutory order.

CRT's valuation establishes the value of the Reorganized Group on a going concern basis as between [AMOUNT] and [AMOUNT], with a midpoint of [AMOUNT]. Based on these values, the Debtor members of the affiliated group of corporations, of which Group is the common parent and with which Group files a consolidated U.S. federal income tax return (the "Primus Group"), expect to realize COD income upon the consummation of the Plan between [AMOUNT] and [AMOUNT], with a midpoint of [AMOUNT]. The Debtors will not be required to include COD income in gross income because the indebtedness will be discharged while the Debtors are under the jurisdiction of a court in a Title 11 case. Instead, the Debtors will be required to reduce Tax Attributes by the amount of the COD income realized in the manner described above. The Debtors have not yet determined whether it would be beneficial to elect to reduce the basis of their depreciable property prior to any reduction of NOLs or other Tax Attributes. The extent to which NOLs and other Tax Attributes remain following Tax Attribute reduction will depend upon the amount of the COD income.

(b) Recapture of Excess Loss Account

If a member of the Primus Group has an excess loss account ("ELA") in the stock of a subsidiary whose debt is discharged, such member generally must take such ELA into account as income or gain to the extent any part of the amount discharged is excluded from gross income and is in excess of the Tax Attributes that are available to be reduced ("Excess COD").

The Primus Group has not yet determined whether Group has an ELA in its Holding stock, or whether Holding has an ELA in its IHC stock. If Group has an ELA in its Holding stock, and Holding has Excess COD as a result of the discharge of its indebtedness, Group would have to take the ELA into account as income or gain, which may result in a cash tax payable as a result of the discharge. Similarly, if Holding has an ELA in its IHC stock, and IHC has Excess COD as a result of the discharge of its indebtedness, Holding would have to take the ELA into account as income or gain, which may result in a cash tax payable as a result of the discharge.

Pursuant to the recently enacted American Recovery and Reinvestment Act of 2009, Holding and/or IHC may elect to defer its COD income. As a result of such election, Holding and/or IHC would not exclude their COD income and would not be subject to the reduction of Tax Attributes, each as described in Part A.1.(a). Instead, Holding and/or IHC would recognize the COD income ratably over a 5-year period beginning in 2014. If such election were made, Group and/or Holding would not be required to take into account an ELA as income or gain as a result of the discharge because the applicable subsidiary would not have Excess COD.

(c) Limitation on NOL Carryforwards and Other Tax Attributes

The Primus Group expects to report an NOL carryforward for U.S. federal income tax purposes of approximately $240 million as of December 31, 2008. The amount of the Primus Group's consolidated NOL carryovers may be significantly reduced as a result of the reduction of Tax Attributes described above in Part A.1(a). Additionally, the Primus Group's ability to utilize certain Tax Attributes of the Debtors allocable to periods prior to the Effective Date (collectively, "Pre-Change Losses") may be subject to limitation pursuant to Section 382 of the Tax Code ("Section 382") as a result of the change in ownership of the Debtors that will occur upon emergence from bankruptcy, as described below.

(d) General Section 382 Limitation

In general, when a corporation (or a consolidated group) undergoes an "ownership change" and the corporation does not qualify for (or elects out of) the Bankruptcy Exception discussed below, Section 382 limits the corporation's ability to utilize its Pre-Change Losses to offset future taxable income. Such limitation also may apply to certain losses or deductions that are "built-in" (i.e., economically accrued but unrecognized) as of the date of the ownership change and that are subsequently recognized. It is anticipated that the Primus Group will undergo an ownership change as a result of the Plan. Further, it is possible the Primus Group will have undergone an ownership change prior to the Effective Date, in which case Section 382 would apply to limit certain Tax Attributes of the Debtors allocable to periods prior to the date of such pre-Effective Date ownership change.

In general, unless the Bankruptcy Exception applies, Section 382 places an annual limitation on a corporation's use of Pre-Change Losses equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the stock of the common parent) immediately before the ownership change (with certain adjustments); and (ii) the highest of the adjusted federal "long-term tax-exempt rates" in effect for any month in the three-calendar-month period ending with the month in which the ownership change occurs (currently 5.49% for ownership changes occurring in February 2009) (the "Annual Limitation"). For a corporation (or consolidated group) in bankruptcy that undergoes a change of ownership pursuant to a confirmed plan, the stock value generally is determined immediately after (rather than before) the ownership change, and certain adjustments to the stock value that ordinarily would apply do not apply.

Unless the Bankruptcy Exception applies, for any taxable year ending after an ownership change, the NOLs that can be used in that year to offset taxable income of a corporation cannot exceed the amount of the Annual Limitation. Any unused Annual Limitation may be carried forward, thereby increasing the Annual Limitation in the subsequent taxable year. However, if the corporation (or the consolidated group) does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change, the Annual Limitation resulting from the ownership change is zero.

(e) Built-in Gains and Losses

Under certain circumstances, Section 382 of the Tax Code also limits the deductibility of certain built-in losses that are recognized during the five years following the date of an ownership change. In particular, subject to a de minimis exception, if a loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in loss at the time of an ownership change (taking into account the difference between the tax basis and value of its assets and its items of "built-in" income and deduction), then any built-in losses recognized during the following five years (up to the amount of the net unrealized built-in loss at the time of the ownership change) generally will be treated as a Pre-Change Loss and will be subject to the Annual Limitation.

Conversely, if the loss corporation (or loss consolidated group or subgroup) has more than a de minimis net unrealized built-in gain at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the Annual Limitation in the year recognized, such that the loss corporation (or loss consolidated group or subgroup) would be permitted to use its Pre-Change Losses against such built-in gain income in addition to its regular Annual Limitation.

Although the rules applicable to net unrealized built-in losses generally apply to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within five years prior to the ownership change may not be included in the group computation of net unrealized built-in loss. Nevertheless, such corporations would be taken into account in determining whether the consolidated group has a net unrealized built-in gain.

(f) Bankruptcy Exception

Section 382 provides an exception to the Annual Limitation for corporations under the jurisdiction of a court in a Title 11 case (the "Bankruptcy Exception") if shareholders of the debtor immediately before an ownership change and qualified (so-called "historic") creditors of a debtor receive, in respect of their claims, stock with at least 50 percent of the vote and value of all the stock of the reorganized debtor (or of a controlling corporation if such corporation is also in bankruptcy) pursuant to a confirmed bankruptcy plan of reorganization. For this purpose, a "historic creditor" is a creditor that (i) has held its indebtedness since the date that is at least eighteen months before the date on which the debtor filed its petition with the Bankruptcy Court; or (ii) whose indebtedness arose in the ordinary course of the business of the debtor and is held by the creditor who at all times was the beneficial owner of such claim. In determining whether the Bankruptcy Exception applies, certain holders of claims that own directly or indirectly less than 5 percent of the total fair market value of the debtor's stock immediately after the ownership change are presumed to have held their claims since the origination of such claims, other than in certain cases where the Debtors have actual knowledge that the creditor has not owned the debt for the requisite period. The Bankruptcy Exception applies to a reorganized debtor if these requirements are satisfied unless the debtor files an election for the Bankruptcy Exception not to apply. If the Bankruptcy Exception applies and there is another ownership change of the Debtor within two years after consummation of the bankruptcy plan of reorganization, an Annual Limitation of zero will be imposed on the use of NOLs and built-in losses that remain on the date of the second ownership change.

If a corporation is eligible for and applies the Bankruptcy Exception, its Pre-Change Losses will not be subject to the Annual Limitation. However, the amount of its Pre-Change Losses that may be carried over to a post-ownership change year must be reduced by the amount of interest payments made during the taxable year of the ownership change (up to the date of the ownership change) and the three preceding taxable years in respect of indebtedness that was exchanged for stock pursuant to the bankruptcy reorganization.

Even if the Debtors qualify for the Bankruptcy Exception, they may elect for it not to apply and instead remain subject to the Annual Limitation described above. This election would have to be made on the Primus Group's consolidated U.S. federal income tax return for the taxable year in which the ownership change occurs. The determination of the application of the Bankruptcy Exception is fact specific, and the existing statutes, regulations, and other authorities are ambiguous with respect to the application of the Bankruptcy Exception to consolidated groups where indebtedness exists at both the parent and subsidiary levels. The Debtors have not yet determined whether they will be eligible for the Bankruptcy Exception, and if they are, whether they would make the election not to have the Bankruptcy Exception apply.

(g) Federal Alternative Minimum Tax

In general, a federal alternative minimum tax ("AMT") of 20% is imposed on a corporation's alternative minimum taxable income if such tax exceeds the corporation's regular federal income tax. In computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular federal income tax purposes by applying NOL carryforwards, only 90% of the corporation's taxable income for AMT purposes may be offset by available NOL carryforwards (as computed for AMT purposes). Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future years when the corporation is no longer subject to the AMT. In addition, if a corporation (or a consolidated group) undergoes an "ownership change" within the meaning of Section 382 of the Tax Code and has a net unrealized built-in loss on the date of the ownership change, the corporation's (or group's) aggregate tax basis in its assets is reduced for certain AMT purposes to the fair market value of the assets on the ownership change date.

2. U.S. Federal Income Tax Consequences to Claimholders

The U.S. Federal income tax consequences to Holders of Claims or Interests arising from the distributions to be made in satisfaction of their claims pursuant to the Plan may vary, depending upon, among other things: (a) the type of consideration received by the Holder of a Claim or Interest in exchange for the Claim or Interest; (b) the nature of the indebtedness owed to it; (c) whether the Holder has previously claimed a bad debt or worthless security deduction in respect of its Claim or Interest; (d) whether such Claim or Interest constitutes a security; (e) whether the Holder of a Claim or Interest is a citizen or resident of the United States for tax purposes, or otherwise subject to U.S. Federal income tax on a net income basis; (f) whether the Holder of a Claim or Interest reports income on the accrual or cash basis; and (g) whether the Holder of a Claim or Interest receives distributions under the Plan in more than one taxable year. For tax purposes, the modification of a Claim or Interest may represent an exchange of the Claim or Interest for a new Claim or Interest, even though no actual transfer takes place. In addition, where gain or loss is recognized by a Holder of a Claim or Interest, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the Claim or Interest constitutes a capital asset in the hands of the Holder and how long the Claim or Interest has been held or is treated as having been held, whether the Claim or Interest was acquired at a market discount, and whether and to what extent the Holder previously claimed a bad debt or worthless stock or securities deduction with respect to the underlying Claim or Interest. A Holder who purchased its Claim or Interest from a prior holder at a market discount may be subject to the market discount rules of the Tax Code. Under those rules, assuming that the Holder has made no election to amortize the market discount into income on a current basis, any gain recognized on the exchange of its Claim or Interest (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim or Interest as of the date of the exchange.

(a) Accrued but Unpaid Interest

In general, to the extent a holder of a debt instrument receives property in satisfaction of interest accrued during the holding period of such instrument, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, such a holder generally recognizes a deductible loss to the extent that any accrued interest or amortized original issue discount was previously included in its gross income and is not paid in full. Holders of Claims are urged to consult their own tax advisors regarding the particular U.S. federal income tax consequences to them of the treatment of accrued but unpaid interest, as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

The extent to which property received by a holder of a debt instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all distributions or transfers in respect of any Claim or Interest will be allocated first to the principal amount of such Claim or Interest and thereafter to accrued but unpaid interest, if any. However, there is no assurance that such allocation will be respected by the IRS for U.S. Federal income tax purposes.

Each Holder of a Claim or Interest is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of previously included unpaid interest and original issue discount for tax purposes.

(b) Definition of Securities

The tax treatment of Holders of Holding First Lien Secured Term Loan Claims, IHC Second Lien Note Claims, Holding Notes Claims, and Group Notes Claims will depend in part on whether such Claims constitute "securities" for U.S. Federal income tax purposes.

Whether an instrument constitutes a "security" for United States Federal income tax purposes is determined based on all of the facts and circumstances. Certain authorities have held that an important factor is the length of the initial term of the debt instrument. These authorities generally have indicated that an initial term of less than five years is evidence that the instrument is not a security, whereas an initial term of ten years or more is evidence that it is a security. There are numerous other factors that may be taken into account in determining whether a debt instrument is a security, including, but not limited to, whether repayment is secured, the level of creditworthiness of the obligor, whether or not the instrument is subordinated, whether the holders have the right to vote or otherwise participate in the management of the obligor, whether the instrument is convertible into an equity interest, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or are accrued.

(c) Holding First Lien Secured Term Loan Claims

(i) Exchange of Holding First Lien Secured Term Loan Claims for Modified Term Loan Notes

The tax treatment of the exchange of Holding First Lien Secured Term Loan Claims for Modified Term Loan Notes will depend on whether the exchange of Holding First Lien Secured Term Loan Claims for the Modified Term Loan Notes is treated as a "significant modification" of the current debt for U.S. federal income tax purposes and whether the Holding First Lien Secured Term Loan Claims and the Modified Term Loan Notes constitute "securities" for U.S. federal income tax purposes. Generally, a modification is a significant modification only if, based on all facts and circumstances, the legal rights or obligations that are altered and the degree to which they are altered are economically significant. A change in yield, however, is a significant modification if the yield varies from the annual yield of the unmodified instrument by more than the greater of $^{1}/_{4}$ of one percent or 5 percent of the annual yield of the unmodified debt instrument. Because the yield of the Modified Term Loan Notes varies by more than the prescribed threshold, the Debtors believe the exchange of the Holding First Lien Secured Term Loan Claims for the Modified Term Loan Notes should constitute a significant modification.

Thus, if the exchange is not a recapitalization where both the Holding First Lien Secured Term Loan Claims and the Modified Term Loan Notes constitute securities, except as discussed above with respect to accrued but unpaid interest and market discount, a Holder holding a Holding First Lien Secured Term Loan Claim as a capital asset generally would recognize capital gain or loss equal to the difference, if any, between the Holder's adjusted tax basis in its Claim on the Effective Date and the "issue price" of the Modified Term Loan Notes received in exchange therefor. Such gain or loss will be long-term capital gain or loss if the Holder's holding period for its Claim is more than one year on the Effective Date. A Holder's tax basis in its Modified Term Loan Notes should be equal to its issue price. A Holder's holding period for the Modified Term Loan Notes will begin on the day following the Effective Date.

For U.S. federal income tax purposes, the “issue price” of the Modified Term Loan Notes (the “New Notes”) depends on whether the New Notes or the Holding First Lien Secured Term Loan (the “Old Notes”) are deemed to be “publicly traded.” The New Notes or the Old Notes will be treated as publicly traded if, at any time during the 60-day period ending 30 days after the issue date of the New Notes, the New Notes or the Old Notes are or were, as the case may be, “traded on an established market” within the meaning of the applicable Regulations. In general, a debt instrument will be treated as publicly traded if it is listed on a major securities exchange, appears on a system of general circulation that provides a reasonable basis to determine fair market value or otherwise is readily quotable by dealers, brokers or traders. Whether the Old Notes or New Notes are publicly traded will depend on the facts and circumstances at the time of the exchange.

If the New Notes are publicly traded within the meaning of the applicable Regulations, the issue price of the New Notes will be the fair market value of the New Notes on the date of issuance. If the New Notes are not publicly traded but the Old Notes are publicly traded, then the issue price of the New Notes will be the fair market value of the Old Notes exchanged therefor. If neither the Old Notes nor the New Notes are publicly traded, then the issue price of the New Notes will equal their stated principal amount.

If the Holding First Lien Secured Term Loan Claims and the Modified Term Loan Notes are both treated as “securities” for U.S. federal income tax purposes, the exchange of a Holding First Lien Secured Term Loan Claim for the Modified Term Loan Notes would be treated as a “recapitalization” for U.S. federal income tax purposes. Consequently, except as discussed above with respect to accrued but unpaid interest and market discount, a Holder would not recognize gain or loss as a result of such exchange, the tax basis for the Modified Term Loan Notes received in such an exchange would equal the Holder’s adjusted tax basis in its Claim immediately before the exchange, and the Holder’s holding period with respect to its Modified Term Loan Notes received in the exchange would include the holding period for the Claim surrendered in exchange therefor.

(ii) Original Issue Discount and Payable in Kind Interest

Because the Modified Term Loan Notes will provide that, at its option, Holding may pay a portion of the interest on the Modified Term Loan by issuing additional Modified Term Loan Notes, the Modified Term Loan Notes will have original issue discount for U.S. federal income tax purposes. Further, if the issue price of the Modified Term Loan Notes is less than the “stated redemption price at maturity” of such Notes by more than a de minimis amount, holders will be considered to have purchased such Notes with original issue discount. Consequently, holders will be required to include original issue discount in ordinary income for one or both reasons over the period that they hold the Modified Term Loan Notes in accordance with a constant yield to maturity method. As a result, holders may have taxable interest income in excess of the amount of cash they receive in a taxable year.

In general, a holder of a Modified Term Loan Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include as ordinary income the sum of the “daily portions” of original issue discount on such Modified Term Loan Note for all days during the taxable year that the holder owns such Modified Term Loan Note. The daily portions of original issue discount are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Modified Term Loan Notes, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of original issue discount on a Modified Term Loan Note allocable to each accrual period equals the product of the “adjusted issue price” of the Modified Term Loan Notes at the beginning of the accrual period and the yield to maturity of such Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Modified Term Loan Note at the beginning of any accrual period will generally be the sum of its issue price and the amount of original issue discount allocable to all prior accrual periods, reduced by the amount of all cash payments made with respect to such Note, other than payments of qualified stated interest, in all prior accrual periods. The yield to maturity of a Modified Term Loan Note is the discount rate that causes the present value of all principal and interest payments on such Note as of its issue date to equal the issue price of such Note, which is discussed above.

For purposes of determining the yield to maturity, if the issue price of the Modified Term Loan Notes is equal to or greater than the stated principal amount, a holder must assume that Holding will not exercise the option to issue additional Modified Term Loan Notes, except in respect of any period in which Holding has actually elected to pay a portion of the interest by issuing additional Modified Term Loan Notes. If for any interest payment period Holding pays the interest entirely in cash on the Modified Term Loan Notes, a holder will not be required to adjust its original issue discount inclusions. If for any interest payment period Holding exercises its option to pay a portion of the interest by issuing additional Modified Term Loan Notes, a holder of a Modified Term Loan Note will be required to adjust its calculation for determining the amount of original issue discount it must include in gross income during future periods by treating such Note as if, on the date of such exercise, such Note had been retired and then reissued for an amount equal to its adjusted issue price on such date, and by recalculating the yield to maturity of the reissued Note by treating the amount of interest paid in-kind that increased the principal amount of such Notes (and of any prior interest paid in-kind that increased the principal amount of such Notes) as a payment that will be made on the maturity date of such reissued Note.

For purposes of determining the yield to maturity, if the issue price of the Modified Term Loan Notes is less than the stated principal amount, Holding is deemed to exercise whichever option (i.e., payment of interest in cash or in kind) minimizes the yield on the Modified Term Loan Notes. If payment of a portion of the interest in kind minimizes the yield on the Modified Term Loan Notes, Holding is presumed to do so. If payment of interest in cash reduces the yield on the Modified Term Loan Notes, Holding is presumed to do so. If Holding does not pay interest in accordance with the presumption (for example, Holding pays a potion of the interest in kind when it is presumed to pay interest in cash), the Modified Term Loan Notes would need to retested to determine whether yield would still be minimized by Holding paying interest in accordance with the presumption.

If for any interest payment period Holding is presumed to pay interest in cash but instead it exercises its option to pay a portion of the interest by issuing additional Modified Term Loan Notes, a holder of a Modified Term Loan Note will be required to adjust its calculation for determining the amount of original issue discount it must include in gross income during future periods by treating such Note as if, on the date of such exercise, such Note had been retired and then reissued for an amount equal to its adjusted issue price on such date, and by recalculating the yield to maturity of the reissued Note by treating the amount of interest paid in-kind that increased the principal amount of such Notes (and of any prior interest paid in-kind that increased the principal amount of such Notes) as a payment that will be made on the maturity date of such reissued Note. Following the interest payment, the Modified Term Loan Notes would need to retested to determine whether yield would still be minimized by Holding paying interest in cash in accordance with the presumption.

If for any interest payment period Holding is presumed to pay a portion of the interest in kind but instead it pays the interest in cash, to the extent the interest payable in kind is paid in cash by Holding, the Modified Term Loan Notes are treated as if Holding made a pro rata prepayment, which reduces the amount of each payment remaining on the Modified Term Loan Notes. The Modified Term Loan Notes would be treated as consisting of two debt instruments, one that is retired on the interest payment date and one that remains outstanding after the interest payment date. The adjusted issue price, adjusted basis in the hands of the holder, and accrued original issue discount of the original Modified Term Loan Notes would be allocated between the two instruments based on the portion of the original Modified Term Loan Notes treated as retired. The pro rata prepayment and deemed retirement of a portion of the Modified Term Loan Notes may result in gain or loss to a holder of the Modified Term Loan Notes. Following the interest payment, the Modified Term Loan Notes would need to retested to determined whether yield would still be minimized by Holding paying interest in kind in accordance with the presumption.

Each payment made in cash on a Modified Term Loan Note, other than a payment of qualified stated interest, will be treated first as a payment of any accrued original issue discount that has not been allocated to prior payments and second as a payment of principal (which is not includible in income), and no portion of such payments will be treated as prepaid interest. A holder of a Modified Term Loan Note generally is not required to include separately in income cash payments received on such note to the extent such payments constitute payments of previously accrued original issue discount.

If a holder’s initial tax basis in the Modified Term Loan Notes is greater than the issue price of such Notes but less than the stated redemption price at maturity, such holder generally will be considered to have “acquisition premium” with respect to the Modified Term Loan Notes, which may reduce the amount of original issue discount that the holder is required to include in taxable income. The stated redemption price at maturity generally will include all payments of principal and interest under the Modified Term Loan Notes, other than payments of qualified stated interest. Furthermore, if, immediately after the Effective Date, a holder’s initial tax basis in its Modified Term Loan Notes exceeds the stated redemption price at maturity, the Modified Term Loan Notes would be treated as issued with bond premium, and no original issue discount would be required to be included in the gross income of the holder in respect of such Notes. In addition, a holder may elect to amortize the bond premium. Any election to amortize bond premium applies to all taxable debt obligations held at the beginning of the first taxable year to which the election applies or acquired thereafter, and may not be revoked without the consent of the IRS.

Holding will report annually to the IRS and to record holders information with respect to the amount of original issue discount accruing during the calendar year.

(iii) Sale, Exchange, or Other Taxable Disposition of Modified Term Loan Notes

A holder will generally recognize capital gain or loss upon the sale, exchange, or other taxable disposition of Modified Term Loan Notes in an amount equal to the difference between (x) the amount realized by such holder (less any amount attributable to accrued and unpaid interest not previously included in income, which will be treated as ordinary interest income) and (y) such holder's adjusted tax basis in the Modified Term Loan Notes. Any such gain or loss will be long-term if the Modified Term Loan Notes have been held for more than one year. The deductibility of capital losses is subject to limitations.

(d) IHC Second Lien Note Claims

(i) Exchange of IHC Second Lien Note Claims for New Common Stock

Holders of IHC Second Lien Note Claims may recognize gain or loss on the exchange of such Claims for New Common Stock. Although the tax treatment of the exchange is unclear, the Debtors believe that the exchange of IHC Second Lien Note Claims for New Common Stock likely may not qualify as a tax-free reorganization either because the IHC Second Lien Note Claims are not securities or because the IHC Second Lien Note Claims were issued by IHC and will be exchanged for equity in Group.

If the exchange is not a tax-free reorganization, Holders of IHC Second Lien Note Claims would recognize gain or loss equal to the difference between: (i) the fair market value of the New Common Stock (as of the date such Stock is distributed to the Holder) received in exchange for the IHC Second Lien Note Claims, and (ii) the Holder's adjusted basis in the portion of the IHC Second Lien Note Claims exchanged for New Common Stock. Such gain or loss should be capital in nature so long as the IHC Second Lien Note Claims are held as capital assets (subject to the market discount rules described above) and should be long-term capital gain or loss if the IHC Second Lien Note Claims were held for more than one year. To the extent that a portion of the New Common Stock received in exchange for the IHC Second Lien Note Claims is allocable to accrued but untaxed interest, the Holder will recognize ordinary income, whether or not the exchange is otherwise tax-free. If gains or losses are recognized, a Holder's tax basis in the New Common Stock received will equal the fair market value of the New Common Stock on the date the stock is distributed to the Holder, and the Holder's holding period for the New Common Stock will begin on the day following the Effective Date.

If the exchange of IHC Second Lien Note Claims for New Common Stock were to constitute a tax-free reorganization, Holders of IHC Second Lien Note Claims that are exchanged for New Common Stock would not recognize gain or loss on such exchange, except with respect to the market discount rules and to the extent that the New Common Stock is attributable to accrued but unpaid interest, each as discussed above. A Holder's tax basis in its New Common Stock would equal its adjusted tax basis in the IHC Second Lien Note Claims surrendered, and the Holder's holding period for such New Common Stock would include the period during which such Holder held its IHC Second Lien Note Claims.

(ii) Exchange of IHC Second Lien Note Claims for Modified Second Lien Notes

The tax treatment of the exchange of IHC Second Lien Notes Claims for the Modified Second Lien Notes will depend on whether the exchange of IHC Second Lien Notes for the Modified Second Lien Notes is treated as a "significant modification" of the current debt for U.S. federal income tax purposes and whether the IHC Second Lien Note Claims and the Modified Second Lien Notes constitute "securities" for U.S. federal income tax purposes. As descried above in "Exchange of Holding First Lien Secured Term Loan Claims for Modified Term Loan Notes," a modification is a significant modification only if, based on all facts and circumstances, the legal rights or obligations that are altered and the degree to which they are altered are economically significant. A modification that changes the timing of payments due under a debt instrument is a significant modification if it results in a material deferral of scheduled payments. The materiality of the deferral depends on all the facts and circumstances, including the length of deferral, the original term of the instrument, the amounts of the payments that are deferred, and the time period between the modification and the actual deferral of payments. Further, a modification that adds or otherwise alters a substantial amount of the collateral for, a guarantee on, or other form of credit enhancement for a recourse debt instrument is a significant modification if the modification results in a change in payment expectations. The Debtors have not yet determined how they intend to treat the exchange.

If the exchange is not a significant modification, the Modified Second Lien Notes should be treated as a continuation of IHC Second Lien Note Claims for U.S. federal income tax purposes, in which case the exchange should have no U.S. federal income tax consequences to Holders of IHC Second Lien Note Claims.

If the exchange is a significant modification (and not a recapitalization where both the IHC Second Lien Note Claims and the Modified Second Lien Notes constitute securities), except as discussed above with respect to accrued but unpaid interest and market discount, a Holder holding an IHC Second Lien Note Claim as a capital asset generally would recognize capital gain or loss equal to the difference, if any, between the Holder's adjusted tax basis in its Claim on the Effective Date and the "issue price" of the Modified Second Lien Notes received in exchange therefor. Such gain or loss will be long-term capital gain or loss if the Holder's holding period for its Claim is more than one year on the Effective Date. A Holder's tax basis in its Modified Second Lien Notes should be equal to its issue price. A Holder's holding period for the Modified Second Lien Notes will begin on the day following the Effective Date.

As descried above in "Exchange of Holding First Lien Secured Term Loan Claims for Modified Term Loan Notes," the issue price of the Modified Second Lien Notes depends on whether such Notes or the IHC Second Lien Notes are deemed to be publicly traded. If the Modified Second Lien Notes are publicly traded within the meaning of the applicable Regulations, the issue price of the Modified Second Lien Notes will be the fair market value of the such Notes on the date of issuance. If the Modified Second Lien Notes are not publicly traded but the IHC Second Lien Notes are publicly traded, then the issue price of the Modified Second Lien Notes will be the fair market value of the IHC Second Lien Notes exchanged therefor. If neither the IHC Second Lien Notes nor the Modified Second Lien Notes are publicly traded, then the issue price of the Modified Second Lien Notes will equal their stated principal amount.

If the exchange of IHC Second Lien Note Claims for the Modified Second Lien Notes is treated as a significant modification of such Claims, and the IHC Second Lien Note Claims and the Modified Second Lien Notes are treated as "securities" for U.S. federal income tax purposes, the exchange of an IHC Second Lien Note Claim for the Modified Second Lien Notes would be treated as a "recapitalization" for U.S. federal income tax purposes. Consequently, except as discussed above with respect to accrued but unpaid interest and market discount, a Holder would not recognize gain or loss as a result of such exchange, the tax basis for the Modified Second Lien Notes received in such an exchange would equal the Holder's adjusted tax basis in its Claim immediately before the exchange, and the Holder's holding period with respect to its Modified Second Lien Notes received in the exchange would include the holding period for the Claim surrendered in exchange therefor.

(iii) Original Issue Discount and Payable in Kind Interest

Because the Modified Second Lien Notes will provide that, at its option, IHC may pay a portion of the interest on the Modified Second Lien Notes by issuing additional Modified Second Lien Notes, the Modified

Second Lien Notes will have original issue discount for U.S. federal income tax purposes. Further, if the issue price of the Modified Second Lien Notes is less than the "stated redemption price at maturity" of such Notes by more than a de minimis amount, holders will be considered to have purchased such Notes with original issue discount. Consequently, holders will be required to include original issue discount in ordinary income for one or both reasons over the period that they hold the Modified Second Lien Notes in accordance with a constant yield to maturity method. As a result, holders may have taxable interest income in excess of the amount of cash they receive in a taxable year.

In general, a holder of a Modified Second Lien Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include as ordinary income the sum of the "daily portions" of original issue discount on such Modified Second Lien Note for all days during the taxable year that the holder owns such Modified Second Lien Note. The daily portions of original issue discount are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Modified Second Lien Notes, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of original issue discount on a Modified Second Lien Note allocable to each accrual period equals the product of the "adjusted issue price" of the Modified Second Lien Notes at the beginning of the accrual period and the yield to maturity of such Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Modified Second Lien Note at the beginning of any accrual period will generally be the sum of its issue price and the amount of original issue discount allocable to all prior accrual periods, reduced by the amount of all cash payments made with respect to such Note, other than payments of qualified stated interest, in all prior accrual periods. The yield to maturity of a Modified Second Lien Note is the discount rate that causes the present value of all principal and interest payments on such Note as of its issue date to equal the issue price of such Note, which is discussed above.

For purposes of determining the yield to maturity, if the issue price of the Modified Second Lien Notes is equal to or greater than the stated principal amount, a holder must assume that IHC will not exercise the option to issue additional Modified Second Lien Notes, except in respect of any period in which IHC has actually elected to pay a portion of the interest by issuing additional Modified Second Lien Notes. If for any interest payment period IHC pays the interest entirely in cash on the Modified Second Lien Notes, a holder will not be required to adjust its original issue discount inclusions. If for any interest payment period IHC exercises its option to pay a portion of the interest by issuing additional Modified Second Lien Notes, a holder of a Modified Second Lien Note will be required to adjust its calculation for determining the amount of original issue discount it must include in gross income during future periods by treating such Note as if, on the date of such exercise, such Note had been retired and then reissued for an amount equal to its adjusted issue price on such date, and by recalculating the yield to maturity of the reissued Note by treating the amount of interest paid in-kind that increased the principal amount of such Notes (and of any prior interest paid in-kind that increased the principal amount of such Notes) as a payment that will be made on the maturity date of such reissued Note.

For purposes of determining the yield to maturity, if the issue price of the Modified Second Lien Notes is less than the stated principal amount, a holder must assume that IHC will exercise the option to issue additional Modified Second Lien Notes. To the extent the interest payable in kind on the Modified Second Lien Notes is paid in cash by IHC for any interest payment period, the Modified Second Lien Notes are treated as if IHC made a pro rata prepayment, which reduces the amount of each payment remaining on the Modified Second Lien Notes. The Modified Second Lien Notes would be treated as consisting of two debt instruments, one that is retired on the interest payment date and one that remains outstanding after the interest payment date. The adjusted issue price, adjusted basis in the hands of the holder, and accrued original issue discount of the original Modified Second Lien Notes would be allocated between the two instruments based on the portion of the original Modified Second Lien Notes treated as retired. The pro rata prepayment and deemed retirement of a portion of the Modified Second Lien Notes may result in gain or loss to a holder of the Modified Second Lien Notes.

Each payment made in cash on a Modified Second Lien Note, other than a payment of qualified stated interest, will be treated first as a payment of any accrued original issue discount that has not been allocated to prior payments and second as a payment of principal (which is not includible in income), and no portion of such payments will be treated as prepaid interest. A holder of a Modified Second Lien Note generally is not required to include separately in income cash payments received on such note to the extent such payments constitute payments of previously accrued original issue discount.

If a holder's initial tax basis in the Modified Second Lien Notes is greater than the issue price of such Notes but less than the stated redemption price at maturity, such holder generally will be considered to have "acquisition premium" with respect to the Modified Second Lien Notes, which may reduce the amount of original issue discount that the holder is required to include in taxable income. The stated redemption price at maturity generally will include all payments of principal and interest under the Modified Second Lien Notes, other than payments of qualified stated interest. Furthermore, if, immediately after the Effective Date, a holder's initial tax basis in its Modified Second Lien Notes exceeds the stated redemption price at maturity, the Modified Second Lien Notes would be treated as issued with bond premium, and no original issue discount would be required to be included in the gross income of the holder in respect of such Notes. In addition, a holder may elect to amortize the bond premium. Any election to amortize bond premium applies to all taxable debt obligations held at the beginning of the first taxable year to which the election applies or acquired thereafter, and may not be revoked without the consent of the IRS.

IHC will report annually to the IRS and to record holders information with respect to the amount of original issue discount accruing during the calendar year.

(iv) Sale, Exchange, or Other Taxable Disposition of Modified Second Lien Notes

A holder will generally recognize capital gain or loss upon the sale, exchange, or other taxable disposition of Modified Second Lien Notes in an amount equal to the difference between (x) the amount realized by such holder (less any amount attributable to accrued and unpaid interest not previously included in income, which will be treated as ordinary interest income) and (y) such holder's adjusted tax basis in the Modified Second Lien Notes. Any such gain or loss will be long-term if the Modified Second Lien Notes have been held for more than one year. The deductibility of capital losses is subject to limitations.

(e) Holding Notes Claims

Holders of Holding Notes Claims may recognize gain or loss on the exchange of such Claims for New Common Stock and Holding Warrants. Although the tax treatment of the exchange is unclear, the Debtors believe that even if certain of the Holding Notes Claims constitute securities, the exchange of Holding Notes Claims for New Common Stock and Holding Warrants likely may not be a tax-free reorganization because the Holding Notes Claims were issued by Holding and will be exchanged for equity in Group.

If the exchange is not a tax-free reorganization, Holders of Holding Notes Claims recognize gain or loss equal to the difference between: (i) the fair market value of the New Common Stock and Holding Warrants (as of the date such Stock and Holding Warrants are distributed to the Holder) received in exchange for the Holding Notes Claims, and (ii) the Holder's adjusted basis in the Holding Notes Claims. Such gain or loss should be capital in nature so long as the Holding Notes Claims are held as capital assets (subject to the market discount rules described above) and should be long-term capital gain or loss if the Holding Notes Claims were held for more than one year. To the extent that a portion of the New Common Stock and Holding Warrants received in exchange for the Holding Notes Claims is allocable to accrued but untaxed interest, the Holder may recognize ordinary income. If gains or losses are recognized, a Holder's tax basis in New Common Stock and Holding Warrants received should equal the fair market value of the New Common Stock and Holding Warrants as of the date such Stock and Holding Warrants are distributed to the Holder, and a Holder's holding period for New Common Stock and Holding Warrants should begin on the day following the Effective Date.

If the exchange of Holding Notes Claims for New Common Stock and Holding Warrants were to constitute a tax-free reorganization, Holders of Holding Notes Claims that are exchanged for New Common Stock and Holding Warrants should not recognize gain or loss on such exchange, except with respect to the market discount rules and to the extent that the New Common Stock and Holding Warrants are attributable to accrued but unpaid interest, each as discussed above. A Holder's tax basis in its New Common Stock and Holding Warrants should equal its adjusted tax basis in the Holding Notes Claims surrendered, and the Holder's holding period for such New Common Stock and Holding Warrants should include the period during which such Holder held its Holding Notes Claims.

(f) Group Notes Claims

If a Group Notes Claim constitutes a "security," then a Holder of a Group Notes Claim generally would not recognize any gain or loss as a result of the deemed exchange of such Claim for Group Warrants (except as discussed above with respect to accrued but unpaid interest and market discount). The tax basis of the Group Warrants received in such an exchange generally would equal the Group Notes Claim Holder's adjusted tax basis in the Claim immediately before the exchange, and the Holder's holding period with respect to its Group Warrants received in the exchange generally would include the holding period for the Claim surrendered in exchange therefor.

Holders of Group Notes Claims that are not securities may recognize gain or loss equal to the difference between: (i) the fair market value of the Group Warrants (as of the date such Group Warrants are distributed to the Holder) received in exchange for the Group Notes Claims, and (ii) the Holder's adjusted basis in the Group Notes Claims. Such gain or loss should be capital in nature so long as the Group Notes Claims are held as capital assets (subject to the market discount rules described above) and should be long-term capital gain or loss if the Group Notes Claims were held for more than one year. To the extent that a portion of the Group Warrants received in exchange for the Group Notes Claims is allocable to accrued but untaxed interest, the Holder may recognize ordinary income. If gains or losses are recognized, a Holder's tax basis in the Group Warrants received should equal the fair market value of the Group Warrants as of the date such Group Warrants are distributed to the Holder, and a Holder's holding period for the Group Warrants should begin on the day following the Effective Date.

(g) Old Common Stock Interests

The Plan provides that each Holder of an Old Common Stock Interest will receive such Holder's pro rata share of the Contingent Value Rights ("CVRs"). The United States federal income tax treatment of a Holder's exchange of its Old Common Stock Interests for a pro rata share of the CVRs is not clear. Such treatment will depend in part on whether the receipt of such interest is a "closed transaction" or an "open transaction" for United States federal income tax purposes, and in part on whether the CVRs are treated as a right to payment under a contract or as a debt instrument for United States federal income tax purposes. Open transaction treatment will apply only if the fair market value of the CVRs cannot be ascertained at the time of the exchange. Because the amount payable under the CVRs is entirely contingent upon future events that will determine the amount of the recoveries to Holders of Old Common Stock Interests, the CVRs should not be treated as a debt instrument for United States federal income tax purposes.

The Debtors believe and intend to take the position that closed transaction treatment applies and that the CVR is a right to payment under a contract. The IRS is not bound by any position taken by the Debtors, and may characterize the CVR as a debt instrument or otherwise. The IRS may also determine that open transaction treatment, rather than closed transaction treatment, applies to the exchange. If the IRS disagrees with any position taken by the Debtors, the tax treatment to Holders of who receive their respective pro rata shares of the CVRs in exchange for their respective Old Common Stock Interests may be materially different from the closed transaction treatment described below.

Treatment as a Closed Transaction. If a Holder's exchange of its Old Common Stock Interests for a pro rata share of the CVRs is treated as a closed transaction for United States federal income tax purposes, then, the Holder will generally recognize gain or loss on the exchange equal to the difference between (i) the fair market value of the Holder's pro rata share of the CVRs on the Effective Date and (ii) the Holder's adjusted tax basis in its Old Common Stock Interests. Such gain or loss should be capital in nature so long as the Old Common Stock Interests are held as capital assets and should be long-term capital gain or loss if the Old Common Stock Interests were held for more than one year. The Holder's initial tax basis in its pro rata share of the CVRs will equal its fair market value on the Effective Date. The Holder's holding period for its pro rata share of the CVRs will begin on the day following the Effective Date.

If a payment is made in the future with respect to the CVRs, each Holder of CVRs will recognize gain in the amount by which the payment (other than the portion characterized as interest as described below) exceeds the Holder's tax basis in its pro rata share of the CVRs. If no payment is made, or if the payment is less than the Holder's tax basis in its pro rata share of the CVRs, the Holder will recognize a loss.

Although not free from doubt, any payment made in the future to a Holder of a pro rata share of the CVRs should be treated as a payment under a contract for the sale or exchange of such Holder's Old Common Stock Interests to which Section 483 of the Tax Code applies. Under Section 483, a portion of the payment made pursuant to the CVRs would be treated as interest, which will be ordinary income to the holders of the CVRs. The interest amount will equal the excess of the amount received over its present value on the date of the exchange, calculated using the applicable federal rate (the "AFR") as the discount rate. The AFR is a rate reflecting an average of market yields on Treasury debt obligations for different ranges of maturities that is published monthly by the IRS. The maturity range of the relevant AFR will correspond to the period from the date of the exchange to the date the amount is received or deemed received. Each holder of a pro rata share of the CVRs will include Section 483 interest in income using such holder's regular method of accounting (such amount being taken into account when paid, in the case of a cash method holder, and when fixed, in the case of an accrual method holder). The portion of the payment made pursuant to a holder's pro rata share of the CVRs that is not treated as interest under Section 483 will be treated as sales proceeds from the exchange of such pro rata share, as discussed above.

In the event that the CVRs are treated as a debt instrument for United States federal income tax purposes, the tax treatment would be as described above except that, instead of including interest income at the time of payment under Section 483, a holder of a pro rata share of the CVRs would be required to include currently an amount in income as interest (based on the yield of "comparable" debt instruments) in advance of the receipt of any cash payment, regardless of the holder's method of accounting.

Treatment as Open Transaction. If a Holder's receipt of a pro rata share of the CVRs in exchange for its Old Common Stock Interests is treated as an "open transaction" for United States federal income tax purposes, the Holder would not take such pro rata share of the CVRs into account on the date of the exchange for purposes of determining gain or loss with respect to the exchange. Instead, in such event, the Holder would take no tax basis in its pro rata share of the CVRs, but would be subject to tax as payments with respect to the CVRs are made or deemed made in accordance with the holder's regular method of accounting. A portion of such payments would be treated as interest income under Section 483 (as discussed above), then as a recovery of basis in its Old Common Stock Interests, and the balance, in general, as capital gain. To the extent that a Holder has unrecovered basis in its Old Common Stock Interests after all payment rights under the CVRs terminate, such unrecovered basis generally will be treated as a capital loss. It is the position of the IRS, as reflected in the applicable Regulations, that only in "rare and extraordinary cases" is the value of property so uncertain that open transaction treatment is available. As noted above, the Debtors intend to take the position that open transaction reporting should not apply with respect to the CVRs. Accordingly, Holders who receive a pro rata share of the CVRs in exchange for their Old Common Stock Interests are urged to consult their tax advisors regarding this issue.

3. Information Reporting and Backup Withholding

Certain payments, including payments of dividends, if any, on the New Common Stock and the proceeds from the sale or other taxable disposition of the New Common Stock, are generally subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding at a rate of 28% unless the taxpayer: (i) comes within certain exempt categories (for example, corporations are exempt) and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

4. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES OF THE PLAN ARE IN MANY CASES COMPLEX, UNCLEAR AND UNCERTAIN AND MAY VARY DEPENDING ON A NUMBER OF DIFFERENT FACTORS, INCLUDING A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES.

ACCORDINGLY, CLAIMHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

X. FEASIBILITY OF THE PLAN AND BEST INTEREST OF CREDITORS

A. Feasibility of the Plan

To confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. This requirement is imposed by section 1129(a)(11) of the Bankruptcy Code and is referred to as the "feasibility" requirement. The Debtors believe that they will be able to perform timely all obligations described in the Plan, and, therefore, that the Plan is feasible.

To demonstrate the feasibility of the Plan, the Debtors have prepared financial Projections for Fiscal Years   through   , as set forth in Appendix B attached to this Disclosure Statement. The Projections indicate that the Reorganized Debtors should have sufficient cash flow to pay and service their debt obligations and to fund their operations, as well as operating and financial metrics that should support, if necessary, refinancing of maturing obligations. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. As noted in the Projections, however, the Debtors caution that no representations can be made as to the accuracy of the Projections or as to the Reorganized Debtors' ability to achieve the projected results. Many of the assumptions upon which the Projections are based are subject to uncertainties outside the control of the Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Debtors' financial results. Therefore, the actual results can be expected to vary from the projected results and the variations may be material and adverse. See Section VIII – Risk Factors To Be Considered for a discussion of certain risk factors that may affect financial feasibility of the Plan.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE PRACTICES RECOGNIZED TO BE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, OR THE RULES AND REGULATIONS OF THE SEC REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS. ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS, SOME OF WHICH IN THE PAST HAVE NOT BEEN ACHIEVED AND WHICH MAY NOT BE REALIZED IN THE FUTURE, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE PROJECTIONS.

B. Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims and Interests vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ($^2/_3$) in dollar amount and more than one half ($^1/_2$) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, Classes 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, and 6A vote to accept the Plan only if two-thirds ($^2/_3$) in amount and a majority in number actually voting in each Class cast their Ballots in favor of acceptance. In accordance with section 1126(d) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, a class of impaired interests accepts or rejects a plan if holders of at least two-thirds (2/3) in dollar amount of interests vote to accept or to reject the plan, counting only those who actually vote to accept or to reject the plan. Thus Class 10(a)A votes to accept the Plan only if two-thirds (2/3) in amount actually voting in the Class cast their votes in favor of the acceptance Holders of Claims or Interests who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

Even if a plan is accepted by the holders of each class of claims and interests, the Bankruptcy Code requires a Bankruptcy Court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The “best interests” test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a Bankruptcy Court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the Debtors were liquidated under chapter 7, a Bankruptcy Court must first determine the aggregate dollar amount that would be generated from a debtor’s assets if its Chapter 11 Cases were converted to chapter 7 cases under the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the debtor’s assets by a chapter 7 trustee.

If a liquidation were to occur in these cases, the costs and expenses associated with a liquidation of the Debtors and their non-debtor operating subsidiaries would materially erode the liquidation value available to unsecured creditors. More specifically, costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in the Chapter 11 Cases (such as compensation of attorneys, financial advisors and accountants) that are allowed in the chapter 7 cases, litigation costs, and claims arising from the operations of the debtor during the pendency of the Chapter 11 Cases. Moreover, such a liquidation would likely lead to market asset value degradation due to the lack of available credit to fund acquisitions as well as the migration of existing customers prior to realization of meaningful recoveries from the sale of assets.

Once the court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

The Bankruptcy Code requires that each holder of an impaired Claim or Interest either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

THE FOLLOWING LIQUIDATION ANALYSIS (THE “ANALYSIS”) HAS BEEN PREPARED BY THE DEBTORS WITH THE ASSISTANCE OF THEIR FINANCIAL ADVISOR, CRT INVESTMENT BANKING LLC (“CRT”), AS AN ESTIMATE OF THE VALUES WHICH MIGHT BE REALIZED BY ALL CLASSES OF CREDITORS IN THE EVENT THE ASSETS OF THE DEBTORS WERE TO BE LIQUIDATED IN CHAPTER 7 PROCEEDINGS UNDER THE BANKRUPTCY CODE. A CHAPTER 7 LIQUIDATION CONSISTS GENERALLY OF THE CESSATION OF BUSINESS, THE IDENTIFICATION AND ASSEMBLY OF ASSETS, AND THE INITIATION OF DISTRESSED OR “FORCED” SALES OF THE DEBTORS’ ASSETS BY A COURT-APPOINTED CHAPTER 7 TRUSTEE, WITH SUBSEQUENT DISTRIBUTION OF THE NET PROCEEDS OF SUCH ASSET DISPOSITIONS TO CREDITORS IN ACCORDANCE WITH STATUTORY PRIORITIES. THIS ANALYSIS HAS BEEN PREPARED ASSUMING THAT THE DEBTORS’ ASSETS,

INCLUDING ASSETS OF NON-DEBTOR AFFILIATES, ARE LIQUIDATED. HOWEVER, AS THE MAJORITY OF THE DEBTORS' ASSETS ARE HELD BY AND OPERATED BY SUBSIDIARIES IN VARIOUS COUNTRIES OUTSIDE THE UNITED STATES, THE LIQUIDATION PROCESS WOULD BE CONDUCTED ACCORDING TO THE APPLICABLE LAWS IN THOSE COUNTRIES, WHICH MAY OR MAY NOT DIFFER FROM THE U.S. CHAPTER 7 PROCESS.

In a forced liquidation of all operating businesses there is the potential for rapid erosion of the customer base and value. Approximately 20% to 25% of the Company's current revenue stream is from sale of wholesale services to other telecom carriers around the globe. While this business generates low margins and is highly volatile (generally, the contracts with carriers can be terminated immediately and pricing is subject to unilateral change) it as an essential set of relationships that permits the Company to service its wholesale and retail customers globally. In a liquidation scenario this business would shift rapidly to other carriers as there are no barriers to carriers redirecting their traffic to other carriers within a couple of days. The additional effect of such a rapid loss of the wholesale business would be increased costs and resulting declining profitability of the retail business. In a liquidation process seeking to maximize the value of the retail customer base, services would need to be maintained to customers during the sales process. Accordingly, while a general cessation of business in a chapter 7 liquidation is more likely for the domestic holding and operating businesses, it is possible that a more orderly liquidation could occur for certain foreign operating businesses. Likely sales of customer bases would involve a separate process by country and possibly even subsets of the customer bases within countries. A sale of the full business (network and related support) is less likely as it entails a buyer assuming the full cost structure. The more likely scenario is for an existing telecom provider to purchase the customer base that it could reasonably transfer onto its existing network. Thus, disruption of the wholesale business would likely reduce the value of a retail customer base since it would be difficult to service and keep intact that base pending a sale process.

The Liquidation Analysis is based on the estimated book values as of December 31, 2008, adjusted for post-petition financial claims as of the date of the chapter 11 filing.

The proceeds from chapter 7 asset sales and recoveries would be first applied to satisfy the claims of senior secured creditors and the costs and expenses of the chapter 7 case (such as the fees of the trustee, counsel and other professionals including financial advisors and accountants retained by the trustee, asset disposition expenses, litigation costs, and claims arising from the wind-down of operations of the Debtors' business during the chapter 7 proceedings).

THIS ANALYSIS REPRESENTS THE DEBTORS' ESTIMATE OF LIQUIDATION VALUES AND RECOVERY PERCENTAGES BASED UPON HYPOTHETICAL LIQUIDATIONS WHEREBY ASSETS ARE CONVERTED INTO CASH. THE DETERMINATION OF THE HYPOTHETICAL PROCEEDS FROM THE LIQUIDATION OF ASSETS IS AN UNCERTAIN PROCESS INVOLVING NUMEROUS UNDERLYING ASSUMPTIONS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS EMPLOYED IN DETERMINING THE LIQUIDATION VALUE OF THE ASSETS WILL RESULT IN AN ACCURATE ESTIMATION OF SUCH LIQUIDATION VALUES. NEITHER THE DEBTORS NOR CRT MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ASSUMPTIONS CONTAINED HEREIN.

Primus Telecommunications Group, Incorporated
Liquidation Analysis
($000s)

		Estimated Claims(1)	Hypothetical Recovery Low		Hypothetical Recovery High	
Group Debt						
Unsecured Debt						
12.75% Senior Notes due 10/2009	$	14,939	—	*0.0%*	—	*0.0%*
3.75% Convertible Senior Notes Due 9/2010		34,839	—	*0.0%*	—	*0.0%*
Subordinated Debt						
8.00% Step-Up Convertible Notes due 8/2009		8,641	—	*0.0%*	—	*0.0%*
General Unsecured						
Trade Payables / Other Liabilities		1,796	—	*0.0%*	—	*0.0%*
Total Group Debt	$	60,216	—		—	
PTHI Debt						
Secured Debt						
Term Loan	$	96,666	$19,978	*20.7%*	$73,374	*75.9%*
Unsecured Debt						
8.00% Senior Notes due 1/2014		188,446	—	*0.0%*	—	*0.0%*
5.00% Exchangeable Senior Notes due 6/2010		23,612	—	*0.0%*	—	*0.0%*
General Unsecured						
Trade Payables / Other Liabilities		952	—	*0.0%*	—	*0.0%*
Total PTHI Debt	$	309,677	$19,978		$73,374	
IHC Debt						
Secured Debt						
14.25% Second Lien Notes due 5/2011	$	180,323	$ 176	*0.1%*	$7,895	*4.4%*
General Unsecured						
Trade Payables / Other Liabilities		3,243	—	*0.0%*	—	*0.0%*
Total IHC Debt	$	183,566	$ 176		$7,895	
PTII Debt						
Trade Payables / Other Liabilities	$	3,902	—	*0.0%*	$ 147	*3.8%*
Total PTII Debt	$	3,902	—		$ 147	

(1) Financial debt include estimated accrued interest from last payment date until 3/16/09

E. Valuation of Reorganized Group

The distributions discussed above are the product of extensive negotiations among the Debtors and certain of their creditors, including the Consenting Noteholders. As described in more detail in this Disclosure Statement, prior to the Petition Date the Debtors worked with the Consenting Noteholders to prearrange a financial restructuring that would result in brief chapter 11 cases and a material reduction of debt and interest expense.

At the request of the Debtors, CRT performed a valuation analysis of Reorganized Group. The total enterprise value of Reorganized Group was assumed for the purposes of the Plan by the Debtors, based on advice from CRT, to be between approximately $ million to $ million (with a baseline midpoint of $ million) as of an assumed Effective Date on or about the end of March 2009. [2] This analysis was based on the Debtors' financial forecasts, as well as current market conditions and statistics. The values are based upon information available to, and analyses undertaken by, CRT as of February , 2009. The foregoing reorganization total enterprise value (ascribed as of the date of this Disclosure Statement) reflects, among other factors discussed below, current financial market conditions and the inherent uncertainty as to the achievement of the financial forecasts.

The foregoing valuations are based on a number of assumptions, including a successful reorganization of the Debtors' finances in a timely manner without disruption to the business affairs of the non-Debtor operating entities, the achievement of the forecasts reflected in the financial forecasts, the availability of certain tax attributes, the outcome of certain expectations regarding market conditions, and the Plan becoming effective in accordance with its terms. The estimates of value represent hypothetical total enterprise values of Reorganized Group as the continuing operator of its business and assets, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of an operating business such as the Debtors' business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business.

In addition to the foregoing, CRT relied upon the following assumptions with respect to the valuation of the Debtors:

- The Effective Date occurs on or about the end of March , 2009.
- The valuation date is as of February , 2009.
- The Debtors are able to recapitalize with adequate liquidity as of the Effective Date.
- The total debt of the Debtors will be approximately $ million.
- The potential value of NOL's is not included in this valuation.
- General financial and market conditions, including currency exchange rates, as of the Effective Date will not differ materially from those conditions prevailing as of the date of this Disclosure Statement.

In preparing a range of the estimated total enterprise value of Reorganized Group and the going concern value of the Debtors' business, CRT: (i) reviewed certain historical financial information of the Debtors for

2 The valuation date is as of February , 2009. While the Effective Date may occur before or after the valuation date, the Company does not believe that the difference between the assumed Effective Date used in preparing the valuation and the actual Effective Date would have a material impact on the enterprise value of Reorganized Group set forth in the valuation.

recent years and interim periods; (ii) reviewed certain internal financial and operating data of the Debtors, including financial and operational financial forecasts developed by management relating to its business and prospects; (iii) met with certain members of senior management of the Debtors to discuss operations and future prospects; (iv) reviewed the financial forecasts as prepared by the Debtors and CRT; (v) reviewed publicly available financial data; (vi) considered certain economic and industry information relevant to the operating business; and (vii) conducted such other analyses as CRT deemed appropriate. Although CRT conducted a review and analysis of the Debtors' business, operating assets and liabilities and strategic initiatives being pursued by current management, CRT assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors and publicly available information. In addition, CRT did not independently verify the assumptions underlying the financial forecasts in connection with such valuation. No independent evaluations or appraisals of the Debtors' assets were sought or were obtained in connection therewith.

In performing its analysis, CRT used the following valuation methodologies:

- Discounted Cash Flow Methodology. This valuation technique determines the value today (or present value) of the Debtors' current and planned strategic initiatives and operations by discounting the expected future cash flows of the Reorganized Debtors at an appropriate discount rate, or cost of capital. The discount rates, growth rates and expected future capital structure used by CRT to arrive at the going concern value of the Debtors' business were based on the public market valuation of selected public companies deemed generally comparable to the operating businesses of the Debtors and general capital market conditions. In selecting such comparable companies, CRT considered factors such as the focus of the comparable companies' businesses, geographic locations, assets and capital structures as well as such companies' current and projected operating performance relative to the Debtors and the turnaround required for the Debtors to perform as projected.
- Comparable Company Trading Methodology. This valuation technique uses public company trading multiples to determine the approximate range of a company's total enterprise value by applying the valuation multiples of selected public comparable companies. In selecting such comparable companies, CRT considered factors such as the focus of the comparable companies' businesses, geographic locations, assets and capital structures as well as such companies' current and projected operating performance relative to the Debtors. The comparable company trading analysis resulted in a range of total enterprise value to EBITDA multiples of approximately [   ]x to [   ]x.

An estimate of total enterprise value is not entirely mathematical, but rather it involves complex considerations and judgments concerning various factors that could affect the value of an operating business. Moreover, the value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business. As a result, the estimate of total enterprise value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Company, CRT or any other person assumes responsibility for their accuracy. Depending on the results of the Debtors' operations or changes in the financial markets, CRT's valuation analysis as of the Effective Date may differ from that disclosed herein.

Specifically, CRT's valuation analysis is affected by the current global economic crisis. Among the factors that must be taken into account in this historic downturn are frozen credit markets, historically low consumer confidence, a U.S. housing market that continues to search for a bottom, falling commodity prices, and unprecedented government action designed to prevent a systemic collapse. These factors can have an impact on traditional valuation methods. For example, the Discounted Cash Flow Methodology is impacted by unpredictable discount rates and refinancing availability caused by decreased liquidity, as well as markets that potentially value comparable companies below the value that would be expected in more normalized economic times. These factors similarly affect the Comparable Company Trading Methodology, in that trading multiples traditionally used in certain industries are less certain in the current macroeconomic climate. Lack of liquidity has made it difficult to sell certain businesses at any EBITDA multiple, further hindering such analysis. Essentially, the dislocation in the worldwide macroeconomic environment has caused a marked downward adjustment in asset valuations corresponding with the increased uncertainty in the global capital markets.

In addition, the valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by the Debtors' history in chapter 11, conditions affecting the Debtors' competitors or the industry generally in which the Debtors participate or by other factors not possible to predict. Accordingly, the total enterprise value estimated by CRT does not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets. The value ascribed in the analysis does not purport to be an estimate of the post reorganization market trading value. Such trading value may be materially different from the total enterprise value ranges associated with CRT's valuation analysis. Indeed, there can be no assurance that a trading market will develop for the new securities issued pursuant to the reorganization.

The distributions provided under the Plan are largely the product of extensive negotiations among the Debtors and certain of their creditors, including the Consenting Noteholders. As described in more detail in this Disclosure Statement, prior to the Petition Date the Debtors worked with the Consenting Noteholders to prearrange a financial restructuring that would result in brief chapter 11 cases and a material reduction of debt and debt service. As a result of these negotiations, the parties reached agreement with respect to the reinstatement of a portion of the IHC Second Lien Notes and allocating 50% of the New Common Stock of Reorganized Group to holders of IHC Second Lien Notes and the other 50% of the New Common Stock of Reorganized Group to holders of Holding Notes. The implied enterprise value of Reorganized Group that would result in the payment in full of the IHC Second Lien Notes Claims is $375 million. This negotiated enterprise value was reached as a result of arm's-length negotiations between sophisticated parties with a direct financial interest in the resulting outcome. As a result, in estimating potential recoveries under the Plan, the Debtors have used the midpoint of the CRT enterprise valuation, or $ million, as the basis for the low point in the recovery range, and have used the implied enterprise value of $375 million as the basis for the high point in the recovery range.

F. Application of the 'Best Interests' of Creditors Test to the Liquidation Analyses and the Valuation

It is impossible to determine with any specificity the value each Holder of an IHC Second Lien Note Claim, Holding Notes Claim, or Group Notes Claim will receive as a percentage of its Allowed Claim. The difficulty in estimating the value of recoveries for such holders is due to, among other things, the lack of any public market for the New Common Stock.

Notwithstanding the difficulty in quantifying recoveries with precision, the Debtors believe that the financial disclosures and projections contained in this Disclosure Statement imply a greater or equal recovery to holders of IHC Second Lien Note Claims, Holding Notes Claims, or Group Notes Claims than the recovery available in a Chapter 7 liquidation. Accordingly, the Debtors believe that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied.

G. Confirmation Without Acceptance of All Impaired Classes: The 'Cramdown' Alternative

In view of the deemed rejection by Holders of Class 10(b)A Other Interests and Class 10(c)A Subordinated Claims, the Debtors will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of the debtors if the plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

The Debtors believe the Plan does not discriminate unfairly with respect to Holders of Class 10(b)A Other Interests and Class 10(c)A Subordinated Claims. Holders of Claims and Interests in Classes 10(b)A and 10(c)A will not receive any distribution under the Plan, and Classes 10(b)A and 10(c)A are not entitled to payment under the absolute priority rule until all senior creditors have been paid in full.

A plan is fair and equitable as to a class of unsecured claims which rejects a plan if the plan provides (i) for each holder of a claim included in the rejecting class to receive or to retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (i) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (ii) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Debtors believe that they will meet the "fair and equitable" requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Class 10(b)A Other Interests and Class 10(c)A Subordinated Claims. No Claim or Interest Holder junior to Holders in Classes 10(b)A or 10(c)A is receiving any recovery pursuant to their Claim or Interest, thereby satisfying section 1129(b) with respect to Classes 10(b)A and 10(c)A. While Class 9A, 9B, 9C, and 9D Equity Interests in the Debtors' Subsidiaries are being reinstated pursuant to an agreement to distribute membership interests in the Reorganized Debtors, that treatment is not on account of the Claims or interests of Classes 9A, 9B, 9C, and 9D. The agreement was formulated pursuant to discussions with the Consenting Noteholders, and reflects their interest in the future corporate structure of the Debtors. Thus, the treatment of Classes 9A, 9B, 9C, and 9D is not being made on account of the claims of that class, but upon the wishes of the Consenting Noteholders.

H. Retention of Jurisdiction

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim or Priority Tax Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

(b) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

(c) resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor or the Reorganized Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

(d) ensure that distributions to Holders of Claims and Interests are accomplished pursuant to the provisions of the Plan and the Bankruptcy Code;

(e) decide or resolve any motions, adversary proceedings, contested, or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

(f) enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, this Disclosure Statement, or the Confirmation Order;

(g) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, or any entity's rights arising from or obligations incurred in connection with the Plan or such documents;

(h) approve any modification of the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of this Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, this Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, this Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, this Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

(i) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 503(b), 1103, and 1129(c)(9) of the Bankruptcy Code, which shall be payable by the Debtors only upon allowance thereof pursuant to an order entered by the Bankruptcy Court, provided, however, that the fees and expenses of the Reorganized Debtors, incurred after the Effective Date, including counsel fees, may be paid by the Reorganized Debtors in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(j) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation, or enforcement of the Plan or the Confirmation Order;

(k) hear and determine Causes of Action by or on behalf of the Debtors or the Reorganized Debtors;

(l) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(m) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or distributions pursuant to the Plan are enjoined or stayed;

(n) determine any other matters that may arise in connection with or relate to the Plan, this Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement, or document created in connection with the Plan, this Disclosure Statement or the Confirmation Order;

(o) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

(p) hear and determine all matters related to (i) the property of the Estates from and after the Confirmation Date and (ii) the activities of the Reorganized Debtors;

(q) hear and determine disputes with respect to compensation of the Reorganized Debtors' professional advisors;

(r) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code;

(s) hear and determine any issue relating to the injunction under Section 13.10 of the Plan; and

(t) enter an order closing the Chapter 11 Cases.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims and Interests the potential for the greatest recovery and, therefore, is in the best interests of such Holders. The Plan as presented is the result of extensive negotiations among the Debtors and the Consenting Noteholders.

If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan of reorganization or (ii) liquidation of the Debtors under chapter 7 or 11 of the Bankruptcy Code.

A. Alternative Plan(s) of Reorganization

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors may attempt to formulate and to propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of assets, or a combination of both.

The Debtors' business could suffer from increased costs, erosion of customer confidence and liquidity difficulties if they remained debtors in possession during a lengthy chapter 11 process while trying to negotiate a plan of reorganization.

The Debtors believe that the Plan, which is the result of extensive negotiations between the Debtors and the Consenting Noteholders, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any later alternative plan of reorganization, the Plan has the greatest chance to be confirmed and consummated.

B. Liquidation Under Chapter 7 or Chapter 11

If no plan is confirmed, the Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtors.

The Debtors believe that in a liquidation under chapter 7, before creditors received any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' Estates. Outstanding letters of credit which would otherwise not be drawn would be drawn. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

The Debtors could also be liquidated pursuant to the provisions of a chapter 11 plan of reorganization. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the Holders of Claims under a chapter 11 liquidation plan probably would be delayed substantially.

Although preferable to a chapter 7 liquidation, the Debtors believe that any alternative liquidation under chapter 11 is a much less attractive alternative to Holders of Claims and Interests than the Plan because of the greater return the Debtors believe is provided to creditors under the Plan, particularly given the current global economic situation, depressed asset valuations, and the lack of availability of credit to potential acquirers of assets.

XII. THE SOLICITATION; VOTING PROCEDURE

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if (a) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest and (b) the claim or interest is "impaired" by the plan.

Under Section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Classes Entitled to Vote to Accept or to Reject the Plan

Holders of Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A Claims or Interests are entitled to vote to accept or to reject the Plan. By operation of law, each unimpaired Class of Claims or Interests is deemed to have accepted the Plan and each impaired Class of Claims or Interests that will receive nothing under the Plan is deemed to have rejected the Plan and, therefore, the Holders of Claims or Interests in such Classes are not entitled to vote to accept or to reject the Plan. Consequently, Classes 1A, 1B, 1C, 1D, 2A, 2B, 2C, 2D, 7A, 7B, 7C, 7D, 8A, 8B, 8C, 8D, 9A, 9B, 9C, and 9D are deemed to have accepted the Plan and Classes 10(b)A and 10(c)A are deemed to have rejected the Plan; and, therefore, none of the Holders of Claims or Interests in such Classes are entitled to vote to accept or to reject the Plan.

C. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of ballots will be determined by the Voting Agent and the Debtors in their sole discretion, which determination will be final and binding. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular ballot. The interpretation (including the ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

D. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. To be valid, a notice of withdrawal must (i) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (ii) be signed by the withdrawing party in the same manner as the ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn, and (iv) be received by the Voting Agent in a timely manner at Financial Balloting Group, LLC, Attention: Primus Ballot Tabulation, 757 Third Avenue, 3rd Floor, New York, New York, 10017. The Debtors intend to consult with the Voting Agent to determine whether any withdrawals of ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by the Voting Agent will not be effective to withdraw a previously cast ballot.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed ballot may revoke such ballot and change his or its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

E. Special Instructions for Holders of Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, and 10(a)A Claims or Interests

If you are the Holder of any Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, or 10(a)A Claim or Interest, or if you are acting on behalf of the Holder of any of such Claims or Interests, please carefully review the special instructions that accompany your ballot. If you have any questions, please contact the Voting Agent.

The Voting Record Date for determining which Holders of IHC Second Lien Notes, Holding Notes, Group Notes, and Old Common Stock are entitled to vote on the Plan is **[ ]**, 2009. The Indenture Trustee for the IHC Second Lien Notes, Holding Notes, and Group Notes will not vote on behalf of the Holders of such notes. Holders must submit their own ballots.

1. Beneficial Owners

A beneficial owner holding IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock as record holder in its own name may vote using either a master ballot or a beneficial owner ballot. The ballot must be completed, signed and returned to the Voting Agent on or before the Voting Deadline using the self-addressed, postage-paid envelope provided.

A beneficial owner holding IHC Second Lien Notes, Holding Notes, Group Notes, and Old Common Stock in "street name" through a nominee may vote on the Plan by one of the following two methods (as selected by such beneficial owner's nominee). See Article XII.E.2.

(a) Complete and sign the beneficial owner ballot provided by the nominee. Return the ballot to the nominee as promptly as possible and in sufficient time to allow such nominee to process the ballot and return it to the Voting Agent by the Voting Deadline. If no self-addressed, postage-paid envelope was provided by the nominee, contact the nominee for instructions; or

(b) If the nominee provides a pre-validated beneficial owner ballot (as described below), complete the pre-validated ballot and return it to the Voting Agent by the Voting Deadline using the return envelope provided in the Solicitation Package.

Any beneficial owner ballot returned to a nominee by a beneficial owner will not be counted for purposes of acceptance or rejection of the Plan unless such nominee properly completes and delivers to the Voting Agent either the beneficial owner ballot or a master ballot that reflects the vote of such beneficial owner.

If any beneficial owner owns IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock through more than one nominee, such beneficial owner may receive multiple mailings containing beneficial owner ballots. The beneficial owner should execute a separate ballot for each block of IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock that it holds through any particular nominee and return each ballot to the respective nominee in the envelope provided therewith. Beneficial owners who execute multiple ballots with respect to IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock held through more than one nominee must indicate on each ballot the names of ALL such other nominees and the additional amounts of such IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock so held and voted. If a beneficial owner holds a portion of the IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock through a nominee and another portion as a record holder, the beneficial owner should follow the procedures described in subparagraph (1)(a) above to vote the portion held of record and the procedures described in subparagraph (1)(b) above to vote the portion held through a nominee.

2. Nominees

A nominee that on the Voting Record Date is the registered holder of IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock for a beneficial owner can obtain the votes of the beneficial owners of such IHC Second Lien Notes, Holding Notes, or Group Notes, consistent with customary practices for obtaining the votes of securities held in "street name," in one of the following two ways:

(a) The nominee may "pre-validate" a beneficial owner ballot by (i) signing the ballot; (ii) indicating on the ballot the name of the registered holder, the amount of IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock held by the nominee for the beneficial owner, and the account numbers for the accounts in which such IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock are held by the nominee; and (iii) forwarding such ballot, together with this Disclosure Statement, return envelopec and other materials requested to be forwarded, to the beneficial owner for voting. The beneficial owner must then complete the information requested in the ballot and return the ballot directly to the Voting Agent in the pre-addressed, postage-paid envelope so that it is RECEIVED by the Voting Agent before the Voting Deadline. A list of the beneficial owners to whom "pre-validated" beneficial owner ballots were delivered should be maintained by nominees for inspection for at least one year from the Voting Deadline; or

- If the nominee elects not to pre-validate the beneficial owner ballot, the nominee may obtain the votes of beneficial owners by forwarding to the beneficial owners the unsigned beneficial owner ballot, together with this Disclosure Statement, a return envelope provided by, and addressed to, the nominee, and other materials requested to be forwarded. Each such beneficial owner must then indicate his/her or its vote on the ballot, complete the information requested in the ballot, review the certifications contained in the ballot, execute the ballot, and return the ballot to the nominee. After collecting the beneficial owner ballot, the nominee should, in turn, complete a master ballot compiling the votes and other information from the beneficial owner ballot, execute the master ballot, and deliver the master ballot to the Voting Agent so that it is RECEIVED by the Voting Agent before the Voting Deadline. All beneficial owner ballots returned by beneficial owners should either be forwarded to the Voting Agent (along with the master ballot) or retained by nominees for inspection for at least one year from the Voting Deadline. **EACH NOMINEE SHOULD ADVISE ITS BENEFICIAL OWNERS TO RETURN THEIR BENEFICIAL OWNER BALLOTS TO THE NOMINEE BY A DATE CALCULATED BY THE NOMINEE TO ALLOW**

IT TO PREPARE AND RETURN THE MASTER BALLOT TO THE VOTING AGENT SO THAT IT IS RECEIVED BY THE VOTING AGENT BEFORE THE VOTING DEADLINE.

3. Delivery of IHC Second Lien Notes, Holding Notes, Group Notes, and Old Common Stock

The Debtors are not at this time requesting the delivery of, and neither the Debtors nor the Voting Agent will accept, certificates representing any IHC Second Lien Notes, Holding Notes, Group Notes, or Old Common Stock.

UNLESS THE MASTER BALLOT OR PRE-VALIDATED BENEFICIAL OWNER BALLOT BEING FURNISHED IS TIMELY SUBMITTED TO THE VOTING AGENT ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN; *PROVIDED, HOWEVER,* THAT THE DEBTORS RESERVE THE RIGHT, IN THEIR SOLE DISCRETION, TO REQUEST OF THE BANKRUPTCY COURT THAT ANY SUCH BENEFICIAL OWNER BALLOT OR MASTER BALLOT BE COUNTED. **IN NO CASE SHOULD A BENEFICIAL OWNER BALLOT OR MASTER BALLOT BE DELIVERED TO ANY ENTITY OTHER THAN THE NOMINEE OR THE VOTING AGENT, AND IN NO CASE SHOULD ANY IHC SECOND LIEN NOTES, HOLDING NOTES, GROUP NOTES, OR OLD COMMON STOCK BE DELIVERED TO THE DEBTORS, ANY OF THEIR ADVISORS, OR THE VOTING AGENT.**

F. Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Class 3A, 3B, 3C, 3D, 4A, 4B, 4C, 5A, 5B, 6A, or 10(a)A Claim or Interest or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Order), please contact:

Financial Balloting Group LLC
757 Third Avenue, 3rd Floor
New York, New York 10017
Telephone: (646) 282-1800
Attention: Primus Ballot Tabulation

XIII. CONCLUSION AND RECOMMENDATION

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will result in the greatest recoveries to Holders of Claims and Interests. Other alternatives would involve significant delay, uncertainty, substantial additional administrative costs, and erosion of enterprise values.

Consequently, the Debtors urge all Holders of Claims and Interests to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received by Epiq Bankruptcy Solutions, LLC on or before 5:00 p.m., prevailing Eastern time, on **[ ]**, 2009.

Dated: April [ ], 2009

Respectfully Submitted,

Primus Telecommunications Group, Incorporated
(for itself and on behalf of the Subsidiary Debtors)

By: ______________________________
Name:
Title:

Counsel:

George N. Panagakis
T. Kellan Grant
Nathan L. Stuart
Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

- and -

Eric M. Davis (I.D. No. 3621)
Davis Lee Wright (I.D. No. 4324)
Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
(302) 651-3000

Counsel for Debtors and
Debtors in Possession

APPENDIX A

JOINT PLAN OF REORGANIZATION
OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED AND ITS AFFILIATE DEBTORS

APPENDIX B

FINANCIAL FORECASTS

APPENDIX C

MODIFIED IHC SECOND LIEN NOTES TERM SHEET

APPENDIX D

HOLDING WARRANTS TERM SHEET

APPENDIX E

GROUP WARRANTS TERM SHEET

APPENDIX F

CONTINGENT VALUE RIGHTS TERM SHEET

APPENDIX G

ELECTIVE TERM LOAN TREATMENT SUMMARY

Exhibit 10.10

PLAN SUPPORT AGREEMENT

This PLAN SUPPORT AGREEMENT is made and entered into as of March 16, 2009 (as may be amended from time to time in accordance with the terms set forth herein, this "Agreement") by and among the following parties:

(a) The undersigned beneficial owners of, or holders of investment authority over (subject to the addendum attached hereto) (each, a " Consenting Noteholder," and collectively, the "Consenting Noteholders"), the (i) 8% Senior Notes due 2014 (the "8% Notes") issued by Primus Telecommunications Holding, Inc. ("Holding") and guaranteed by Primus Telecommunications Group, Incorporated (" Group"), (ii) 5% Exchangeable Senior Notes due 2010 (the "5% Notes," and together with the 8% Notes, the "Holding Notes") issued by Holding and guaranteed by Group, and/or (iii) 14 $^{1}/_{4}$% Senior Secured Notes due 2011 (the "IHC Second Lien Notes") issued by Primus Telecommunications IHC, Inc. ("IHC") and guaranteed by Group, Holding and certain other subsidiaries of Group (the Holding Notes and the IHC Second Lien Notes referred to in clauses (i), (ii) and (iii) collectively referred to as the " Notes"); and

(b) Group, Holding, IHC and Primus Telecommunications International, Inc. ("PTII") (Group, Holding, IHC and PTII collectively, the " Debtors") (the Debtors, each of the foregoing Consenting Noteholders and any subsequent person that becomes a party hereto as a Consenting Noteholder (pursuant to the Joinder attached hereto as Exhibit B), a "Party," and collectively, the "Parties").

RECITALS

WHEREAS, each Consenting Noteholder is the beneficial holder of a Claim, as that term is defined in section 101(5) of title 11 of the United States Code (each, a "Claim," and collectively, the "Claims");

WHEREAS, the Debtors have determined that a prompt restructuring concerning or impacting, *inter alia*, the Notes and related Claims evidenced thereby pursuant to the terms of this Agreement and the term sheet attached hereto as Exhibit C (the "Plan Term Sheet") would be in the best interests of its creditors and shareholders (such restructuring being, the " Restructuring");

WHEREAS, the Parties intend to implement the Restructuring through a confirmed plan of reorganization under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), the form and substance of which shall be reasonably satisfactory to the Debtors and the holders of more than a majority of the aggregate outstanding principal amount of the Claims held by each of (i) the Consenting Noteholders that hold the Holding Notes (the " Requisite Holding Noteholders") and (ii) the Consenting Noteholders that hold the IHC Second Lien Notes (the " Requisite Second Lien Noteholders");

WHEREAS, in order to implement the Restructuring, the Debtors have agreed, subject to the terms and conditions of this Agreement, (i) to prepare and file (a) a plan of reorganization that is consistent in all material respects with this Agreement and the Plan Term Sheet, and which shall be in form and substance reasonably acceptable to the Requisite Holding Noteholders and the Requisite Second Lien Noteholders (such plan of reorganization together with all exhibits thereto, the "Plan") in cases filed under chapter 11 of the Bankruptcy Code by the Debtors (the " Chapter 11 Cases") and (b) a disclosure statement that is consistent in all material respects with the terms of the Plan and the Restructuring, and which shall be in form and substance reasonably acceptable to the Requisite Holding Noteholders and the Requisite Second Lien Noteholders (the " Disclosure Statement"), and (ii) to use commercially reasonable efforts to have the Disclosure Statement approved and the Plan confirmed by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") pursuant to an order confirming the Plan which shall be in form and substance reasonably acceptable to the Requisite Holding Noteholders and the Requisite Second Lien Noteholders (the " Confirmation Order");

WHEREAS, the Parties have engaged in good faith negotiations with the objective of reaching an agreement with regard to the Restructuring;

WHEREAS, each Consenting Noteholder has reviewed, or has had the opportunity to review, this Agreement and the Plan Term Sheet with the assistance of professional legal advisors of its own choosing; and

WHEREAS, each Consenting Noteholder desires to support and vote to accept the Plan, and the Debtors desire to support and pursue the Plan, in each case subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants and agreements set forth herein and for other good and valuable consideration, the Parties agree as follows:

AGREEMENT

Section 1. Agreements of the Consenting Noteholders.

1.1 Ownership.

Each Consenting Noteholder represents, severally and not jointly that, as of the date hereof:

(a) it is the legal owner, beneficial owner and/or holder of investment authority over, and has the full power to vote, dispose of and compromise, the aggregate principal amount of each series of Notes set forth opposite such Consenting Noteholder's name on the signature pages hereof, and the registered holder and the custodial party for such Consenting Noteholder's Notes are set forth on Exhibit A hereto (which Exhibit A shall remain confidential unless disclosure is required by court order or such Consenting Noteholder consents); and

(b) to the actual knowledge of such Consenting Noteholder, there are no other Claims of which it is the legal owner, beneficial owner and/or investment advisor relating to the Debtors unless such Consenting Noteholder does not possess the full power to vote and dispose of such Claims.

1.2 Voting by Consenting Noteholders.

As long as a Termination Event (as defined herein) has not occurred, or has occurred but has been duly waived or cured in accordance with the terms hereof, and provided that each Consenting Noteholder has been properly solicited pursuant to sections 1125 and 1126 of the Bankruptcy Code, each Consenting Noteholder agrees (x) to cast all votes to which it is entitled with respect to its Claims in favor of the Plan in accordance with the voting procedures described in the Disclosure Statement and all other solicitation materials distributed in connection therewith; (y) to the extent such election is available, not elect on its ballot to preserve Claims in respect of the Notes, if any, that such Consenting Noteholder may own that may be affected by any releases provided for under the Plan; and (z) not withdraw or revoke its acceptance unless the Plan is modified in any respect in a manner inconsistent with the Plan Term Sheet (other than modifications that are immaterial to such Consenting Noteholder), or this Agreement is terminated in accordance with its terms. Anything in this Agreement to the contrary notwithstanding, each Consenting Noteholder hereby acknowledges and agrees that all Notes owned by such Consenting Noteholder are subject to the terms and conditions of this Agreement (whether or not such Notes are listed and/or described on Exhibit A hereto or Annex II to a Joinder Agreement) and no Consenting Noteholder shall be permitted to exclude any portion of its Notes from the terms of this Agreement.

1.3 Support of Plan.

(a) Support of the Restructuring. As long as a Termination Event has not occurred, or has occurred but has been duly waived or cured in accordance with the terms hereof, each of the Consenting Noteholders agrees that, by having executed and become party to this Agreement, it will instruct its counsel to take, or instruct its counsel to cause to be taken, all actions reasonably necessary to facilitate, encourage or otherwise support the Restructuring and the transactions contemplated by the Plan Term Sheet, and that it otherwise will not take, or cause to be taken, directly or indirectly, any action opposing, inconsistent with, or that would otherwise delay the consummation of the Restructuring or the transactions contemplated by the Plan Term Sheet. Without limiting the generality of the foregoing, and subject to the last paragraph of this Section 1.3(a), each Consenting Noteholder agrees that it will,

(i) not directly or indirectly seek, solicit, participate in, support or vote in favor of any other plan, termination of the Debtors' exclusive right to file and solicit acceptances of a plan of reorganization, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Debtors that would reasonably be expected to prevent, delay or impede the restructuring of the Debtors as contemplated by the Plan Term Sheet, the Plan or any other document filed in connection with confirming the Plan that is not inconsistent with this Agreement or the Plan Term Sheet (collectively, an "Alternative Transaction");

(ii) not directly or indirectly (i) engage in, continue or otherwise participate in any negotiations regarding any Alternative Transaction, (ii) enter into a letter of intent, memorandum of understanding, agreement in principle or other agreement relating to any Alternative Transaction or (iii) withhold, withdraw, qualify or modify its approval or recommendation of this Agreement, the Plan, the Plan Term Sheet, or the Restructuring;

(iii) [Intentionally Deleted]

(iv) not oppose the Debtors' request for the entry of customary "first day" orders, so long as such "first day" orders are in form and substance reasonably acceptable to the Requisite Holding Noteholders and the Requisite Second Lien Noteholders ("the " First Day Orders");

(v) support entry of an order approving the Disclosure Statement;

(vi) support confirmation of the Plan and entry by the Bankruptcy Court of the Confirmation Order;

(vii) support the release provisions contained in the Plan;

(viii) execute and deliver customary letter(s), in form and substance reasonably acceptable to the Debtors, for distribution to holders of the Notes, stating that such Consenting Noteholder supports and has committed to vote to approve the Plan;

(ix) not object to or otherwise commence any proceeding opposing or proposing to alter any of the terms of this Agreement, the Plan Term Sheet, the Disclosure Statement or the Plan; and

(x) not knowingly encourage any other entity to object to, delay, impede, appeal or take any other action, directly or indirectly, to interfere with the implementation of the Plan.

Anything in this Section 1.3(a) or elsewhere in this Agreement to the contrary notwithstanding, nothing contained herein or in the Plan Term Sheet shall: (A) limit the ability of a Consenting Noteholder to consult with other Consenting Noteholders or the Debtors; (B) limit the rights of a Consenting Noteholder under any applicable bankruptcy, insolvency, foreclosure or similar proceeding (including the Chapter 11 Cases), including, without limitation, appearing as a party in interest in any matter to be adjudicated concerning the Debtors or any of their respective assets or properties so long as such appearance and the positions advocated in connection therewith are not materially inconsistent with the Consenting Noteholder's obligations hereunder; (C) limit the ability of a Consenting Noteholder to sell or enter into any transactions in connection with the Notes or any other Claims of such Consenting Noteholder, subject to Section 1.5 hereof; or (D) limit the rights of any Consenting Noteholder under the indenture or any other documents or agreements governing or evidencing the Notes or other Claims of such Consenting Noteholder (collectively, the "Note Documents"), or constitute a waiver or amendment of any provision of any of the Note Documents.

(b) Agreement to Forbear. Each Consenting Noteholder agrees that until this Agreement has been terminated in accordance with the terms herein, it shall not (i) take any action or otherwise pursue any right or remedy under the Note Documents, including claims against any non-Debtor issuer, guarantor or otherwise liable party under the Note Documents, or (ii) initiate or at the instruction of such Consenting Noteholder have initiated on its behalf, any litigation or proceeding of any kind with respect to the Holding Notes or the IHC Second Lien Notes, including actions against any non-Debtor issuer, guarantor or otherwise liable party under the Note Documents, other than to enforce this Agreement.

(c) Committee Matters. Notwithstanding anything contained in this Agreement to the contrary, (i) the Parties shall be permitted to become members of, and interact with, any committee of creditors appointed in the Chapter 11 Cases (a " Committee") and (ii) if a Consenting Noteholder is appointed to, and serves on a Committee, the terms of this Agreement shall not be construed to limit the Consenting Noteholder's exercise of its fiduciary duties solely in its role as a member of such Committee, and any exercise of such fiduciary duties shall not be deemed to constitute a breach of the terms of this Agreement; provided, however, that serving as a member of such Committee shall not relieve such Consenting Noteholder (in its capacity as a Consenting Noteholder and not in its capacity as a member of such Committee) of its obligations under this Agreement unless such obligations are inconsistent with its duties as a member of a Committee; *provided*, *further*, that nothing in this Agreement shall be construed as requiring any Consenting Noteholder to serve on any Committee.

1.4 Further Acquisition of Claims.

Nothing in this Agreement shall be deemed to limit or restrict the ability or right of a Consenting Noteholder to acquire any additional Notes (" Additional Notes") or other claims against or interests in the Debtors or any affiliates of the Debtors; *provided*, *however*, that in the event a Consenting Noteholder acquires any such Additional Notes (or other claims or interests) after the date hereof, such Additional Notes (and any other claims or interests) shall immediately upon such acquisition become subject to the terms of this Agreement. Notwithstanding the foregoing, each Consenting Noteholder, as applicable, acknowledges and agrees that it remains subject to and bound by any standstill or similar provisions (" Standstill Provisions") contained in any confidentiality agreement (each, a "Confidentiality Agreement") executed by the Debtors (or any one of them), on the one hand, and such Consenting Noteholder, on the other, in accordance with the terms of such Confidentiality Agreement unless such Standstill Provisions have been terminated or expired in accordance with the terms of the Confidentiality Agreement.

1.5 Transfer of Claims, Interests and Securities.

Each of the Consenting Noteholders hereby agrees, for so long as this Agreement has not been terminated (such period, the " Restricted Period"), not to directly or indirectly, (i) sell, assign, transfer, pledge, hypothecate or otherwise dispose of any of its Notes or Claims or any option, right or interest (voting, participation or otherwise) therein or (ii) grant any proxies, deposit any of its Notes in a voting trust or enter into a voting agreement with respect to any of its Notes or Claims (each such transfer, a " Transfer"), provided, however, that, notwithstanding the foregoing, and subject to the Standstill Provisions (if any) contained in any existing Confidentiality Agreement that have not been terminated or expired in accordance with the terms of such Confidentiality Agreement, a Consenting Noteholder may Transfer its Notes or Claims if (a) the transferee thereof is a Consenting Noteholder or (b) if the transferee thereof is not a Consenting Noteholder, (i) executes and delivers to the Debtors a Joinder and (ii) delivers such Joinder to Group before the close of five (5) business days after the relevant Transfer (each such transferee becoming, upon the Transfer, a Consenting Noteholder hereunder). Group, Holding and IHC, as appropriate, shall promptly acknowledge any such Transfer in writing and provide a copy of that acknowledgement to the transferor. By their acknowledgement of the relevant Transfer, Group, Holding and IHC, as appropriate, shall be deemed to have acknowledged that their obligations to the Consenting Noteholders hereunder shall be deemed to constitute obligations in favor of the relevant transferee as a Consenting Noteholder hereunder.

1.6 Representations of the Consenting Noteholders.

Each Consenting Noteholder represents, severally and not jointly that, as of the date hereof:

(a) it has full power to vote, dispose of and compromise the aggregate principal amount of its Claims;

(b) such Consenting Noteholder, or the holder for whom it acts as investment advisor or manager, is either (i) a " Qualified Institutional Buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the " Securities Act"), or (ii) an "Accredited Investor" (as such term is defined in subparagraph (1), (2), (3) or (7) of Rule 501 promulgated under the Securities Act);

(c) the financial situation of such Consenting Noteholder is such that it can afford to bear the economic risk of holding the Distributable New Equity and Holding Warrants (as such terms are defined in the Plan Term Sheet) (collectively, the "New Securities");

(d) the knowledge and experience of such Consenting Noteholder in financial and business matters is such that it, together with its advisors, is capable of evaluating the merits and risks of the investment in the New Securities;

(e) such Consenting Noteholder understands that the New Securities are a speculative investment that involve a high degree of risk of loss of its investment therein, that there may be substantial restrictions on the transferability of the New Securities and, accordingly, it may not be possible to liquidate such Consenting Noteholder's investment;

(f) in making its decision to invest in the New Securities hereunder, such Consenting Noteholder has relied upon independent investigations made by such Consenting Noteholder and, to the extent believed by such Consenting Noteholder to be appropriate, such Consenting Noteholder's representatives, including such Consenting Noteholder's own professional, tax and other advisors;

(g) such Consenting Noteholder and its representatives, if any, have received and reviewed this Agreement and all exhibits hereto, and have been given the opportunity to examine all documents and to ask questions of, and to receive answers from, Group, Holding and IHC and their representatives concerning the terms and conditions of the investment in the New Securities;

(h) it has been advised by Group that (i) the offer and sale of the New Securities has not been registered under the Securities Act, (ii) the offer and sale of the New Securities is intended to be exempt from registration pursuant to section 1145 of the Bankruptcy Code, and (iii) there is no established market for the New Securities and such a public market for the New Securities may not be established in the foreseeable future; and

(i) it is familiar with Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

Section 2. <u>Agreements of the Debtors</u>.

2.1 Implementation of the Plan.

To implement the Plan Term Sheet, the Debtors hereby agree to use their commercially reasonable efforts to:

(a) effectuate and consummate the Restructuring on the terms contemplated by this Agreement, the Plan Term Sheet and the Plan;

(b) file the Plan and the Disclosure Statement with the Bankruptcy Court on or before 5 days after the date on which the Debtors file the Chapter 11 Cases with respect to the Restructuring in the Bankruptcy Court (the " <u>Petition Date</u>"), or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders (the " <u>Filing Date</u>");

(c) obtain entry by the Bankruptcy Court of an order approving the Disclosure Statement on or before 40 days following the Filing Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(d) solicit the requisite acceptances of the Plan in accordance with section 1125 of the Bankruptcy Code on or before 75 following the Filing Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(e) move the Bankruptcy Court to enter the Confirmation Order on or before 90 days following the Filing Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders; and

(f) take no actions materially inconsistent with this Agreement, the Plan Term Sheet and the Plan or the expeditious confirmation and consummation of the Plan;

provided, *however*, that the Debtors shall have distributed such documents referenced in this Section 2.1 (which shall include the Plan, the Disclosure Statement and the Confirmation Order), the First Day Orders, and any documents, motions and orders that are material to the Restructuring and the Chapter 11 Cases, and which shall not include any documents, motions and orders that are immaterial or primarily covering case administration issues, and afforded reasonable opportunity for comment and review to the respective legal and financial advisors for the Consenting Noteholders in advance of any filing thereof. The Debtors shall not seek to implement any transaction or series of transactions that would effect a restructuring of the Debtors on terms other than the terms set forth in this Agreement and the Plan Term Sheet.

2.2 The Debtors' Fiduciary Obligations.

Notwithstanding anything to the contrary contained in this Agreement:

(a) any directors or officers of the Company (in such person's capacity as a director or officer of the Company) may take any action to the extent such person reasonably believes (after consultation with outside legal counsel) such action is required to comply with his or her fiduciary obligations under applicable law (including but not limited to any obligations to creditors, after consultation with such creditors and good faith consideration of such creditors' position), and such action shall not be deemed to constitute a breach of the terms of this Agreement.

(b) the Debtors may terminate their obligations under this Agreement by written notice to the Consenting Noteholders if the Debtors, in good faith exercise of their business judgment, and after consulting with outside counsel, determine that there is a sufficient risk of non-performance by the Debtors with respect to the financial obligations contemplated under the Plan Term Sheet and the Plan such that the Plan is no longer in the best interests of the Debtors' estates.

Section 3. Plan Term Sheet.

The Plan Term Sheet is incorporated herein by reference and is made part of this Agreement. Each of the Debtors and the Consenting Noteholders has reviewed, or has had the opportunity to review, the Plan Term Sheet and, by signing below, agrees and acknowledges that it is acceptable to and is approved by such Debtor or Consenting Noteholder. Capitalized terms used herein without definition shall have the meanings ascribed to any such terms in the Plan Term Sheet, and capitalized terms used in the Plan Term Sheet without definition shall have the meanings ascribed to any such terms in this Agreement. The general terms and conditions of the Restructuring are set forth in the Plan Term Sheet; *provided*, *however*, that the Plan Term Sheet is supplemented by the terms and conditions of this Agreement. In the event of any inconsistencies between the terms of this Agreement and the Plan Term Sheet, the Plan Term Sheet shall govern.

Section 4. Mutual Representations and Warranties.

Each of (i) the Consenting Noteholders, severally and not jointly, represents and warrants to the Debtors and (ii) the Debtors, jointly and severally, represent and warrant to the Consenting Noteholders that the following statements, as applicable, are true, correct and complete as of the date hereof:

4.1 Power and Authority.

It has all requisite power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement, the Plan Term Sheet and the Plan.

4.2 Due Organization.

Any Party that is not a natural person is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and that it otherwise has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

4.3 Enforceability.

Subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code, and Section 8.7 hereof, this Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.4 No Consent or Approval.

Except as expressly provided in this Agreement, no consent or approval is required by any other entity in order for such Party to carry out the provisions of this Agreement.

4.5 Authorization.

The execution and delivery by such Party of this Agreement and the performance of such Party's obligations hereunder have been duly authorized by all necessary action on its part.

4.6 Execution.

This Agreement has been duly executed and delivered by such Party.

4.7 Governmental Consents.

The execution, delivery and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body, except such filings as (i) are identified in the Plan Term Sheet; (ii) may be necessary and/or required under the federal securities laws; and (iii) in connection with the commencement of the Chapter 11 Cases, the approval of the Disclosure Statement and entry of the Confirmation Order.

4.8 No Conflicts.

The execution, delivery and performance of this Agreement by such Party does not and shall not (a) violate any provision of law, rule or regulations applicable to it or, as applicable, any of its subsidiaries; (b) with respect to a Party that is not a natural person, violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries; or (c) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or, as applicable, any of its subsidiaries is a party, except to the extent such contractual obligation relates to the filing of a case under the Bankruptcy Code or any action taken in furtherance thereof or the solvency of the Debtors.

Section 5. No Waiver of Participation and Preservation of Rights.

Except as expressly provided in this Agreement, nothing herein is intended to, does or shall be deemed in any manner to waive, limit, impair or restrict the ability of each of the Parties to protect and preserve its rights, remedies and interests, including, but not limited to, its Claims against any of the Debtors or its full participation in the Chapter 11 Cases. Without limiting the foregoing sentence in any way, if the transactions contemplated by this Agreement or otherwise set forth in the Plan are not consummated as provided herein, if a Termination Event occurs, or if this Agreement is otherwise terminated for any reason, the Parties each fully reserve any and all of their respective rights, remedies and interests and claims against the other Parties hereto.

Section 6. Acknowledgement and Agreement.

(a) This Agreement and the Plan Term Sheet and the transactions contemplated herein and therein are the product of negotiations between the Parties and their respective representatives. This Agreement is not and shall not be deemed to be a solicitation of votes for the acceptance of a plan of reorganization for the purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise. The Debtors will not solicit acceptances of the Plan from any Consenting Noteholder until the Consenting Noteholders have been provided with copies of a Disclosure Statement approved by the Bankruptcy Court. Each Party further acknowledges that no securities of any Debtor are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of any Debtor.

(b) Subject to the terms and conditions set forth herein, the Parties agree to negotiate in good faith all of the documents and transactions described in the Plan Term Sheet and in this Agreement.

Section 7. Termination.

7.1 Termination Events.

The term "Termination Event," wherever used in this Agreement, means any of the following events (whatever the reason for such Termination Event and whether it is voluntary or involuntary):

(a) at 5:00 p.m. prevailing Eastern Time five (5) business days after the date of this Agreement, if this Agreement has not been executed by the holders of at least two-thirds (or a majority upon the consent of the Debtors) of the outstanding principal amount of Claims held by each of (i) the holders that hold the Holding Notes (the "Threshold Holding Noteholders") and (ii) the holders that hold the IHC Second Lien Notes (the "Threshold Second Lien Noteholders").

(b) the Plan or any subsequent Plan filed by the Debtors with the Bankruptcy Court (or a Plan supported or endorsed by the Debtors) is not in a form and substance that is reasonably satisfactory to each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(c) the Debtors shall not have (i) commenced the Chapter 11 Cases in the Bankruptcy Court on or prior to March 16, 2009, or (ii) filed the Plan and Disclosure Statement with the Bankruptcy Court on or prior to the Filing Date;

(d) the Disclosure Statement is not approved on or before 60 days following the Filing Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(e) the Confirmation Order, in form and substance reasonably satisfactory to the Debtors and each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders, confirming the Plan is not entered on or before 90 days following the Filing Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(f) the effective date of the Plan shall not have occurred on or before 120 days following the Filing Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(g) the Bankruptcy Court shall not have entered an interim order approving the use of cash collateral or otherwise approving the Debtors' use of cash to fund the chapter 11 cases within 15 days of the Petition Date, or such later date as may be mutually agreed upon by Group and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(h) any of the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code;

(i) the Bankruptcy Court shall enter an order in any of the Chapter 11 Cases appointing (i) a trustee under chapter 7 or chapter 11 of the Bankruptcy Code, (ii) a responsible officer or (iii) an examiner, in each case with enlarged powers relating to the operation of the business (powers beyond those set forth in subclauses (3) and (4) of Section 1106(a)) under Section 1106(b) of the Bankruptcy Code;

(j) any of the Chapter 11 Cases are dismissed;

(k) the Confirmation Order is reversed on appeal or vacated;

(l) any Party has breached any material provision of this Agreement or the Plan Term Sheet and such breach has not been duly waived or cured in accordance with the terms hereof after a period of five (5) days following written notice to the breaching party;

(m) any court or governmental authority shall enter a final, non-appealable judgment or order declaring this Agreement or any material portion hereof to be unenforceable or enjoining the consummation of a material portion of the transactions contemplated hereby;

(n) the Debtors shall withdraw the Plan or publicly announce their intention not to support the Plan, or propose a reorganization or plan under the Bankruptcy Code other than the Plan;

(o) the Debtors inform the Consenting Noteholders in writing of their determination, under Section 2.2 hereof, that there is a sufficient risk of non-performance by the Debtors with respect to the financial obligations contemplated under the Plan such that the Plan contemplated by the Plan Term Sheet is no longer in the best interests of the Debtors' estates;

(p) the occurrence, prior to the Petition Date, of an "Event of Default" as defined in and under any indenture or other Note Documents governing the Notes, in each case, which is not waived pursuant to the terms of, or remains uncured for the applicable period under, the relevant indenture or other Note Documents;

(q) the Debtors lose the exclusive right to file and solicit acceptances of a plan of reorganization;

(r) any final definitive documents evidencing the Restructuring, or the transactions contemplated by the Plan Term Sheet (the " Definitive Documents"), including any modification or amendment thereof, provides for any terms that are not, in whole or in part, consistent in any material respect with all or any portion of the Plan Term Sheet and is not otherwise reasonably satisfactory in all respects to each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders;

(s) the Debtors file any motion or pleading with the Bankruptcy Court that is not consistent in any material respect with this Agreement or the Plan Term Sheet and such motion or pleading has not been withdrawn prior to the earlier of (i) two (2) business days of the Debtors receiving notice that such motion or pleading is inconsistent with this Agreement or the Plan Term Sheet and (ii) entry of an order of the Bankruptcy Court approving such motion;

(t) the Bankruptcy Court grants relief that is inconsistent with this Agreement or the Plan Term Sheet in any material respect;

(u) the commencement of an avoidance action affecting the rights of any Consenting Noteholder by the Debtors or the commencement of such an action by any other party; or

(v) subject to the execution of an appropriate and otherwise reasonable confidentiality agreement, the failure by the Debtors to provide to the Consenting Noteholders and their advisors, including Stroock & Stroock & Lavan LLP, and Andrews Kurth LLP (i) reasonable access to the books and records of the Debtors and (ii) reasonable access to the respective management and advisors of the Debtors for the purposes of evaluating the Debtors' respective business plans and participating in the plan process with respect to the Restructuring.

The foregoing Termination Events are intended solely for the benefit of the Debtors and the Consenting Noteholders; *provided* that neither the Debtors nor any Consenting Noteholder may seek to terminate this Agreement based upon a material breach or a failure of a condition (if any) in this Agreement arising out of its own actions or omissions. Upon a termination of this Agreement, the provisions of this Agreement (other than this Section 7.1) shall become null and void and have no further force or effect, and there shall be no continuing liability or obligation of any Party hereunder, except that no such termination shall relieve any Party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination. If this Agreement has been terminated in accordance with this Section 7.1 at a time when permission of the Bankruptcy Court shall be required for a Consenting Noteholder to change or withdraw (or cause to change or withdraw) its vote to accept the Plan, the Debtors shall not oppose any attempt by such Consenting Noteholder to change or withdraw (or cause to change or withdraw) such vote at such time.

7.2 Termination Event Procedures.

(a) Upon the occurrence of a Termination Event pursuant to Section 7.1(b) hereof, either: (i) the Requisite Holding Noteholders and/or (ii) the Requisite Second Lien Noteholders shall have the right to terminate this Agreement and the Plan Term Sheet by giving written notice to the other Parties, only if the occurrence of the Termination Event has not been waived or cured after a period of five (5) days following written notice.

(b) Upon the occurrence of a Termination Event pursuant to Section 7.1(l) hereof, either (i) the Debtors, (ii) the Requisite Holding Noteholders and/or (iii) the Requisite Second Lien Noteholders shall have the right to terminate this Agreement and the Plan Term Sheet, as to themselves, by giving written notice thereof to the other Parties.

(c) Upon the occurrence of a Termination Event contemplated by clauses (h), (i), (j), (k), (m), (n) or (o) of Section 7.1 hereof, this Agreement and the Plan Term Sheet shall automatically terminate without further action.

(d) Except as set forth in Sections 7.2(a), (b) and (c) hereof, upon the occurrence of a Termination Event, this Agreement and the Plan Term Sheet shall automatically terminate without further action unless no later than three (3) business days after the occurrence of any such Termination Event, the occurrence of such Termination Event is waived in writing by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders. The Parties hereby waive any requirement under section 362 of the Bankruptcy Code to lift the automatic stay thereunder (the "Automatic Stay") in connection with giving any such notice (and agree not to object to any non-breaching Party seeking to lift the Automatic Stay in connection with giving any such notice, if necessary). Any such termination (or partial termination) of this Agreement shall not restrict the Parties' rights and remedies for any breach of this Agreement by any Party, including, but not limited to, the reservation of rights set forth in Section 5 hereof.

If this Agreement terminates pursuant to the occurrence of a Termination Event as provided herein, with respect to either the Consenting Noteholders holding the Holding Notes or the Consenting Noteholders holding the IHC Second Lien Notes, the class of noteholders to which this Agreement has not terminated (either the Consenting Noteholders holding the Holding Notes or the Consenting Noteholders holding the IHC Second Lien Notes), can elect to terminate this Agreement as to themselves by delivering written notice to the Debtors within thirty (30) days of the occurrence of the Termination Event.

7.3 Consent to Termination.

In addition to the Termination Events set forth in Section 7.1 hereof, this Agreement may be terminated by mutual agreement of the Debtors and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders.

Section 8. Miscellaneous Terms.

8.1 Binding Obligation; Assignment.

(a) **Binding Obligation.** Subject to the provision of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is a legally valid and binding obligation of the Parties and their respective successors and assigns, other than a trustee or similar representative appointed in the Chapter 11 Cases, enforceable in accordance with its terms, and shall inure to the benefit of the Parties and their respective successors and assigns. Nothing in this Agreement, express or implied, shall give to any entity, other than the Parties and their respective successors and assigns, any benefit or any legal or equitable right, remedy or claim under this Agreement. The agreements, representations, warranties, covenants and obligations of the Consenting Noteholders contained in this Agreement are, in all respects, several and not joint.

(b) **Assignment.** No rights or obligations of any Party under this Agreement may be assigned or transferred to any other entity except as provided for herein.

8.2 Further Assurances.

The Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the agreements and understandings of the Parties set forth in this Agreement.

8.3 Headings.

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction or interpretation of any term or provision hereof.

8.4 Governing Law.

THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CHOICE OF LAWS PRINCIPLES THEREOF (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK). By its execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in either a state or federal court of competent jurisdiction in the State of New York (County of New York). By execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to jurisdiction in either a state or federal court of competent jurisdiction in the State of New York (County of New York), upon the commencement of the Chapter 11 Cases, each of the Parties hereto hereby agrees that, if the Chapter 11 Cases are pending, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement.

8.5 Complete Agreement, Interpretation and Modification.

(a) **Complete Agreement.** This Agreement, the Plan Term Sheet and the other agreements, exhibits and other documents referenced herein and therein constitute the complete agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect thereto, *provided*, *however*, that, to the extent not terminated or expired by its terms, each Confidentiality Agreement and each indenture and other Note Document shall survive this Agreement and shall continue to be in full force and effect in accordance with its terms irrespective of the terms hereof.

(b) **Interpretation.** This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) **Modification of this Agreement and the Plan Term Sheet.** This Agreement, including any exhibits or supplements hereto, may not be modified, amended or supplemented and a Termination Event may not be waived except in a writing signed by the Debtors and by each of (i) the Requisite Holding Noteholders and (ii) the Requisite Second Lien Noteholders who are not then in breach hereof; provided, however, that any modification of, or amendment or supplement to, this Section 8.5(c) shall require the written consent of all of the Parties.

8.6 Execution of this Agreement;

This Agreement may be executed and delivered (by facsimile or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Except as expressly provided in this Agreement, each individual executing this Agreement on behalf of a Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of said Party.

8.7 Effectiveness.

This Agreement shall become effective and binding upon each of the Parties that have executed and delivered counterpart signature pages hereto, if and only if, this Agreement has been executed and delivered by the Threshold Holding Noteholders and the Threshold Second Lien Noteholders; *provided, however*, that signature pages executed by Consenting Noteholders shall be delivered to (a) other Consenting Noteholders in a redacted form that removes such Consenting Noteholders' holdings of the Notes and (b) the Debtors and advisors to the Consenting Noteholders in an unredacted form.

8.8 Specific Performance.

The Parties hereto acknowledge and agree that money damages would not be an adequate remedy for any breach of the terms of this Agreement and, accordingly, the Parties hereto agree that each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach, including, without limitation, an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

8.9 Settlement Discussions.

This Agreement and the Restructuring are part of a proposed settlement of a dispute among the Parties. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

8.10 Survival.

Each of the Parties acknowledges and agrees that this Agreement is being executed in connection with negotiations concerning the Restructuring and in contemplation of the possible commencement of the Chapter 11 Cases by the Debtors. Accordingly, (i) the rights granted in this Agreement are enforceable by each signatory hereto without approval of the Bankruptcy Court, (ii) the exercise of such rights shall not violate the Automatic Stay provisions of the Bankruptcy Code and (iii) subject to their respective fiduciary out, each Party hereto hereby waives its right to assert a contrary position in the Chapter 11 Cases, if any, with respect to the foregoing.

8.11 Consideration.

The Debtors and each Consenting Noteholder hereby acknowledge that no consideration, other than that specifically described herein and in the Plan Term Sheet, shall be due or paid to the Consenting Noteholders for their agreement to vote to accept the Plan in accordance with the terms and conditions of this Agreement, other than the Debtors' agreement to use commercially reasonable efforts to obtain approval of the Disclosure Statement and to seek to confirm the Plan in accordance with the terms and conditions of the Plan Term Sheet.

8.12 Disclosure.

Until the commencement of the Chapter 11 Cases, and subject to the terms of any Confidentiality Agreement, each of the Parties hereto (a) shall keep the terms and existence of this Agreement, including the Plan Term Sheet, confidential and (b) shall not, and shall cause its and its affiliates directors, officers, partners, members, employees, agents, advisors, fiduciaries and other representatives not to, without the prior written consent of the other Parties, disclose such information in any manner whatsoever, in whole or in part; provided, however, that the foregoing shall not prohibit any party from making any filings or other disclosures that may be necessary and/or required under the federal securities laws; and provided, further, that if such disclosure is so required by law or regulation, the Debtors shall afford the Consenting Noteholders a reasonable opportunity to review and comment upon any such announcement or disclosure prior to the Debtors making such announcement or disclosure. The foregoing shall not prohibit the Debtors from disclosing the approximate aggregate holdings of Notes held by the Consenting Noteholders (but not the identity of individual Consenting Noteholders and their holdings).

8.13 Notices.

All notices hereunder shall be deemed given if in writing and delivered, if sent by facsimile, courier or by registered or certified mail (return receipt requested) to the following addresses and facsimile numbers (or at such other addresses or facsimile numbers as shall be specified by like notice):

(a) If to the Debtors, to

Primus Telecommunications Group, Incorporated
7901 Jones Branch Drive, Suite 900
McLean, Virginia 22102
Facsimile: (703) 902-2814
Attn: John F. DePodesta

With copies to

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive, Suite 1900
Chicago, Illinois 60606
Facsimile: (312) 407-0411
Attn: George Panagakis

and

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Facsimile: (213) 687-5600
Attn: Casey Fleck

(b) If to a Consenting Noteholder or a transferee thereof, to the addresses or facsimile numbers set forth below following the Consenting Noteholder's signature (or as directed by any transferee thereof), as the case may be, with copies to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Facsimile: (212) 806-6006
Attn: Kristopher M. Hansen
and
Attn: Lori E. Kata

and

Andrews Kurth LLP
450 Lexington Avenue, 15th Floor
New York, NY 10017
Facsimile: (212) 850-2929
Attn: Paul N. Silverstein
and
Attn: Jonathan I. Levine

(c) Any notice given by delivery, mail or courier shall be effective when received. Any notice given by facsimile shall be effective upon oral or machine confirmation of transmission.

8.14 Relationship Among Parties.

It is understood and agreed that no Consenting Noteholder has any duty of trust or confidence in any form with any other Consenting Noteholder, and, except as provided in this Agreement, there are no commitments among or between them. In this regard, it is understood and agreed that any Consenting Noteholder may trade in the Notes or other debt or equity securities of the Debtors without the consent of the Debtors or any other Consenting Noteholder, subject to applicable securities laws and the terms of this Agreement and any Confidentiality Agreement (if applicable); provided further that no Consenting Noteholder shall have any responsibility for any such trading by any other entity by virtue of this Agreement. No prior history, pattern or practice of sharing confidences among or between the Consenting Noteholders shall in any way affect or negate this understanding and agreement.

IN WITNESS WHEREOF, the Parties have entered into this Agreement on the day and year first written above.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: ______________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS HOLDING, INC.

By: ______________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS IHC, INC.

By: ______________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC.

By: ______________________________
Name:
Title:

Accepted and agreed to by the

Consenting Noteholders (subject to the Addendum attached hereto) named below:

CONSENTING NOTEHOLDERS:

[NAME OF NOTEHOLDER]

By: ____________________________________
Name:
Title:

Address: ____________________________________

Telephone: ____________________________________

Facsimile: ____________________________________

Addendum. Application of this Agreement.

Notwithstanding anything to the contrary in this Agreement, this Agreement applies only to the Credit Trading Group of J.P. Morgan Securities Inc. (the "JPMSI Credit Trading Group") in its capacity as a holder of the Notes and related Claims and the JPMSI Credit Trading Group's position in the Notes and related Claims and, the term "Consenting Noteholder" means only the JPMSI Credit Trading Group and such business unit's position in the Notes and related Claims and does not apply to (i) any Notes, related Claims, securities, loans, other obligations or any other interests in the Debtors that may be held, acquired or sold by, or any activities, services or businesses conducted or provided by, any other group or business unit within, or affiliate of, J.P. Morgan Securities Inc., (ii) any credit facilities to which JPMorgan Chase & Co. or any of its affiliates (other than the JPMSI Credit Trading Group) ("Morgan") is a party in effect as of the date hereof, (iii) any new credit facility, amendment to an existing credit facility, or debt or equity securities offering involving Morgan, (iv) any direct or indirect principal activities undertaken by any Morgan entity engaged in the venture capital, private equity or mezzanine businesses, or portfolio companies in which they have investments, (v) any ordinary course sales and trading activity undertaken by employees who not a member of the deal team involved on a day to day basis in the discussions regarding the Restructuring, (vi) any Morgan entity or business engaged in providing private banking or investment management services or (vii) any Notes or related Claims that may be beneficially owned by non-affiliated clients of J.P. Morgan Securities Inc. Provided, further, that with respect to Section 4.8, JMPSI Credit Trading Group is only making such representation and warranty on its own business units' behalf and not on the behalf of any affiliates or subsidiaries thereof.

EXHIBIT A

Claim	Principal Amount
5% Exchangeable Senior Notes due 2010	$______
8% Senior Notes due 2014	$______
14 1/4% Senior Secured Notes dues 2011	$______

Held as Follows:

Amount/Security	Registered Holder	Custodian

EXHIBIT B

JOINDER

This Joinder to the Plan Support Agreement, dated as of March , 2009, by and among Primus Telecommunications Holding, Inc. (" Holding"), Primus Telecommunications Group, Incorporated ("Group"), Primus Telecommunications IHC, Inc. ("IHC"), Primus Telecommunications International, Inc. ("PTII") and the Consenting Noteholders signatory thereto (the " Agreement"), is executed and delivered by [ ] (the " Joining Party") as of [ ], 2009. Each capitalized term used herein but not otherwise defined shall have the meaning set forth in the Agreement.

1. Agreement to be Bound. The Joining Party hereby agrees to be bound by all of the terms of the Agreement, attached to this Joinder as Annex I (as the same may be hereafter amended, restated or otherwise modified from time to time). The Joining Party shall hereafter be deemed to be a "Consenting Noteholder" and a "Party" for all purposes under the Agreement.

2. Representations and Warranties. With respect to the Notes set forth Annex II hereto (which Annex II shall remain confidential unless disclosure is required by court order or the Joining Party consents) and all related claims, rights and causes of action arising out of or in connection with or otherwise relating to such Notes, the Joining Party hereby makes the representations and warranties of the Consenting Noteholders set forth in the Agreement to each other Party to the Agreement.

3. Governing Law. This Joinder shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to any conflicts of law provisions which would require the application of the law of any other jurisdiction.

* * * * *

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EXHIBIT C

Summary Of Principal Terms Of Proposed Plan Of Reorganization

(The "Plan Term Sheet")

THE PLAN TERM SHEET AND SUMMARY IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL BE MADE ONLY IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. THIS OUTLINE IS BEING PROVIDED IN FURTHERANCE OF SETTLEMENT DISCUSSIONS AND IS ENTITLED TO PROTECTION PURSUANT TO FED. R. EVID. 408 AND ANY SIMILAR RULE OF EVIDENCE. THE TRANSACTIONS DESCRIBED IN THIS OUTLINE ARE SUBJECT IN ALL RESPECTS TO, AMONG OTHER THINGS, THE AGREEMENT OF THE CONSENTING NOTEHOLDERS, ENTRY INTO AN APPROPRIATE PLAN SUPPORT AGREEMENT, DEFINITIVE DOCUMENTATION, INCLUDING THE PLAN, APPROPRIATE DISCLOSURE MATERIAL AND RELATED DOCUMENTS.

Term	Description
Proposed Filing Entities	Primus Telecommunications Group, Incorporated, (the "Company" or "Group"), Primus Telecommunications Holding, Inc. ("Holding"), Primus Telecommunications IHC, Inc. ("IHC"), and Primus Telecommunications International, Inc. ("PTII"). To the extent necessary, the Company may determine to file the U.S. operating subsidiaries solely to cure bankruptcy-related defaults (including any defaults arising from a change of control of the Debtors as a result of the transactions consummated in the chapter 11 cases.
Plan Proponent	Group, Holding, IHC, and PTII as debtors and debtors-in-possession in jointly administered chapter 11 cases
Filing Venue	United States Bankruptcy Court for the District of Delaware

CLASSIFICATION, IMPAIRMENT, AND TREATMENT OF CLAIMS

Claims	Impairment	Treatment
Administrative Claims	N/A	All allowed administrative claims shall be paid in full in cash or upon such other terms as the Company and the holder thereof may agree.
Priority Tax Claims	N/A	To the extent applicable, all Priority Tax Claims shall be paid in full in cash over a term not longer than six years after the assessment.

Claims	Impairment	Treatment
Class 1 Holding Secured Term Loan	Unimpaired	The Holding Secured Term Loan shall be reinstated, provided that the terms of the reinstated Holding Secured Term Loan may be improved, subject to the consent of the Requisite Holding Noteholders and the Requisite Second Lien Noteholders, which consent shall not be unreasonably withheld; provided further that if the holders of the Holding Secured Term Loan contest this treatment, the Debtors reserve the right to impair such claims, subject to the consent of the Requisite Holding Noteholders and the Requisite Second Lien Noteholders, which consent shall not be unreasonably withheld.
Class 2 Other Priority Claims	Unimpaired	To the extent applicable, all Other Priority Claims shall be reinstated or paid in full in cash on the Effective Date.
Class 3 IHC Second Lien Notes	Impaired	Holders of IHC Second Lien Notes shall receive their (a) pro rata share of $123,471,201 of Second Lien Notes, subject to certain modifications described below, (b) pro rata share of 50% of Distributable New Equity [1] of Reorganized Group,[2] and (c) all reasonable fees, expenses and disbursements of their counsel, Andrews Kurth LLP (which shall be deemed a “Professional” in this Plan Term Sheet).
Class 4 Holding Notes (8% Notes, 5% Notes)	Impaired	Holders of Holding Notes shall receive their (a) pro rata share of 50% of Distributable New Equity of Reorganized Group, (b) pro rata share of Class 4 Warrants, with the terms described below, and (c) all reasonable fees, expenses and disbursements of their counsel, Stroock & Stroock & Lavan LLP (which shall be deemed a “Professional” in this Plan Term Sheet).
Class 5 Group Notes (Step Up Convertible Debentures, 3 3/4% Notes, 12 3/4% Notes)	Impaired	Holders of Group Notes shall receive their pro rata share of Class 5 Warrants, with the terms described below.
Class 6 General Unsecured Claims	Unimpaired	General Unsecured Claims shall be unimpaired and paid in the ordinary course of business.

1 “Distributable New Equity” shall mean the New Equity of Reorganized Group reserved for distribution to holders of IHC Second Lien Notes and Holding Notes on account of their claims, and shall not include (i) the 4% of new equity of Reorganized Group for distribution to management through the management compensation plan (ii) the new equity of Reorganized Group for distribution to management through the exercise of any warrants distributed to management, (iii) the new equity of Reorganized Group to be issued on account of exercise of the warrants distributed to holders of Class 4 and Class 5 claims, and (iv) the new equity of Reorganized Group to be issued on account of exercise of the CVRs distributed to holders of Class 8 claims. Except for the 4% of new equity of Reorganized Group to be distributed to management as described in clause (i) of the immediately preceding sentence, no other shares of capital stock of Reoganized Group will be issued or outstanding on the effective date of the Plan.

2 “Reorganized Group” shall mean Group from and after the effective date of the Plan.

Claims	Impairment	Treatment
Class 7 Intercompany Claims	Unimpaired	Intercompany Claims shall be reinstated, as appropriate.
Class 8 Existing Common Stock	Impaired	Holders of Existing Common Stock shall receive their pro rata share of contingent value rights ("CVRs") to receive up to approximately 15% of the Fully-diluted Equity Shares [3] of Reorganized Group after the Enterprise Value[4] of Reorganized Group, as determined semi-annually on predetermined dates (each a "Valuation Date") in accordance with note 4 infra, until the shares underlying the CVRs are fully-distributed, reaches or exceeds $700 million, however, in no case shall the distribution of the shares underlying the CVRs lower the recovery for the IHC Second Lien Notes, Holding Notes or Group Notes to less than the recovery to each respective note prior to the distribution of the CVRs. All newly created equity value, once the Enterprise Value of Reorganized Group exceeds $700 million will be distributed pro-rata to the holders of CVRs until the aggregate of all equity distributed to the holders of CVRs equals 15% of the total equity of Reorganized Group. The CVRs will expire on the 10 th anniversary of the effective date of the Plan, if not previously distributed. Once the conditions are met for the distribution of the shares underlying the CVRs, the shares underlying CVRs shall be deemed to be distributed without any payment or consideration. The CVRs shall not entitle the holder thereof to vote or receive dividends or to be deemed the holder of capital stock or any other securities of Reorganized Group which may at any time be distributable thereunder for any purpose, nor shall the CVRs confer upon the holder thereof (in its capacity as a holder of the CVRs) any of the rights of a stockholder of Reorganized Group (including appraisal rights, any right to vote for the election of directors or upon any matter submitted to stockholders of Reorganized Group at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise).
Class 9 Interests in Holding and IHC Debtors	Unimpaired	The holders of interests in the Holding, IHC and PTII Debtors shall retain their interests in the Holding, IHC and PTII Debtors.

3 "Fully-diluted Equity Shares" shall mean all equity shares of Reorganized Group, including (i) Distributable New Equity, (ii) the new equity for distribution to management through the exercise of any warrants, (iii) the new equity to be issued on account of exercise of the warrants distributed to holders of Class 4 and Class 5 claims, and (iv) the new equity to be issued on account of exercise of the CVRs distributed to holders of Class 8 claims.

4 "Enterprise Value" shall mean, in the case where Reorganized Group's common stock is listed on a national exchange, the market capitalization of Reorganized Group plus the face value of any funded debt, minority interest, capital leases and preferred stock of Reorganized Group and its subsidiaries less the value of any excess cash and cash equivalents of Reorganized Group and its subsidiaries. Otherwise, if the Reorganized Group's common stock is not listed on a national exchange, the Enterprise Value will be determined by an independent valuation firm selected by Reorganized Group every six months beginning January 1, 2010 (with the cost of such independent valuation firm to be borne by Reorganized Group).

Claims	Impairment	Treatment
Class 10 Other Interests	Impaired	Other interests, options, warrants, call rights, puts, awards, or other agreements to acquire existing common stock in Group shall be canceled; the holders thereof will receive no distribution under the Plan and are deemed to reject the Plan.

Term	Description
Management Compensation	4% of the new equity of Reorganized Group shall be issued to senior management in the form of restricted stock units on temporal and performance-based vesting terms to be mutually agreed upon by the Debtors, Requisite Holding Noteholders (as defined in the Plan Support Agreement to which this Plan Term Sheet is attached), and the Requisite Second Lien Noteholders (as defined in the Plan Support Agreement to which this Plan Term Sheet is attached) and set forth on an exhibit to the Plan. Warrants equal to 6% of the sum of the Distributable New Equity of Reorganized Group plus the 4% of new equity of Reorganized Group for distribution to management through the management compensation plan. Such warrants shall be non-transferable subject to anti-dilution protections (including (i) adjustments for stock splits, stock dividends, recapitalizations and similar events, and (ii) weighted-average adjustments for issuances of equity and equity-linked securities at prices below the Fair Market Value[5] of Reorganized Group's common stock (it being understood that for purposes of determining the price at which any such equity or equity-linked securities are issued, any customary underwriting discounts and commissions, liquidity discounts reasonably determined in good faith by the board, placement fees or other similar expenses incurred by Reorganized Group in connection with the issuance thereof shall not be taken into account)). The exercise price of each such warrant shall be equal to the per share price of New Equity in Reorganized Group upon the effective date of the Plan, which will be the grant date of the warrants, based on the Reorganized Group entities having an aggregate Enterprise Value of $375 million. Such warrants will have a 10 year term and may be exercised, at the option of the holder, on a cashless basis at such time as the per share equity value equals or exceeds 150% of the exercise price, as determined in accordance with note 4 infra. Upon exercise of a warrant on a cashless basis, the holder will be entitled to receive the number of shares equal to the difference between the value of the New Equity of Reorganized Group and the exercise price. The warrants shall be distributed and vest on terms to be mutually agreed upon by the Debtors, Requisite Holding Noteholders, and the Requisite Second Lien Noteholders and set forth on an exhibit to the Plan. The compensation, cash bonus targets, and severance policies shall remain those that were effective as of December 31, 2008, subject to the continued approval of the New Board (as defined below).
Board of Directors	There will be an initial board of directors of Reorganized Group (the "New Board"), which will consist of 5 directors, consisting of: (a) the current CEO of Group, (b) the current Executive Vice President of Group, (c) one member appointed by the holders of the Class 4 Claims, (d) one member appointed by the holders of the Class 3 Claims, and (e) one member jointly appointed by the holders of the Class 3 Claims and the Class 4 Claims, after consultation with the Debtors.

5 "Fair Market Value" shall mean, as of any date of determination, (a) in the case where Reorganized Group's common stock is listed on a national exchange, the volume weighted average price for sales of the common stock, as reported by Bloomberg, L.P., for the period of ten (10) consecutive trading days ending on such date of determination and (b) in the case where Reorganized Group's common stock is not listed on a national exchange, as may be reasonably determined by the New Board in good faith.

Term	Description
Certificate Of Incorporation	Reorganized Group will adopt revised by-laws and a revised certificate of incorporation.
Terms of Reinstated IHC Second Lien Notes	$123,471,201 principal amount of IHC Second Lien Notes to be reinstated with no changes to the indenture or Intercreditor Agreement governing the IHC Second Lien Notes; provided, however, that the indenture governing the IHC Second Lien Notes shall be modified as reflected in the supplemental indenture attached as an exhibit hereto.
Public Listing	Upon the effective date of the Plan, Existing Common Stock of Reorganized Group shall be deregistered and the new common stock of Reorganized Group shall not be registered; provided, however, that the New Board of Reorganized Group shall take all actions necessary for the new common stock of Reorganized Group to be quoted on the OTCBB (the "Pink Sheets"), including complying with all applicable requirements of the Pink Sheets with respect to non-reporting companies; provided, further, that the New Board of Reorganized Group may consider seeking a public listing on a national exchange for the new common stock of Reorganized Group.

Term	Description
Terms Of Class 4 Warrants (warrants for Holding Notes)	The following three series of Class 4 Warrants shall be issued on the effective date of the plan of reorganization, pro rata, to holders of Class 4 Claims; a) Warrants to receive up to 10% of the sum of the Distributable New Equity of Reorganized Group plus the 4% of new equity of Reorganized Group for distribution to management through the management compensation plan with a strike price equivalent to the per share price of New Equity in Reorganized Group upon the effective date of the Plan, which will be the grant date of the warrants, based on the Reorganized Group entities having an aggregate Enterprise Value of $375 million. b) Warrants to receive up to 10% of the sum of the Distributable New Equity of Reorganized Group plus the 4% of new equity of Reorganized Group for distribution to management through the management compensation plan with a strike price equivalent to the per share price of New Equity in Reorganized Group upon the effective date of the Plan, which will be the grant date of the warrants, based on the Reorganized Group entities having an aggregate Enterprise Value of $425 million. c) Warrants to receive up to 10% of the sum of the Distributable New Equity of Reorganized Group plus the 4% of new equity of Reorganized Group for distribution to management through the management compensation plan with a strike price equivalent to the per share price of New Equity in Reorganized Group upon the effective date of the Plan, which will be the grant date of the warrants, based on the Reorganized Group entities having an aggregate Enterprise Value of $475 million. The Class 4 Warrants shall be detachable, subject to anti-dilution protections (including (i) adjustments for stock splits, stock dividends, recapitalizations and similar events, and (ii) weighted-average adjustments for issuances of equity and equity-linked securities at prices below the Fair Market Value of Reorganized Group's common stock (it being understood that for purposes of determining the price at which any such equity or equity-linked securities are issued, any customary underwriting discounts and commissions, liquidity discounts reasonably determined in good faith by the board, placement fees or other similar expenses incurred by Reorganized Group in connection with the issuance thereof shall not be taken into account)), and may be exercised, at the option of the holder, on a cashless basis (x) at such time as the per share equity value equals or exceeds 150% of the exercise price, as determined in accordance with note 4 infra or (y) upon a change of control or registration of securities. Upon exercise of the Class 4 Warrants on a cashless basis, the holder will be entitled to receive the number of shares equal to the difference between the value of the New Equity of Reorganized Group and the exercise price. The Class 4 Warrants shall expire on the 5th anniversary of the effective date of the Plan, if not previously exercised. The Class 4 Warrants may be exercised from time to time, in whole or in part, until the expiration thereof.

Term	Description
Terms Of Class 5 Warrants (warrants for Group Notes)	The following Class 5 Warrants shall be issued on the effective date of the plan of reorganization, pro rata, to holders of Class 5 Claims; Warrants to receive up to 15% of the sum of the Distributable New Equity of Reorganized Group plus the 4% of new equity of Reorganized Group for distribution to management through the management compensation plan with a strike price equivalent to the per share price of New Equity in Reorganized Group upon the effective date of the Plan, which will be the grant date of the warrants, based on the Reorganized Group entities having an aggregate Enterprise Value of $550 million. The Class 5 Warrants shall be detachable, subject to anti-dilution protections (including (i) adjustments for stock splits, stock dividends, recapitalizations and similar events, and (ii) weighted-average adjustments for issuances of equity and equity-linked securities at prices below the Fair Market Value of Reorganized Group's common stock (it being understood that for purposes of determining the price at which any such equity or equity-linked securities are issued, any customary underwriting discounts and commissions, liquidity discounts reasonably determined in good faith by the board, placement fees or other similar expenses incurred by Reorganized Group in connection with the issuance thereof shall not be taken into account)), and may be exercised, at the option of the holder, on a cashless basis (x) at such time as the per share equity value equals or exceeds 150% of the exercise price, as determined in accordance with note 4 infra or (y) upon a change of control or registration of securities. Upon exercise of the Class 5 Warrants on a cashless basis, the holder will be entitled to receive the number of shares equal to the difference between the value of the New Equity of Reorganized Group and the exercise price. The Class 5 Warrants shall expire on the 5th anniversary of the effective date of the Plan, if not previously exercised. The Class 5 Warrants may be exercised from time to time, in whole or in part, until the expiration thereof.

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

Term	Description
Assumed And Rejected Contracts	Unless otherwise provided in the Plan or listed on an exhibit to the Plan, all executory contracts and unexpired leases as to which any of the Debtors is a party shall be deemed automatically assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date of the Plan.
Cure Payments For Executory Contracts And Unexpired Leases	Any party to an Executory Contract or Unexpired Lease that wishes to assert that Cure is required as a condition to assumption shall file a proposed cure claim within forty-five days after entry of the Confirmation Order, after which the Debtors shall have forty-five days to file any objections thereto.

ALLOWANCE AND PAYMENT OF ADMINISTRATIVE CLAIMS

Term	Description
Professional Claims	Subject to the Holdback Amount, on the Effective Date, the Debtors or Reorganized Debtors shall pay all amounts owing to Professionals for all outstanding amounts payable relating to prior periods through the Effective Date in accordance with section 1129(a)(4) of the Bankruptcy Code. In order to receive payment on the Effective Date for unbilled fees and expenses incurred through the Confirmation Date, the Professionals shall estimate fees and expenses due for periods that have not been billed as of the Confirmation Date and shall deliver such estimate to the Debtors and the United States Trustee.
Section 503 Claims	Any Person who requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code must file an application with the clerk of the Bankruptcy Court on or before the 45th day after the Effective Date (the "503 Deadline"), and serve such application on counsel for the Debtors, and the Statutory Committees and as otherwise required by the Bankruptcy Court and the Bankruptcy Code on or before the 503 Deadline, or be forever barred from seeking such compensation or expense reimbursement. As set forth above in the Sections entitled "Class 3 IHC Second Lien Notes" and "Class 4 Holding Notes," Andrews Kurth LLP and Stroock & Stroock & Lavan LLP shall be treated as Professionals under the terms of this Plan Term Sheet; provided, however, that Reorganized Group will support any applications of each of Andrews Kurth LLP on behalf of the ad hoc group of holders of IHC Second Lien Notes, and Stroock & Stroock & Lavan LLP on behalf of the ad hoc group of holders of Holding Notes, for allowance and payment of fees and expenses incurred pursuant to section 503(b) of the Bankruptcy Code.
Other Administrative Claims	All other requests for payment of an Administrative Claim must be filed, in substantially the form of the Administrative Claim Request Form attached as an exhibit to the Plan, with the Claims Agent and served on counsel for the Debtors no later than 45 days after the Effective Date.

RELEASES AND RELATED PROVISIONS

Term	Description
Released Parties	"Released Parties" means, collectively, (i) all officers of each of the Debtors, all members of the boards of directors of each of the Debtors, and all employees of each of the Debtors, in each case in such respective capacities, as of the date of the commencement of the hearing on the Disclosure Statement, (ii) all noteholders party to the Plan Support Agreement to which this Plan Term Sheet is attached, (iii) all Professionals, (iv) the Indenture Trustees, and (v) with respect to each of the above-named Persons, and only in their aforementioned capacities, such Person's affiliates, principals, employees, agents, officers, directors, representatives, financial advisors, attorneys, and other professionals, in their capacities as such.
Release By Debtors	Full customary releases
Release By Holders Of Claims And Interests	Full customary releases
Exculpation And Limitation of Liability	Customary exculpation provision

Term	Description
Indemnitee	"Indemnitee" means all present and former directors, officers, employees, agents, or representatives of the Debtors who are entitled to assert Indemnification Rights.
Indemnification Rights	"Indemnification Rights" means obligations of the Debtors, if any, to indemnify, reimburse, advance, or contribute to the losses, liabilities, or expenses of an Indemnitee pursuant to the Debtor's certificate of incorporation, bylaws, policy of providing employee indemnification, applicable law, or specific agreement in respect of any claims, demands, suits, causes of action, or proceedings against an Indemnitee based upon any act or omission related to an Indemnitee's service with, for, or on behalf of the Debtors.
Continuing Indemnification Rights	"Continuing Indemnification Rights" means those Indemnification Rights held by any Indemnitee who is a Released Party and serves as a director, officer, or employee (or in any similar capacity) of the Debtors as of the date of the commencement of the hearing on the Disclosure Statement, together with any Indemnification Rights held by any Indemnitee on account of events occurring on or after the Petition Date.
Indemnification Obligations	Customary indemnification rights

OTHER KEY PROVISIONS

Conditions to Confirmation	(i) No Termination Event (as defined in the Plan Support Agreement to which this Plan Term Sheet is attached) has terminated the Plan Support Agreement. (ii) The Disclosure Statement has been approved. (iii) The Bankruptcy Court shall have entered an order confirming the Plan, which order shall be in form and substance reasonably satisfactory to the Debtors and the Requisite Holding Noteholders and the Requisite Second Lien Noteholders.
Conditions to Effectiveness	The Plan shall contain such conditions to effectiveness of the Plan customary in plans of reorganization of this type, which shall be in form and substance reasonably satisfactory to the Debtors and the Requisite Holding Noteholders and the Requisite Second Lien Noteholders.
Investor Rights	Usual and customary investor rights.

Exhibit 10.11

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "**Supplemental Indenture**"), dated as of March 16, 2009, by and among Primus Telecommunications IHC, Inc., a Delaware corporation (the "Issuer"), the Guarantors (as defined in the Indenture referred to below) and U.S. Bank National Association, a national banking association, as Trustee under the Indenture referred to below (the "Trustee"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

W I T N E S S E T H

WHEREAS, the Issuer and the Guarantors have heretofore executed and delivered to the Trustee an indenture, dated as of February 26, 2007, by and among the Issuers, the Guarantors, and the Trustee (the "**Indenture**"), pursuant to which the Company has issued $175.3 million aggregate principal amount of the Company's 14.25% Senior Secured Notes due 2011 (the "**Notes**");

WHEREAS, the Issuer has implemented a restructuring of the Notes and the related Claims evidenced thereby (as that term is defined in section 101(5) of title 11 of the United States Code) through a confirmed plan of reorganization pursuant to voluntary bankruptcy cases under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 in the United States Bankruptcy Court for the District of Delaware (the " **Plan**"); and

WHEREAS, the Plan provides that the Indenture shall be amended as set forth in this Supplemental Indenture;

NOW, THEREFORE, the Issuer and the Guarantors hereby covenant and agree with the Trustee for the equal and proportionate benefit of the Holders as follows:

ARTICLE 1
AMENDMENT

Section 1.01. Amendment to Exhibit A. All references in the Indenture to Exhibit A shall mean the form of Note attached to this Supplemental Indenture as Exhibit A.

Section 1.02. Amendment to the Recitals of the Issuer and the Guarantors. The first paragraph of the Recitals of the Issuer and the Guarantors shall be deleted and replaced in its entirety with the following:

The Issuer has duly authorized the creation of an issue of 14.25% Senior Secured Notes Due 2013 (the "Initial Notes") and 14.25% Series B Senior Secured Notes Due 2013 (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 Issuer has duly authorized the execution and delivery of this Indenture.

Section 1.03 Amendments to Section 1.01.

(a) Section 1.01 is hereby amended to amend and restate the following definitions in their entirety:

"**Additional Notes**" means any Notes issued subsequent to the Closing Date (other than Exchange Notes issued in exchange for Initial Notes and other than PIK Notes (and any increase in the principal amount thereof) issued as a result of the payment of PIK Interest) in accordance with the terms of this Indenture, including Section 3.01, Section 3.03 and Section 10.11.

"**Notes**" has the meaning stated in the first recital of this Indenture and more particularly means any Notes authenticated and delivered under the Indenture, including Additional Notes and PIK Notes. For 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 shall include any PIK Notes (and any increase in the principal amount of any Global Note) issued as a result of the payment of PIK Interest and, for purposes of this Indenture, (A) all Initial Notes and Exchange Notes (including, to the extent provided in clauses (B) and (C), Additional Notes and PIK Notes (or increase in the principal amount of any Global Note as a result of the payment of PIK Interest), respectively) shall vote together as one series of Notes under this Indenture, (B) all Additional Notes that are of the same series as other Notes shall vote together with such other Notes as one series of Notes under this Indenture, and (C) all PIK Notes that are of the same series as other Notes (or increase in the principal amount of any Global Note as a result of the payment of PIK Interest) shall vote together with such other Notes as one series of Notes under this Indenture.

(b) Section 1.01 is hereby amended to insert the following definitions in alphabetical order:

"**Canadian Facility**" means that certain Senior Secured Credit Agreement, dated as of March 27, 2007, by and among Primus Telecommunications Canada Inc., 3082833 Nova Scotia Company, the lenders party thereto from time to time, Group, Holding and Guggenheim Corporate Funding, LLC, as administrative agent and collateral agent (as may be amended, restated, supplemented or otherwise modified from time to time).

"**Cash Interest**" means interest paid in the form of cash.

"**PIK Interest**" means interest paid with respect to the Notes in the form of either increasing the outstanding principal amount of a Global Note or, with respect to any Note that is not a Global Note, issuing PIK Notes.

"**PIK Notes**" means additional Notes issued under this Indenture on the same terms and conditions as the Notes issued on the Closing Date in connection with the payment of PIK Interest.

“**Priority Indebtedness**” means (a) any Indebtedness of any Restricted Subsidiary of the Issuer and (b) any Indebtedness of any Restricted Person (including the Notes) which is secured by any Lien on any of the assets or properties of any character (including, without limitation, licenses and trademarks) of the Issuer or any Restricted Person, or on any shares of Capital Stock or Indebtedness of any Restricted Person; provided, that Priority Indebtedness shall not include Indebtedness owing by any Restricted Person to the Issuer or any Subsidiary Guarantor.

(c) Section 1.01 is hereby amended to amend and restate clause (xii) of the definition of Permitted Liens in its entirety as follows:

(xii) Liens securing Indebtedness incurred after , 2009 [Note: Date of this Supplemental Indenture] to refinance or replace any secured Indebtedness outstanding on , 2009 [Note: Date of this Supplemental Indenture] (plus premiums, accrued interest, and reasonable fees and expenses on or relating to such secured Indebtedness) that was incurred under clause (i) of paragraph (b) of Section 10.11; provided that such Liens do not extend to or cover any property or assets of any Restricted Person other than the property or assets or, in the case of accounts receivables and inventories and to the extent covered by the terms of the Indebtedness being refinanced, properties or assets of a similar type or category as the property or assets securing the Indebtedness being refinanced or replaced;

Section 1.04. Amendments to Section 3.01.

(a) The fourth paragraph of Section 3.01 of the Indenture shall be deleted and replaced in its entirety with the following:

The Initial Notes shall be known as the “14.25% Senior Secured Notes Due 2013” and the Exchange Notes shall be known as the “14.25% Series B Senior Secured Notes Due 2013,” in each case, of the Issuer. The Stated Maturity of the Notes shall be May 20, 2013, and the Notes shall bear interest at the rate of 14.25% 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 semi-annually on May 31 and November 30 in each year, commencing on May 31, 2007, and at said Stated Maturity, until the principal thereof is paid or duly provided for.

(b) The second-to-last paragraph of Section 3.01 of the Indenture shall be deleted and replaced in its entirety with the following:

The Issuer shall pay interest on the Notes in cash; provided, however, that prior to the earlier of (i) the extension of the maturity of or the repayment in full of the Indebtedness outstanding pursuant to the First Lien Term Loan Credit Facility and the Canadian Facility or (ii) June 1, 2011, up to 4.25% per annum of the interest on the Notes may be paid, at the sole option of the Issuer, as PIK Interest.

With respect to Global Notes only, if a Holder has given wire instructions to the Issuer, the Issuer will pay all principal of (and premium and Additional Interest, if any) and Cash Interest on such Holder's Notes in accordance with those instructions. Otherwise, the principal of (and premium and Additional Interest, if any) and Cash Interest on the Notes shall be payable at the office or agency of the Issuer maintained for such purpose in The City of New York, or at such other office or agency of the Issuer as may be maintained for such purpose; provided, however, that, at the option of the Issuer, Cash Interest may be paid by check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Note Register.

(c) There shall be added to the end of Section 3.01 of the Indenture the following paragraph:

Notwithstanding anything in this Indenture to the contrary, in connection with the payment of PIK Interest, the Issuer is entitled, without the consent of the Holders (and without regard to any restrictions or limitations set forth in Section 10.11 hereof), to either increase the outstanding principal amount of a Global Note or, with respect to any Note that is not a Global Note, issue PIK Notes.

Section 1.05 Amendment to Section 3.02. Section 3.02 of the Indenture is hereby amended and restated in its entirety as follows:

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 certifies that it is an Accredited Investor on the form set forth as Exhibit C pursuant to Section 3.07 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; provided further that PIK Notes shall be issuable in registered form without coupons and only in denominations of $1.00 and any integral multiple thereof.

Section 1.06 Amendment to Section 3.03. The fourth paragraph of Section 3.03 of the Indenture is hereby amended and restated in its entirety as follows:

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Initial Notes executed by the Issuer to the Trustee for authentication, together with an Issuer 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 Issuer Order shall authenticate and deliver such Initial Notes. On Issuer Order, the Trustee shall authenticate for original issue Exchange Notes; 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 an Issuer 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). On Issuer Order, the Trustee shall authenticate for original issue PIK Notes (or increases in the principal amount of any Global Note) as a result of the payment of PIK Interest; provided that such PIK Notes (or increase in the principal amount of any Global Note) as a result of the payment of PIK Interest shall be issuable upon an Issuer Order for the authentication of such securities (or increase in the principal amount of any Global Note) certifying that all conditions precedent to the issuance have been complied with. In each case, the Trustee shall be entitled to receive an Officer's Certificate and an Opinion of Counsel of the Issuer that it may reasonably request in connection with such authentication of Notes. Such order shall specify the amount of Notes to be authenticated or increased and the date on which the original issue of Initial Notes, Exchange Notes or PIK Notes (or increases in the principal amount of any Global Note) are to be authenticated or increased.

Section 1.07. Amendment to Section 10.01. There shall be added to the end of Section 10.01 of the Indenture the following sentence:

PIK Interest shall be considered paid on the date due if the Trustee is directed on or prior to such date to issue PIK Notes or increase the principal amount of the Global Note, in each case, in an amount equal to the amount of applicable PIK Interest.

Section 1.08. Amendment to Section 10.09. Section 10.09 of the Indenture is hereby amended to add the following at the end of such section:

(d) At Group's option, in lieu of complying with the provisions set forth in Sections 10.09(a), (b) and (c) above, Group may furnish to the Trustee:

(i) as soon as available, but in any event within 90 days after the end of each fiscal year of Group, a copy of the audited consolidated balance sheet of Group as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on by Deloitte & Touche or other independent certified public accountants of nationally recognized standing;

(ii) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of Group, the unaudited consolidated balance sheet of Group as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year; and all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein);

(iii) in connection with each delivery pursuant to clause (ii) above, a certificate by the Chief Financial Officer of Group certifying that such financial statements are fairly stated in all material respects (subject to normal year-end audit adjustments); and

(iv) in addition, for so long as any Notes remain outstanding, Group shall furnish to the Holders, beneficial owners of the Notes, and to securities analysts and prospective investors, upon their request, the information described above as well as all information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Group will distribute such information and such reports electronically to the Trustee, and will make them available upon request to any Holder, any beneficial owner of the Notes, any prospective investor, any securities analyst and any market maker in the Notes by posting such information and reports on Intralinks or any comparable password protected outline data system, which will require a confidentiality acknowledgement.

Section 1.09. Amendments to Section 10.10.

(a) Section 10.10(c)(vii) of the Indenture is hereby amended and restated in its entirety as follows:

(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; provided further that each PIK Note in definitive form purchased and each new PIK Note issued shall be in a principal amount of $1.00 or integral multiples thereof.

(b) The second paragraph of Section 10.10(e) of the Indenture is hereby amended and restated in its entirety as follows:

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; provided further that each PIK Note in definitive form purchased and each new PIK Note in definitive form issued shall be in a principal amount of $1.00 or integral multiples thereof. The Issuer will announce publicly the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Section 1.10. Amendments to Section 10.11.

(a) Section 10.11(a) of the Indenture is hereby amended and restated in its entirety as follows:

(a) Issuer will not, and will not permit any of the Restricted Persons to, Incur any Indebtedness, including Acquired Indebtedness (other than Existing Indebtedness and the Notes issued under the Indenture (other than Additional Notes)); provided, however, that

(i) the Issuer and any Restricted Person that is a Guarantor may Incur Indebtedness, including Acquired Indebtedness but excluding Priority Indebtedness, if immediately thereafter the ratio (the "Indebtedness to Consolidated Cash Flow Ratio") of:

(A) the aggregate principal amount (or accreted value, as the case may be) of Indebtedness of the Restricted Persons on a consolidated basis outstanding as of the Transaction Date to

(B) the Pro Forma Consolidated Cash Flow of the Restricted Persons 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 3.5 to 1.0 or, if Group is, at the time of determination, a Restricted Person, 5.0 to 1.0; and

(ii) the Issuer and any Restricted Person that is a Guarantor may Incur Priority Indebtedness, including Acquired Indebtedness, if immediately thereafter the ratio (the "Priority Indebtedness to Consolidated Cash Flow Ratio") of

(A) the aggregate principal amount (or accreted value, as the case may be) of Priority Indebtedness of the Restricted Persons on a consolidated basis outstanding as of the Transaction Date to

(B) the Pro Forma Consolidated Cash Flow of the Restricted Persons 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 2.0 to 1.0.

(b) Clause (iii) of Section 10.11(b) of the Indenture is hereby amended by inserting the following before the semicolon at the end of such clause:

and, in the case of any Indebtedness other than intercompany Indebtedness arising out of the ordinary course of business intercompany transactions, may not constitute Priority Indebtedness

(c) Clause (iv) of Section 10.11(b) of the Indenture is hereby amended and restated in its entirety as follows:

(iv) Indebtedness of any Restricted Person issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness of a Restricted Person, other than Indebtedness Incurred under clauses (i), (iii), (v), (viii), (ix) and (x) 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 or any applicable Guarantee, 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 or the applicable Guarantee,

(B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any applicable Guarantee, 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 or the applicable Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes and the applicable Guarantee,

(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 (1) Indebtedness of Parent be refinanced by means of any Indebtedness of any Restricted Person that is a Subsidiary of Parent pursuant to this clause (iv) and (2) Indebtedness of the Issuer be refinanced by means of any Indebtedness of any Restricted Subsidiary of the Issuer pursuant to this clause (iv), and

(D) such new Indebtedness may not constitute Priority Indebtedness except to the extent that, and in the same manner as, the Indebtedness to be refinanced or refunded is Priority Indebtedness;

(d) Clause (vi) of Section 10.11(b) of the Indenture is hereby amended to insert the following at the end of such clause:

provided, that proceeds of Indebtedness of any Subsidiary Guarantor may not be used to defease any Indebtedness of any Person other than such Subsidiary Guarantor or another Subsidiary Guarantor;

(e) Clause (vii) of Section 10.11(b) of the Indenture is hereby amended and restated in its entirety as follows:

(vii) Acquired Indebtedness not to exceed $100 million at any one time outstanding; provided that, as a result of such incurrence,

(A) in the case of Acquired Indebtedness incurred by any Restricted Person, the Indebtedness to Consolidated Cash Flow Ratio at the time of the incurrence of such Acquired Indebtedness and calculated giving pro forma effect to such incurrence (in accordance with the definition of "Indebtedness to Consolidated Cash Flow Ratio") and the related Asset Acquisition as if the same had occurred at the beginning of the most recently ended two fiscal quarters, would have been less than, in the case of Acquired Indebtedness incurred directly by any Restricted Person, the Indebtedness to Consolidated Cash Flow Ratio for the same period without giving pro forma effect to such incurrence and Asset Acquisition; and

(B) in the case of Acquired Indebtedness that is Priority Indebtedness, the Priority Indebtedness to Consolidated Cash Flow Ratio at the time of the incurrence of such Acquired Indebtedness and calculated giving pro forma effect to such incurrence (in accordance with the definition of "Priority Indebtedness to Consolidated Cash Flow Ratio") and the related Asset Acquisition as if the same had occurred at the beginning of the most recently ended two fiscal quarters, would have been less than the Priority Indebtedness to Consolidated Cash Flow Ratio for the same period without giving pro forma effect to such incurrence and Asset Acquisition;

(f) Clause (ix) of Section 10.11(b) of the Indenture is hereby amended and restated in its entirety as follows:

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

(g) Clause (x) of Section 10.11(b) of the Indenture is hereby amended by deleting the period at the end of such clause and substituting "; and" in lieu thereof.

(h) Section 10.11(b) of the Indenture is hereby amended by inserting the following new clause (xi):

(xi) Indebtedness of the Issuer and the Subsidiary Guarantors in respect of the Notes (and guarantees thereof), whether issued prior to or after , 2009 [Note: the date of this Supplemental Indenture], in an aggregate principal amount outstanding, when combined with any outstanding principal amount of Indebtedness issued under clause (ix) above, not to exceed $200,000,000.

Section 1.11. Amendments to Section 10.17.

(a) Section 10.17(vii) of the Indenture is hereby amended and restated in its entirety as follows:

(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; provided further that each PIK Note in definitive form purchased and each new PIK Note in definitive form issued shall be in a principal amount of $1.00 or integral multiples thereof.

(b) The second to the last paragraph of Section 10.17 of the Indenture is hereby amended and restated in its entirety as follows:

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 shall upon Issuer 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; provided further that each PIK Note in definitive form purchased and each new PIK Note in definitive form issued shall be in a principal amount of $1.00 or integral multiples thereof. The Issuer 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 10.17, the Trustee shall act as the Paying Agent.

Section 1.12. Amendment to Section 11.04. The first paragraph of Section 11.04 of the Indenture is hereby amended and restated in its entirety as follows:

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 that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than $1,000; provided further that no such partial redemption shall reduce the portion of the principal amount of a PIK Note in definitive form not redeemed to less than $1.00.

ARTICLE 2
MISCELLANEOUS

Section 2.01 Effect and Operation of Supplemental Indenture. This Supplemental Indenture shall be effective, binding and operative immediately upon its execution by the Issuer, the Guarantors and the Trustee, and thereupon this Supplemental Indenture shall form a part of the Indenture for all purposes, and every Note and Guarantee heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby.

Section 2.02 Indenture and Supplemental Indenture Construed Together. This Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this Supplemental Indenture shall henceforth be read and construed together.

Section 2.03 Trust Indenture Act Controls. If any provision of the Indenture, as amended by this Supplemental Indenture, limits, qualifies or conflicts with the duties imposed by TIA § 318(c), the imposed duties shall control.

Section 2.04 GOVERNING LAW. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SECOND SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.05 Successors. All covenants and agreements by an Obligor in the Indenture, as amended by this Supplemental Indenture, shall bind its successors and assigns, whether so expressed or not.

Section 2.06 Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 2.07 Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 2.08 Severability. In case any provision in the Indenture, as amended by this Supplemental 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 2.09 The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

PRIMUS TELECOMMUNICATIONS IHC, INC.,
as the Issuer

By: ______________________________
Name:
Title:

Guarantors:

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED

By: ______________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS
HOLDING, INC.

By: ______________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS, INC.

By: ______________________________
Name:
Title:

TRESCOM INTERNATIONAL, INC.

By: ______________________________
Name:
Title:

LEAST COST ROUTING, INC.

By: ______________________________
Name:
Title:

TRESCOM U.S.A., INC.

By: ______________________________
Name:
Title:

IPRIMUS USA, INC.

By: ______________________________
Name:
Title:

IPRIMUS.COM, INC.

By: ______________________________
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ______________________________
Name:
Title:

EXHIBIT A

[FORM OF FACE OF NOTE]

PRIMUS TELECOMMUNICATIONS IHC, INC.

14.25% [Series B][1] Senior Secured Note Due 2013

[CUSIP] [CINS]

No. $

Primus Telecommunications IHC, Inc., a Delaware corporation (herein called the "Issuer," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, the principal sum of United States dollars on May 20, 2013, at the office or agency of the Issuer referred to below, and to pay interest thereon on May 31, 2007 and semi-annually thereafter, on May 31 and November 30 in each year, from February 26, 2007 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 14.25% per annum as set forth below, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 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.

The Issuer shall pay interest on the Notes in cash ("Cash Interest"); provided, however, that prior to the earlier of (i) the extension of the maturity of or the repayment in full of the Indebtedness outstanding pursuant to the First Lien Term Loan Credit Facility and the Canadian Facility or (ii) June 1, 2011, up to 4.25% per annum of the interest on the Notes may be paid, at the option of the Issuer, [by increasing the principal amount of this Note] [2] [by issuing PIK Notes

[1] Include only for Exchange Notes.

[2] Include for Global Notes only.

(“PIK Interest”)][3]. The Issuer must elect the form of interest payment with respect to each Interest Payment Date by delivering a notice to the Trustee prior to such Interest Payment Date. The Trustee shall promptly deliver a corresponding notice to the Holders. In the absence of such an election for any Interest Payment Date, interest on this Note will be payable in the form of the interest payment for the prior Interest Payment Date.

PIK Interest on this Note will be payable [by increasing the principal amount of this Note by an amount equal to the amount of PIK Interest (rounded up to the nearest $1,000)][4] [by issuing PIK Notes in an aggregate principal amount equal to the amount of PIK Interest (rounded up to the nearest whole dollar) and the Trustee will, at the request of the Issuer, authenticate and deliver such PIK Notes for original issuance to the Holders on the relevant record date, as shown on the Note Register][5]. [Following an increase in the principal amount of this Note as a result of the payment of PIK Interest, this Note will bear interest on such increased principal amount from and after the date of such payment of PIK Interest.] [6] [Any PIK Notes will be dated as of the applicable Interest Payment Date and will bear interest from and after such date.] [7] All PIK Notes issued pursuant to the payment of PIK Interest will mature on May 20, 2013 and will be governed by, and subject to the terms, provisions and conditions of, the Indenture and shall have the same rights and benefits as the Notes issued on the Issuance Date. [Any PIK Notes will be issued with the description “PIK” on the face of such PIK Note.] [8]

The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated as of February 26, 2007 (the “Registration Rights Agreement”), among the Issuer, Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc., the subsidiaries party thereto and the Holders party thereto. In the event that 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 but subject to certain permitted suspensions as more fully described in the Registration Rights Agreement) 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

[3] Include for certificated Notes only.

[4] Include for Global Notes only.

[5] Include for certificated Notes only.

[6] Include for Global Notes only.

[7] Include for certificated Notes only.

[8] Include for certificated Notes only.

“Registration Default”), additional cash interest (“Additional Interest”) shall accrue to each Holder of the Notes commencing upon the occurrence of such Registration Default in an amount equal to .25% per annum of the principal amount of Notes held by such Holder. The amount of Additional Interest will increase by an additional .25% 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 Additional Interest of 1.00% per annum of the principal amount of Notes. All accrued Additional Interest will be paid to Holders by the Issuer in the same manner as interest is paid pursuant to the Indenture. Following the cure of all Registration Defaults, the accrual of Additional Interest will cease.

If a Holder has given wire instructions to the Issuer, the Issuer will pay all principal of (and premium and Additional Interest, if any) and Cash Interest on such Holder’s Notes in accordance with those instructions. Otherwise, payment of the principal of (and premium and Additional Interest, if any) and Cash Interest on this Note will be made at the office or agency of the Issuer maintained for that purpose in The City of New York, or at such other office or agency of the Issuer 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 Cash Interest may be made at the option of the Issuer (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.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed under its corporate seal.

PRIMUS TELECOMMUNICATIONS IHC, INC.

By: ______________________________

Name:

Title:

Attest:

Authorized Signature

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: _______________

This is one of the Notes referred to in the within-mentioned Indenture

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ______________________________
Authorized Signatory

[FORM OF REVERSE SIDE OF NOTE]

PRIMUS TELECOMMUNICATIONS IHC, INC.

14.25% [Series B][9] Senior Secured Notes Due 2013

This Note is one of a duly authorized issue of notes of the Issuer designated as its 14.25% Senior Secured Notes Due 2013 (herein called the “Notes”), which may be issued under an indenture (herein called the “Indenture”) dated as of February 26, 2007 among the Issuer, Primus Telecommunications Group, Incorporated (“Group”), Primus Telecommunications Holding, Inc. (“Holding” and, together with Group, “Parent”), the subsidiaries party thereto (the “Subsidiary Guarantors” and, together with Parent, the “Guarantors”) and U.S. Bank National Association, 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 Issuer, Parent, the Subsidiary Guarantors, 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 performance and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of all monetary obligations of the Issuer under this Indenture and the Notes, whether for principal of, or interest or Additional Interest on, the Notes, indemnification or otherwise, are unconditionally guaranteed by Parent as set forth in the Indenture.

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 February 26, 2008 and prior to Maturity, at the election of the Issuer, at Redemption Prices (expressed in percentages of principal amount thereof), plus accrued and unpaid interest and Additional Interest, 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 February 26 of the years indicated:

	Redemption
2008	102.00%
2009	101.00%
2010 (and thereafter)	100.00%

Notwithstanding the foregoing, prior to February 26, 2008, the Issuer may on any one or more occasions redeem up to 35% of the originally issued principal amount of Notes at a redemption price of 100.00% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, thereon to the redemption date, with the Net Cash Proceeds of one or more Equity Offerings to the extent such Net Cash Proceeds have been contributed to the Issuer as common equity; provided (i) that at least 65% of the originally issued principal amount

[9] Include only for Exchange Notes.

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 Equity Offering.

Upon the occurrence of a Change of Control, the Holder of this Note may require the Issuer, 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 Additional Interest, if any, to the date of purchase.

Under certain circumstances, in the event the Net Cash Proceeds received by the Issuer from an Asset Sale, which proceeds are not used to (i) (A) apply an amount equal to such Net Cash Proceeds to permanently reduce, repay, redeem or repurchase First Lien Indebtedness of any Restricted Person that is not a Guarantor, in each case owing to a Person other than any Restricted Person; provided that if such unsubordinated Indebtedness (other than secured Indebtedness under any Credit Facility) is pari passu with the Notes, then the Issuer will ratably reduce, repay, redeem or repurchase Indebtedness under the Notes, 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 Issuer and the Restricted Persons existing on the date of such investment (as determined in good faith by the Board of Directors of Group, 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, the Issuer 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 Additional Interest, 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 Issuer prior to any related Excess Proceeds Payment Date.

In the case of any redemption or repurchase of Notes, interest installments and Additional Interest, 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 Issuer on this Note and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Issuer 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 Issuer and the rights of the Holders under the Indenture at any time by the Issuer 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 Issuer 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 Issuer, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest and Additional Interest, 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 Issuer, upon surrender of this Note for registration of transfer at the office or agency of the Issuer 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 Issuer 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; provided that PIK Notes are issuable only in registered form without coupons in denominations of $1.00 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 Issuer 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 Issuer, the Trustee and any agent of the Issuer 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 Issuer, 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 and not otherwise defined herein 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 Issuer 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) one year 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 Issuer, 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 Note 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 3.05 of the Indenture shall have been satisfied.

Signature Guarantee*:

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.

* 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")

DTC Participant Number: _________________

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 Issuer 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

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Issuer pursuant to Section 10.10 or 10.17 of the Indenture, check the Box: [ ]

If you wish to have a portion of this Note purchased by the Issuer pursuant to
Section 10.10 or 10.17 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")

DTC Participant Number: __________________

Exhibit 10.14

FORBEARANCE AGREEMENT

This FORBEARANCE AGREEMENT (this "Agreement") is made and entered into as of April 14, 2009 by and among Primus Telecommunications Group, Incorporated, a Delaware corporation (the "Parent"), Primus Telecommunications Holding, Inc., a Delaware corporation (the "Borrower"), Primus Telecommunication IHC, Inc., a Delaware corporation ("IHC"), and Primus Telecommunications International, Inc., a Delaware corporation ("PTII") which together with the other guarantors named on the signature pages hereto (the " Guarantors"), and the several banks and other financial institutions or entities from time to time parties to the Term Loan Agreement (as defined below) which are signatories hereto.

RECITALS

Reference is made to the Term Loan Agreement, dated as of February 18, 2005 (as amended, supplemented or otherwise modified in writing from time to time, the "Term Loan Agreement"), among the Parent, the Borrower, the several banks and other financial institutions or entities from time to time party thereto as lenders (the "Lenders"), Lehman Brothers Inc., as advisor, sole lead arranger and sole bookrunner, Lehman Commercial Paper Inc., as syndication agent, and Lehman Commercial Paper Inc., as administrative agent (the " Administrative Agent").

WHEREAS, the Parent, the Borrower, IHC and PTII (collectively, the "Debtors") have determined that a prompt balance sheet restructuring (the "Restructuring") through a plan of reorganization would be in the best interests of their creditors and shareholders;

WHEREAS, the Debtors intend to implement the Restructuring pursuant to voluntary bankruptcy cases (the " Chapter 11 Cases") commenced by the Debtors on March 16, 2009 (the "Filing Date") by filing petitions (the "Petitions") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the " Bankruptcy Court") (jointly administered under Case No. 09-10867);

WHEREAS, in connection with the Chapter 11 Cases, the Debtors filed with the Bankruptcy Court a proposed disclosure statement and plan of reorganization;

WHEREAS, to facilitate the Restructuring, prior to the Filing Date, the Debtors and the Lenders entered into a Forbearance Agreement with respect to the Forbearance Defaults and Covenants (as defined below), which agreement has been extended from time to time and will be replaced in its entirety by this Agreement;

WHEREAS, the Debtors and the Consenting Lenders (as defined below) have negotiated and reached agreement on the terms of treatment under a plan of reorganization of claims arising under the Term Loan Agreement, as set forth in greater detail on a term sheet attached hereto as Exhibit "A" (the " Term Sheet");

WHEREAS, as a result of reaching agreement on the Term Sheet and to facilitate the Restructuring, the Consenting Lenders have agreed to, subject to and on the terms set forth in this Agreement, forbear enforcement of and waive the Forbearance Defaults and Covenants;

WHEREAS, it is contemplated that promptly following the Effective Date (as defined below), the Debtors will file with the Bankruptcy Court an amended disclosure statement and an amended plan to reflect this Agreement and the terms of treatment of claims arising under the Term Loan Agreement as set forth in the Term Sheet;

WHEREAS, the affirmative consent of the Required Lenders (each consenting Lender, a "Consenting Lender") and each Loan Party to the Term Loan Agreement is necessary to waive any Default or Event of Default and its consequences; and

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants and agreements set forth herein and for other good and valuable consideration, the parties hereto agree as follows:

AGREEMENT

Section 1. **Definitions** Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to such terms in the Term Loan Agreement. As used in this Agreement, the following terms shall have the following meanings:

(a) "Effective Date" shall mean the date when the Required Lenders and the Loan Parties have executed and delivered this Agreement.

(b) "Forbearance Defaults and Covenants" shall mean (i) any Default or Event of Default specified in Section 7(f) of the Term Loan Agreement, (ii) any Default or Event of Default specified in Sections 7(i) or (j) (excluding any such Event of Default with respect to guarantees of Persons other than the Debtors) of the Term Loan Agreement existing on the Effective Date or the date of filing the Petitions with the Bankruptcy Court, (iii) any other Default or Event of Default under the Term Loan Agreement as a result of, arising in connection with, or related to, the filing of the Petitions by the Debtors, and (iv) Section 6.12 of the Term Loan Agreement (solely as it relates to the retirement of Indebtedness authorized by the Bankruptcy Court in connection with the Plan).

Section 2. **Forbearance** Subject to the terms and conditions of this Agreement, each Lender hereby agrees to forbear and to direct the Administrative Agent to forbear from exercising any or all of their respective rights and remedies under the Loan Documents in respect of the Forbearance Defaults and Covenants.

Section 3. **Termination of Forbearance** Subject to the provisions of this Section 3, the agreement to forbear set forth in this Agreement shall cease to be of any further force and effect, and the Lenders may seek to exercise or direct the Administrative Agent to seek to exercise any or all of their respective rights and remedies under the Loan Documents in respect of the Forbearance Defaults and Covenants, upon two (2) business days' written notice (other than in the case of the following clauses (a), (r), (y) and (z), which shall require no notice) of the first to occur of (each of the following, a "Termination Event"):

(a) INTENTIONALLY OMITTED;

(b) the failure of the Debtors to file with the Bankruptcy Court an amended plan of reorganization providing that the Lenders receive the treatment set forth on the Term Sheet (the "Amended Plan") and an amended disclosure statement with respect to the Amended Plan (the " Amended Disclosure Statement") on or before April 20, 2009, both in a form and substance that is reasonably satisfactory to the Required Lenders with respect to the treatment of the claims of the Lenders, the Second Lien Noteholders (as defined below), the 8% Noteholders (as defined below) and the 5% Noteholders (as defined below); provided that the Required Lenders will consent to treatment consistent with the Term Sheet as to the Lenders and, with respect to the Second Lien Noteholders, 8% Noteholders and the 5% Noteholders, consistent with the PSA (as defined below);

(c) the failure of the Bankruptcy Court to enter an order approving the Amended Disclosure Statement on or before May 15, 2009, or such later date as may be mutually agreed upon by the Debtors and the Required Lenders, in form and substance reasonably satisfactory to the Required Lenders with respect to the treatment of the claims of the Lenders, the Second Lien Noteholders, the 8% Noteholders and the 5% Noteholders; provided that the Required Lenders will consent to treatment consistent with the Term Sheet as to the Lenders and, with respect to the Second Lien Noteholders, 8% Noteholders and the 5% Noteholders, consistent with the PSA (as defined below);

(d) the failure of the Debtors and the Required Lenders to finalize amendments or modifications to the Term Loan Agreement and the other documents connected therewith, including, but not limited to, the Intercreditor Agreement (collectively, the " Modified Loan Documents"), consistent with the Term Sheet, on or before May 15, 2009, or such later date as may be mutually agreed upon by the Debtors and the Required Lenders;

(e) the failure of the Bankruptcy Court to enter an order confirming the Amended Plan on or before June 30, 2009, or such later date as may be mutually agreed upon by the Debtors and the Required Lenders, in form and substance reasonably satisfactory to the Required Lenders with respect to the treatment of the claims of the Lenders, the Second Lien Noteholders, the 8% Noteholders and the 5% Noteholders; provided that the Required Lenders will consent to treatment consistent with the Term Sheet as to the Lenders and, with respect to the Second Lien Noteholders, 8% Noteholders and the 5% Noteholders, consistent with the PSA (as defined below). (the " Confirmation Order");

(f) the failure of the Debtors to consummate the Amended Plan on or before July 15, 2009, or such later date as may be mutually agreed upon by the Debtors and the Required Lenders (the "Plan Effective Date");

(g) prior to the Plan Effective Date, the failure of the Debtors to direct their non-Debtor subsidiaries to timely make, or the failure of the payment of, any scheduled payment of principal or interest required under the terms of the Loan Documents;

(h) the raising of an objection, which is not subsequently dismissed or withdrawn within ten (10) days of being raised, by any holder of the 14 $^{1}/_{4}$% Senior Secured Notes issued by IHC (the "Second Lien Noteholders"), the 8% Senior Notes issued by Borrower (the "8% Noteholders"), or the 5% Exchangeable Senior Notes issued by Borrower (the "5% Noteholders"), or any of their respective indenture trustees, with respect to any relief requested before the Bankruptcy Court, by the Debtors or any other party, for the payment by the Debtors or their non-Debtor subsidiaries to the Lenders of the scheduled payments of principal and interest required under the terms of the Loan Documents;

(i) any of the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code;

(j) the Bankruptcy Court shall enter an order in any of the Chapter 11 Cases ordering the appointment of (i) a trustee, (ii) a responsible officer, or (iii) an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in subclauses (3) and (4) of Section 1106(a)) under Section 1106(b) of the Bankruptcy Code;

(k) any of the Chapter 11 Cases are dismissed;

(l) the Confirmation Order is reversed on appeal or vacated;

(m) any party to this Agreement, other than the Lenders, has failed to perform any material provision of this Agreement or the Term Sheet and such failure to perform has not been duly waived or cured in accordance with the terms hereof after a period of five (5) business days following written notice to the party that has failed to perform;

(n) any court or governmental authority shall enter a final, non-appealable judgment or order declaring this Agreement or any material portion hereof to be unenforceable or enjoining the consummation of a material portion of the transactions contemplated hereby;

(o) the Debtors shall withdraw the Amended Plan or publicly announce their intention not to support the Amended Plan, or propose a reorganization or plan under the Bankruptcy Code other than the Amended Plan;

(p) the Debtors inform the Required Lenders in writing of their determination that there is sufficient risk of non-performance by the Debtors with respect to the financial obligations contemplated by the Amended Plan with respect to the Lenders and the Loan Documents such that the amendments to the Loan Documents contemplated by the Term Sheet are no longer in the best interests of the Debtors' estates;

(q) the Debtors lose the exclusive right to file and solicit acceptances of the Amended Plan;

(r) the conditions precedent required to be met prior to the closing of the amendment to the Term Loan Agreement, consistent with and as contemplated in the Term Sheet, including any modification or amendment thereof, have not been satisfied on or before the Plan Effective Date or waived by the Required Lenders;

(s) the Debtors file any motion or pleading with the Bankruptcy Court that is not consistent in any material respect with this Agreement or the Term Sheet and such motion or pleading has not been withdrawn prior to the earlier of (i) two (2) business days of the Debtors receiving written notice that such motion or pleading is inconsistent with this Agreement or the Term Sheet and (ii) entry of an order of the Bankruptcy Court approving such motion;

(t) the Bankruptcy Court grants relief that is inconsistent with this Agreement or the Term Sheet in any material respect;

(u) the commencement of an avoidance action by any or all of the Debtors affecting the rights of any Lender or the commencement of such an action by any other party;

(v) the filing by any or all of the Debtors or by any other party of an objection to the allowance of the Lenders' claims against the Debtors' estates in respect of the Term Loan Agreement;

(w) subject to the execution of an appropriate and otherwise reasonable confidentiality agreement, to the extent necessary, the failure by the Debtors to provide to the Required Lenders and their advisors, including Fried, Frank, Harris, Shriver & Jacobson LLP (" Fried Frank"), (i) reasonable access to the books and records of the Debtors, and (ii) reasonable access to the respective management and advisors of the Debtors for the purposes of evaluating the Debtors' respective business plans and participating in the plan process with respect to the Restructuring;

(x) the occurrence of a "Termination Event" as that term is defined in the Plan Support Agreement entered into as of March 16, 2009 between the Second Lien Noteholders, the 8% Noteholders, the 5% Noteholders and the Debtors (the " PSA") that has resulted in a termination of the PSA and the Debtors are no longer proceeding to seek approval and consummation of the Amended Plan and the treatment of the claims of the Second Lien Noteholders, the 8% Noteholders and the 5% Noteholders are on terms reasonably satisfactory to the Required Lenders;

(y) failure to replace LCPI with an administrative agent reasonably acceptable to the Company and the Required Lenders on or before the Plan Effective Date;

(z) the failure of the Debtors or any non-Debtor subsidiaries to pay all reasonable invoiced and unpaid fees and expenses of Fried Frank and Chanin Capital Partners ("Chanin") on or before the Plan Effective Date;

(aa) the Bankruptcy Court shall enter an order approving the use of cash collateral or otherwise approving the Debtors' use of cash to fund the Chapter 11 Cases (other than any orders authorizing the Debtors' continued use of their existing cash management systems) without the prior written consent of the Required Lenders, which consent shall not be unreasonably withheld; or

(bb) the filing of a petition for relief under the Bankruptcy Code by a Guarantor.

Section 4. **<u>Waiver</u>** If no Termination Event shall have occurred resulting in the termination of this Agreement prior to the Plan Effective Date, upon the Plan Effective Date, and in accordance with the terms of the Amended Plan giving effect to the amendment to the Term Loan Agreement in accordance with the Term Sheet, each Consenting Lender hereby irrevocably waives, and shall direct the Administrative Agent to irrevocably waive, all Forbearance Defaults and Covenants. This Agreement shall not constitute a waiver of, and each Lender hereby reserves its rights with respect to, any Default or Event of Default other than the Forbearance Defaults and Covenants.

Section 5. **<u>Conditions</u>** The Effective Date and the effectiveness of this Agreement are conditioned upon the following: (a) the execution and delivery of executed counterparts of this Agreement by the Parent, the Borrower and the Guarantors; (b) the execution and delivery of this Agreement by the Required Lenders; and (c) the payment in full in cash of the invoiced and unpaid fees and expenses of Fried Frank and Chanin.

Section 6. **<u>Representation and Warranties</u>** By execution hereof, the Debtors and the Guarantors represent and warrant to the Lenders that (a) all necessary corporate action on the part of the Debtors and the Guarantors to be taken in connection with the execution, delivery and performance of this Agreement has been taken, and (b) the execution, delivery and performance by the Debtors and the Guarantors of this Agreement does not constitute a violation or breach of either the Debtors' or the Guarantors' respective articles of organization, bylaws or any other agreement or law by which the Debtors and the Guarantors are bound.

Section 7. **<u>Miscellaneous Terms</u>**

7.1 Binding Obligation; Successors and Assigns

(a) **Binding Obligation.** This Agreement is a legally valid and binding obligation of the Debtors, the Guarantors, the Consenting Lenders and their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, successors, assigns, heirs, executors, administrators and representatives, other than a trustee or similar representative appointed in the Chapter 11 Cases, enforceable in accordance with its terms, and shall inure to the benefit of the Debtors, the Guarantors, the Consenting Lenders and their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, successors, assigns, heirs, executors, administrators and representatives. Nothing in this Agreement, express or implied, shall give to any entity, other than the Debtors, the Guarantors, the Consenting

Lenders and their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, Affiliates, successors, assigns, heirs, executors, administrators and representatives, any benefit or any legal or equitable right, remedy or claim under this Agreement.

(b) **Successors and Assigns.** This Agreement shall be binding upon each Consenting Lender and each of its successors and assigns (including assignees of its Loans in whole or in part).

7.2 Further Assurances

The Parent, the Borrower and the Consenting Lenders agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the agreements and understandings of the parties hereto, whether the same occurs before or after the date of this Agreement.

7.3 Headings

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction or interpretation of any term or provision hereof.

7.4 No Other Amendments; Reservation of Rights, No Waiver

Other than as otherwise expressly provided herein, this Agreement shall not be deemed to operate as an amendment or waiver of, or to prejudice, any right, power, privilege or remedy of the Lenders under the Loan Documents or applicable law, nor shall the entering into this Agreement preclude the Lenders from refusing to enter into any further amendments or forbearances with respect to the Loan Documents. Other than as expressly provided herein, this Agreement shall not constitute a forbearance with respect to (i) any failure of any of the Debtors or any Guarantor to comply with any covenant or other provision in the Term Loan Agreement or any of the Loan Documents or (ii) the occurrence or continuance of any present or future Default or Event of Default. Without limiting the foregoing in any way, if the transactions contemplated by this Agreement or otherwise set forth in the Amended Plan are not consummated as provided herein, if a Termination Event occurs or if this Agreement is otherwise terminated for any reason, the parties each fully reserve any and all of their respective rights, remedies and interests and claims against any other party hereto.

7.5 Governing Law

THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CHOICE OF LAWS PRINCIPLES THEREOF. Each of the Debtors, the Guarantors and the Consenting Lenders hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in either a state or federal court of competent jurisdiction in the State of New York. Each of the Debtors, the Guarantors and the Consenting Lenders hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to jurisdiction in either a state or federal court of competent jurisdiction in the State of New York, each of the Debtors, the Guarantors and the Consenting Lenders hereby agrees that while the Chapter 11 Cases are pending, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement.

7.6 Complete Agreement, Interpretation and Modification

(a) **Complete Agreement.** This Agreement and the other agreements, exhibits and other documents referenced herein and therein constitute the complete agreement among the Debtors, the Guarantors and the Consenting Lenders with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Debtors, the Guarantors and the Consenting Lenders with respect thereto.

(b) **Interpretation.** This Agreement is the product of negotiation by and among the Debtors, the Guarantors and the Consenting Lenders. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any party hereto by reason of that party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

7.7 Execution of this Agreement

This Agreement may be executed and delivered (by facsimile or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Each individual executing this Agreement on behalf of a party hereto has been duly authorized and empowered to execute and deliver this Agreement on behalf of said party.

7.8 Settlement Discussions

This Agreement and the Restructuring are part of a proposed settlement of a dispute among the Debtors and the Consenting Lenders. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

7.9 Survival

Each of the Debtors, the Guarantors and the Consenting Lenders acknowledges and agrees that this Agreement is being executed in connection with negotiations concerning the Restructuring of the Debtors. Accordingly, (i) the rights granted in this Agreement are enforceable by each signatory hereto without approval of the Bankruptcy Court, (ii) the exercise of such rights shall not violate the Automatic Stay provisions of the Bankruptcy Code and (iii) each party hereto hereby waives its right to assert a contrary position in the Chapter 11 Cases, if any, with respect to the foregoing clauses (i) and (ii). In the event that a Bankruptcy Court finds that this Agreement is not binding on the Debtors, this Agreement shall nonetheless continue to be binding on each and every one of the Guarantors with the same force and effect as if the Agreement were binding against any or all of the Debtors.

7.10 Disclosure

Unless and until this Agreement is filed with the Bankruptcy Court or the Securities and Exchange Commission or this Agreement or its contents is otherwise made publicly available with the consent of each of the parties hereto, each of the parties (a) shall keep the terms and existence of this Agreement confidential and (b) shall not, and shall cause its and its affiliates directors, officers, partners, members, employees, agents, advisors, fiduciaries and other representatives not to, without the prior written consent of the other parties, disclose such information in any manner whatsoever, in whole or in part; *provided*, *however*, that the foregoing shall not prohibit any party from making any filings or other disclosures that may be necessary and/or required under the federal securities laws. The foregoing shall not prohibit the Debtors from disclosing the approximate aggregate holdings of the Consenting Lenders (but not the identity of individual Consenting Lenders or their holdings without the prior written consent of such holder).

7.11 Notices

All notices hereunder shall be deemed given if in writing and delivered, if sent by facsimile, courier or by registered or certified mail (return receipt requested) to the following addresses and facsimile numbers (or at such other addresses or facsimile numbers as shall be specified by like notice):

(a) If to the Debtors, to

Primus Telecommunications Group, Incorporated
7901 Jones Branch Drive, Suite 900
McLean, Virginia 22102
Facsimile: (703) 902-2814
Attn: John F. DePodesta

With copies to

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive, Suite 1900
Chicago, Illinois 60606
Facsimile: (312) 407-0411
Attn: George N. Panagakis

and

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Facsimile: (213) 687-5600
Attn: Casey T. Fleck

(b) If to a Consenting Lender or a transferee thereof, to the addresses or facsimile numbers set forth below the Consenting Lender's signature on the applicable Lender's counterpart signature page to this Agreement.

With copies to

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, New York 10004
Facsimile: (212) 859-8000
Attn: Jean E. Hanson
Bonnie Steingart

(c) Any notice given by delivery, mail or courier shall be effective when received. Any notice given by facsimile or electronically (e.g., "pdf") shall be effective upon oral or machine confirmation of transmission.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the day and year first written above.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: ________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS HOLDING, INC.

By: ________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS, INC., as Guarantor

By: ________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS INTERNATIONAL, INC., as Guarantor

By: ________________________
Name:
Title:

PRIMUS TELECOMMUNICATIONS IHC, INC.,
as Guarantor

By: ____________________________
Name:
Title:

TRESCOM INTERNATIONAL, INC.,
as Guarantor

By: ____________________________
Name:
Title:

LEAST COST ROUTING, INC., as Guarantor

By: ____________________________
Name:
Title:

TRESCOM U.S.A., INC., as Guarantor

By: ____________________________
Name:
Title:

IPRIMUS USA, INC., as Guarantor

By: ____________________________
Name:
Title:

IPRIMUS.COM, INC., as Guarantor

By: ______________________________

Name:

Title:

LENDER:

E.N. INVESTMENT COMPANY

555 17th Street, Suite 2400
Denver, CO 80202

By: ______________________________
Name:
Title:

LENDER:

MARK ANTONY PARTNERS, SARL

BY: OCTAVIAN ADVISORS, LP, ITS
INVESTMENT ADVISOR

650 Madison Avenue
New York, NY 10022

By: ______________________________
Name:
Title:

LENDER:

RESTORATION CAPITAL MANAGEMENT, LLC

909 Third Avenue, 30th Floor
New York, NY 10022

By: ______________________________
Name:
Title:

Exhibit 10.15

Loan Agreement[1] Modifications Term Sheet[2]

Set forth below are the revised terms (the "Term Sheet") of the Loan Agreement the members of the ad hoc committee of lenders party to the Loan Agreement (the "Lenders") have indicated they will require in order to support and consent to the proposed restructuring of Primus Telecommunications Group, Incorporated ("Parent" or the "Company"), Primus Telecommunications Holding, Inc. ("Holding"), Primus Telecommunications International, Inc ("PTII") and Primus Telecommunications IHC, Inc. ("IHC").

Waiver:	Pursuant to the Joint Plan of Reorganization of Parent, Holding, PTII and IHC (the " Plan"), the Loan Agreement shall be amended to waive all defaults arising out of the bankruptcy proceedings (the " Proceedings") of Parent, Holding, PTII, IHC and any of their subsidiaries.
Guarantors:	Will remain as Parent, Primus Telecommunications, Inc., PTII, Trescom International, Inc., Rockwell Communications Corporation, Least Cost Routing, Inc., Trescom U.S.A., Inc., iPRIMUS USA, Inc., iPRIMUS.com, Inc. and IHC.
	Parent and the Borrower will provide a representation that (a) there are no domestic subsidiaries of the Company that are not Guarantors that account for, in the aggregate, 5% or more of consolidated assets or consolidated revenue of the Company and (b) there are no Unrestricted Subsidiaries at the date of the amendment. The Loan Agreement shall be amended to prohibit designation of any Subsidiaries as Unrestricted Subsidiaries, provided however, that the Company may designate Subsidiaries as Unrestricted Subsidiaries in connection with refinancing the Loans in their entirety.

1 Term Loan Agreement, dated as of February 18, 2005, as amended on March 18, 2005 and February 5, 2007, among Primus Telecommunications Group, Incorporated, as Parent, Primus Telecommunications Holding, Inc., as Borrower, Lehman Brothers Inc., as Arranger, and Lehman Commercial Paper Inc., as Syndication Agent and Administrative Agent. Capitalized terms not defined herein shall have the meaning ascribed to them pursuant to the Loan Agreement.

2 Intentionally left blank.

Interest Rate: Beginning on the date of substantial consummation of the Plan (the "Effective Date"), the Interest Rate shall be either (to be selected at the Company's option with notification to the Lenders at least 30 days prior to each interest payment date) (i) LIBOR plus 900 bps with a LIBOR floor of 3% in cash, or (ii) LIBOR plus 700 bps with a LIBOR floor of 3% in cash plus 400 bps in PIK.

Subject to obtaining requisite authority from the Bankruptcy Court [3] and until the Effective Date, the Borrower or a Guarantor will continue to make interest payments in accordance with the Loan Agreement at the interest rate currently applicable under the Loan Agreement.

Amortization: The amortization schedule set forth in Section 2.3 of the Loan Agreement will be amended as follows:

Installment	Principal Amount
March 31, 2009	$250,000
June 30, 2009	$250,000
September 30, 2009	$925,000
December 31, 2009	$925,000
March 31, 2010	$1,400,000
June 30, 2010	$1,400,000
September 30, 2010	$1,400,000
December 31, 2010	$1,400,000
February 18, 2011	Remaining outstanding principal balance (including all capitalized PIK interest, if any).

Subject to obtaining requisite authority from the Bankruptcy Court [4] and until the Effective Date the Borrower or a Guarantor will continue to make a minimum payment of $250,000 on each date set forth above in accordance with the terms of the existing Loan Agreement.

3 The Lenders' forbearance during the Proceedings will be conditioned on there being no objections made with respect to any such relief by the holders of the (i) Second Lien Debt (as defined herein), (ii) 8% Senior Notes issued by Holding, or (iii) 5% Exchangeable Senior Notes issued by Holding, or their respective indenture trustees.

4 The Lenders' forbearance during the Proceedings will be conditioned on there being no objections made with respect to any such relief by the holders of the (i) Second Lien Debt, (ii) 8% Senior Notes issued by Holding, or (iii) 5% Exchangeable Senior Notes issued by Holding, or their respective indenture trustees.

Consent Fee:	None.
Administrative Agent:	No later than the Effective Date, Lehman Commercial Paper Inc. ("LCPI") shall be replaced as Administrative Agent with a replacement agent reasonably acceptable to the Company and the Lenders. Promptly upon the Term Sheet Agreement Date (as defined below), the Company will negotiate and finalize the terms of a release with LCPI and its affiliates relating to LCPI's role as administrative agent, to be effective no later than the Effective Date, reasonably consistent with similar releases that other borrowers have provided LCPI and its affiliates in connection with replacing LCPI as administrative agent, but shall reserve the Company's and affiliates' claims relating to hedging transactions (the "Release"). The Release shall be effective upon the execution of the amendment to the Loan Agreement or such earlier date as may be agreed by the Company, LCPI and the Lenders.
Collateral:	Same collateral basket as under the Loan Agreement. Account control agreements for all of Borrower's and Guarantors' securities accounts and deposit accounts (other than (i) deposit accounts and securities accounts holding cash and investment property in an aggregate amount, for all such accounts taken together, not exceeding \$500,000, and (ii) the BofA Account referenced below) are to be delivered to the Lenders no later than the Effective Date.
Liens/Security Interest:	First priority liens in all of the Collateral, except for Permitted Liens.
Covenants:	• Section 6.2(a) - Limitation on Indebtedness: Delete all debt incurrence tests in Sections 6.2(a)(i), (ii) and (iii). • Section 6.2(b) will be modified so that the only debt permitted is (1) existing and outstanding debt on the Term Sheet Agreement Date, (2) debt incurred in connection with refinancing the Loans in whole but not in part (including the current amount of the Loans plus customary and reasonable fees associated with the refinancing or refinancing of the Loans), (3) an aggregate of \$50 million of Indebtedness pursuant to 6.2(b)(ii) at any time outstanding (of which approximately \$40 million is currently outstanding), (4) intercompany indebtedness pursuant to 6.2(b)(iii), (5) refinancing indebtedness pursuant to 6.2(b)(iv), (6)

permitted indebtedness (e.g. hedges) pursuant to 6.2(b)(v), (7) additional guarantees of the Loans pursuant to 6.2(b)(viii), (8) temporary overdrafts pursuant to 6.2(b)(x), (9) plus an additional unsecured debt basket of up to an aggregate dollar cap of $7.5 million. No other Indebtedness shall be permitted to be incurred by the Loan Parties, except for additional debt arising from (1) the use of PIK and/or (2) acquisitions which would be limited to 2.5 times annual trailing twelve month ("TTM") Adjusted EBITDA acquired (as calculated by the Company and such adjustments shall be subject to agreed upon procedures performed by the Company's independent accountants) and as long as such debt is either (a) subordinated to the Loans and the Second Lien Debt (as defined below) in right of payment and rights in the Collateral, with maturity after the 91 st day after maturity of the Loans, (b) debt of the acquisition entity that is non-recourse as to Parent or any Restricted Subsidiary other than the Restricted Subsidiary incurring the subject Indebtedness; provided, however, that non-recourse debt issued by any Restricted Subsidiary pursuant to clause (b) shall not exceed $52.5 million in the aggregate, or (c) additional Second Lien Debt so long as such Second Lien Debt is subordinated in right of payment to the Loans, or any combination of (a), (b) and (c) above, and, in each case, the acquired assets (other than assets of Foreign Subsidiaries) are part of the Collateral securing the Loans in which the Lenders have a first priority security interest and with respect to acquisitions involving a Foreign Subsidiary the Loans would be secured by a pledge of 65% of the stock of such entity or parent entity; provided further that, in each such case, the purchase price of any acquisition of assets of a Foreign Subsidiary is funded from Indebtedness permitted to be incurred pursuant to the debt covenant and, as necessary, from one or more of the following sources: (i) Parent equity issued to the seller; (ii) cash from issuance of Parent equity; and (iii) cash acquired in the acquisition.

- Section 6.2(d) - Limitation on Indebtedness: to be modified such that all Guarantees, other than Guarantees made by Parent or a Restricted Subsidiary for the benefit of the Lenders under the Loan Documents, will be counted against the Limitation on

Indebtedness covenant, and shall only be permitted to the extent of availability under the Limitation on Indebtedness covenant; provided however, that for such purposes such Guarantees and the related debt are not both counted.

- Section 6.3(iii) - Restricted Payments Covenant to be modified to make clear that any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of any debt, including but not limited to any of the 14 1/4% Senior Secured Notes issued by IHC (the "Second Lien Debt"), other than Indebtedness representing the Loans and Indebtedness pursuant to Section 6.2(b)(ii), will be a "Restricted Payment"; provided that "Restricted Payments" shall not include (a) any repayment, repurchase or retirement of any indebtedness in connection with any refinancing permitted by Section 6.2(b)(iv) (as amended as provided herein) or (b) any repurchase of Indebtedness with equity proceeds or Asset Sale proceeds not otherwise required to be applied in prepayment of the Loans. Except as otherwise set forth in this Term Sheet, the Restricted Payments covenant to be modified in its entirety to contain only customary restrictions for bank credit agreements of this type in the current market, and for the avoidance of doubt, among other items, the modifications shall include, (i) the deletion of incurrence test and the building basket concept, (ii) the deletions of clauses (b), (d), (g), (i), (k), (l) and (m) in the second paragraph of Section 6.3 and (iii) the only catch-all basket shall be a general basket limited to a cap of $1 million.
- Section 6.7 - Limitation on Liens covenant to be modified to delete incurrence test and expressly prohibit any Liens other than Permitted Liens.
- Section 6.12 - Restriction on Certain Purchases of Indebtedness: to be modified to preclude Parent, Borrower and each Restricted Subsidiary from repaying, prepaying or purchasing debt, excluding debt incurred under 6.2(b)(ii); provided that the $1 million Restricted Payments basket may be used to repay, prepay or purchase other debt including Second Lien Debt if no Default or Event of Default has occurred or results therefrom and if all scheduled amortization payments and other payments on the

Loans have been made; provided, further that repurchases of Second Lien Debt and the Loans can be made in exchange for or out of the cash proceeds (including cash of any business acquired in exchange for qualified equity interest) from the sale of qualified equity interests or Asset Sales, to the extent such proceeds are not required to be used to prepay the Loans pursuant to the mandatory prepayment provisions. Carve-out in covenant to be deleted.

- Section 6 - Negative Covenants: the following financial covenants to be added: Minimum Adjusted EBITDA, [5] Maximum Debt and Maximum Capex covenants, with the Minimum Adjusted EBITDA covenant being calculated beginning September 30, 2009 based on the trailing 4 quarters and the Maximum Capex covenant being calculated annually effective December 31, 2009. For the periods ended September 30, 2009 and December 31, 2009, calculations will be made using constant currency rates as follows: Can$ - 0.80; Aust. $ - 0.65; Euro – 1.275 and British Pound – 1.40. Currency rates in effect on December 31, 2009 and June 30, 2010 will be used for purposes of calculating compliance for quarters ended during the next succeeding 6 months periods, but such currency rates will not be used retroactively for any periods prior to such date. Minimum Adjusted EBITDA shall be $50 million, calculated quarterly based upon the prior four quarters effective September 30, 2009. Failure to meet the Minimum Adjusted EBITDA covenant will not be an Event of Default but rather result in a financial penalty of $250,000 per quarter in incremental amortization plus a 50 basis point increase in the interest rate during the quarters of non-compliance, provided however that if the Adjusted EBITDA is below $42 million it will constitute an Event of Default. The minimum Adjusted EBITDA will be adjusted for divestitures and acquisitions based upon adjustments calculated by the Company and such adjustments shall be subject to agreed upon procedures performed by the Company's independent accountants. Maximum Debt shall be $270 million plus additional debt accrued from (1) the use of PIK and/or (2) acquisitions which would be limited to 2.5 times annual TTM Adjusted EBITDA

5 Adjusted EBITDA is consistent with the definition used by the Company in past earnings releases with the addition of reorganization costs, calculated quarterly based upon the last four quarters.

acquired (as calculated by the Company and such adjustments shall be subject to agreed upon procedures performed by the Company's independent accountants) and as long as such debt is either (a) subordinated to the Loans and the Second Lien Debt in right of payment and rights in the Collateral, with maturity after the 91st day after maturity of the Loans, (b) debt of the acquisition entity that is non-recourse as to Parent or any Restricted Subsidiary other than the Restricted Subsidiary incurring the subject Indebtedness; provided however, that non-recourse debt issued by any Restricted Subsidiary pursuant to clause (b) shall not exceed $52.5 million in the aggregate, or (c) additional Second Lien Debt so long as such Second Lien Debt is subordinated in right of payment to the Loans, or any combination of (a), (b) and (c) above, and, in each case, the acquired assets (other than assets of Foreign Subsidiaries) are part of the Collateral securing the Loans in which the Lenders have a first priority security interest and with respect to acquisitions involving a Foreign Subsidiary the Loans would be secured by a pledge of 65% of the stock of such entity or parent entity; provided further that, in each such case, the purchase price of any acquisition of assets of a Foreign Subsidiary is funded from Indebtedness permitted to be incurred pursuant to the debt covenant and, as necessary, from one or more of the following sources: (i) Parent equity issued to the seller; (ii) cash from issuance of Parent equity; and (iii) cash acquired in the acquisition.

- The Maximum Debt covenant will be required to be maintained at all times as of the Effective Date; provided, that Indebtedness incurred solely to refinance other Indebtedness shall not be counted in determining compliance with such covenant as long as such Indebtedness is so applied within a reasonable period of time after being incurred. Maximum Capex shall be $18 million in 2009 and $23 million in 2010, calculated annually effective December 31, 2009, and subject to adjustment for divestitures and acquisitions based upon adjustments calculated by the Company and such adjustments shall be subject to agreed upon procedures performed by the Company's independent accountants.

- Section 6.14(c) - Restriction on Deposit Accounts and Securities Accounts: carve-out for a specific account

	at BofA (the "BofA Account") that can hold up to $10 million without being subject to account control agreement reduced to $5 million. • Section 5.1 - Financial Statements: add delivery of monthly financial statements to required financial information deliveries, to be provided to any Lender that requests such monthly information.
Mandatory Prepayments:	Section 2.7 - Mandatory Prepayments: to be revised to include mandatory prepayments from (1) 25% of proceeds of equity issuance (including 25% of the cash of any business acquired in exchange for equity), (2) proceeds from debt incurrence (other than debt permitted under Limitation on Indebtedness covenant), and (3) 80% of net cash proceeds from any Asset Sale or insurance recoveries not otherwise reinvested in long-term property or assets of a nature or type 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 Borrower and its Restricted Subsidiaries existing on the date of such reinvestment within 180 days or committed to be reinvested provided that a certificate signed by a senior officer of the Company shall be delivered within 10 days after the expiration of such 180-day period certifying that such proceeds have been so reinvested or a binding commitment has been entered into with respect to such reinvestment.
Repurchase of Term Loans; Successors and Assigns:	Sections 2.13 and 9.6 to be modified to make clear that the Parent or any of its affiliates may purchase up to $5 million principal amount of the Loans annually, at less than par, so long as otherwise permitted under the Loan Agreement without triggering any pro rata provisions, provided that any purchase in excess of $5 million principal amount on an annual basis is made by way of an offer made available to all holders of the Loans on a pro rata basis. Any such Loans purchased shall be immediately cancelled and under no circumstances may Parent or any of its affiliates vote any rights or obligations with respect to the Loans.
Expenses:	All reasonable out of pocket fees and expenses of the Lenders' professionals (legal, financial, etc.).
Intercreditor Agreement:	Modifications to the Indenture governing the Second Lien Debt and the Intercreditor Agreement to make the Second Lien Debt subordinated in right of payment to the Loans on terms customary for bank debt and second lien debt in the current market in addition to being subordinated on rights against the common Collateral.

Forbearance Agreement/Amendment of Loan Agreement	The parties will sign an agreement to which the definitive final version of this Term Sheet shall be attached (the date of such agreement being the "Term Sheet Agreement Date") and which will provide for the Plan to include the amendment to the Term Loan on the Effective Date on the terms and conditions contained in this Term Sheet.
Conditions Precedent	As a condition precedent to closing of the amendment to the Loan Agreement, the Company shall procure that the following conditions have been satisfied: Execution of the release of LCPI as Administrative Agent, to be effective no later than the Effective Date and execution and delivery of documentation appointing the replacement administrative agent; Bringdown of the representations and warranties contained in the Loan Agreement (other than the representations relating to No Default (3.7) and Solvency (3.20)). The representations and warranties shall be true and correct in all material respects on the date of the bring down, as though made on and as of such date (except to the extent they relate to an earlier date); With respect to the representations and warranties contained in Section 3.8 of the Loan Agreement, Parent and the Borrower shall represent to the Lenders that all of the real property owned by Parent or its Restricted Subsidiaries is owned free and clear of any Liens, other than those Permitted Liens identified on a schedule to the definitive amendment agreement; With respect to the representations and warranties contained in Section 3.19 of the Loan Agreement, Parent and the Borrower shall represent to the Lenders that the Lenders have a perfected first priority security interest in all of the Collateral other than with respect to the Permitted Liens set forth on a schedule to the definitive amendment agreement; The definitive amendment agreement will contain schedules listing all of the account control agreements and related information for all securities accounts and deposit accounts of the Borrower and the Guarantors, other than the BofA Account; Delivery of an accounting of the Borrower's and Guarantors' intercompany receivables and payables;

Delivery of account control agreements for all of the Borrower's and Guarantors' securities accounts and deposit accounts (other than (i) deposit accounts and securities accounts holding cash and investment property in an aggregate amount not exceeding $500,000, and (ii) the BofA Account); and

Delivery of a certificate, signed by the chief executive officer of the Company, confirming that the information provided in the Schedules to the Loan Agreement (including any Schedules to the amendment) are accurate and complete, and (a) all the consents, authorizations, licenses and approvals required in the consummation of the Plan and the execution, delivery and performance by the Company and the validity against the Company of the amendment and the Loan Documents have been obtained and remain in full force and effect; or (b) no such consents, authorizations, licenses and approvals are required.

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges
(in thousands)

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Earnings:					
Pre-tax income (loss) from continuing operations	$(25,071)	$ 640	$(235,837)	$(147,585)	$ (9,227)
Add: Fixed charges	60,640	69,215	62,905	60,988	57,542
Less: Minority interest	(3,159)	—	1,110	381	452
Less: Equity investment	—	—	—	(249)	(412)
Total earnings before fixed charges	$ 38,728	$69,855	$ (174,042)	$ (86,729)	$ 48,275
Fixed charges:					
Interest expense	$ 53,888	$ 61,373	$ 54,175	$ 53,440	$50,526
Accretion on debt discount	(583)	449	1,732	—	—
Estimated interest component of rent expense	7,335	7,393	6,998	7,548	7,016
Total fixed charges	$ 60,640	$69,215	$ 62,905	$ 60,988	$57,542
Shortage	$ 21,912	N/A	$ 236,947	$ 147,717	$ 9,267
Ratio of earnings to fixed charges(1)	<1	1.00	<1	<1	<1

(1) The ratio of earnings to fixed charges is computed by dividing the sum of pre-tax income from continuing operations (before adjustment for minority interests in consolidated subsidiaries and loss from equity investees) plus fixed charges, 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.

Exhibit 21.1

Operating Subsidiaries

Primus Telecommunications, Inc.	(Delaware)
iPRIMUS USA, Inc.	(Delaware)
Primus Telecommunications IHC, Inc.	(Delaware)
STSJ Overseas Telephone Company, Inc.	(Puerto Rico)
St. Thomas & San Juan Telephone Company, Inc.	(US Virgin Islands)
Primus Telecommunications Canada, Inc.	(Canada)
Telesonic Communications, Inc.	(Canada)
MIPPS, Incorporated	(Canada)
Primus Telecom Holdings Pty., Ltd.	(Australia)
Primus Telecom Ventures Pty., Ltd.	(Australia)
Primus Network (Australia) Pty., Ltd.	(Australia)
Primus Telecom Pty, Ltd	(Australia)
Primus Telecommunications Pty., Ltd	(Australia)
Primus Telecommunications (Australia) Pty., Ltd.	(Australia)
DSL.com Pty., Ltd.	(Australia)
0014 Pty, Ltd.	(Australia)
Liquor Industry Service Technology Pty., Ltd.	(Australia)
Kooee Telecom	(Australia)
Global Sales Pty., Ltd.	(Australia)
Hotkey Internet Service Pty., Ltd	(Australia)
Primus Data Pty., Ltd.	(Australia)
Primus Online Pty., Ltd.	(Australia)
ACN 080 527 073 Pty.,Ltd	(Australia)
ACN 095 828 078 Pty., Ltd	(Australia)
Telegroup UK Ltd.	(United Kingdom)
Primus Telecommunications Ltd.	(United Kingdom)
Planet Talk UK Limited	(United Kingdom)
Primus Telecommunications KK Japan	(Japan)
Global Access Pty., Ltd.	(South Africa)
P1 do Brasil Ltda	(Brazil)
Matrix Internet, S.A.	(Brazil)
US Matrix Telecommunications, Inc.	(Florida)
Primus Telecommunications Netherlands B.V.	(Netherlands)
Primus Nederland B.V.	(Netherlands)
Primus Telecommunications GmbH	(Germany)
Primus Telecommunications France S.A.S.U	(France)
Primus Telecommunications S.r.1.	(Italy)
Telegroup Italia S.r.1.	(Italy)
Primus Telecommunications Iberica SA	(Spain)
Primus Telecommunications Belgium N.V.	(Belgium)
PTI Telecommunications GmbH	(Austria)
Primus Telecommunications A/S	(Denmark)
Telegroup Network Services APS	(Denmark)
Telegroup Sweden AB	(Sweden)
Lingo, Inc.	(Delaware)
Primus Telecommunication India Private Limited	(India)

Non-Operating Subsidiaries

Primus Telecommunications International, Inc.	(Delaware)
iPRIMUS.com, Inc.	(Delaware)
Lingo Holdings, Inc.	(Delaware)
Lingo Network Services, Inc.	(Delaware)
Primus Telecommunications Holding, Inc.	(Delaware)
TresCom International Inc.	(Delaware)
Least Cost Routing, Inc.	(Florida)
TresCom U.S.A. Inc.	(Florida)
Global Telephone Holdings Inc.	(US Virgin Islands)
Interisland Telephone Corporation	(US Virgin Islands)
STSJ Network Assets Inc.	(US Virgin Islands)
OTC Network Assets, Inc.	(Puerto Rico)
Stubbs, Ltd.	(Hong Kong)
PRIMUS Telecom SA de C.V.	(El Salvador)
Primus Telecommunications Holdings Ltd	(United Kingdom)
European Mobile Products and Solutions Limited	(Ireland)
Primus Telecommunications de Mexico SA de CV	(Mexico)
Globility Communications (2006) Corporation	(Canada)
3082833 Nova Scotia Company	(Canada)
3620212 Canada Inc.	(Canada)
Primus Telecommunications Europe BV	(Netherlands)
Delta One America Do Sul	(Brazil)
Communicacoes do Brasil Ltda	(Brazil)
Primus Telecommunications AG	(Switzerland)
Primus Telecom Mauritius Holdings	(Mauritius)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-110234 on Form S-3, Registration Statement Nos. 333-39526, 333-56557, 333-73003 and 333-70514 on Form S-8, Post-Effective Amendment No. 1 to Registration Statement No. 333-35005 on Form S-8, and Post-Effective Amendment No. 1 to Registration Statement No. 333-135838 on Form S-3 by Form S-1 of our report dated April 15, 2009, relating to the consolidated financial statements and financial statement schedule of Primus Telecommunications Group, Incorporated and subsidiaries (which report expresses an unqualified opinion, includes emphasis of matter paragraphs relating to the Company's filing for reorganization under Chapter 11 of the U.S. Bankruptcy Code, and the Company's ability to continue as a going concern, and includes an explanatory paragraph regarding the Company's adoption of a new accounting standard), appearing in this Annual Report on Form 10-K of Primus Telecommunications Group, Incorporated and subsidiaries for the year ended December 31, 2008.

/s/ Deloitte & Touche LLP
McLean, Virginia
April 15, 2009

Exhibit 31

CERTIFICATIONS

I, K. Paul Singh, certify that:

1. I have reviewed this annual report on Form 10-K of Primus Telecommunications Group, Incorporated;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15f and 15d-15f) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Dated: April 15, 2009

By: /s/ K. PAUL SINGH

Name: K. Paul Singh
Title: Chairman, President and Chief Executive Officer (Principal Executive Officer) and Director

I, Thomas R. Kloster, certify that:

1. I have reviewed this annual report on Form 10-K of Primus Telecommunications Group, Incorporated;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15f and 15d-15f) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Dated: April 15, 2009

By: /s/ THOMAS R. KLOSTER

Name: **Thomas R. Kloster**

Title: **Chief Financial Officer (Principal Financial Officer)**

Exhibit 32

CERTIFICATION

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002 (18 U.S.C. § 1350, as adopted), K. Paul Singh, the Chief Executive Officer of Primus Telecommunications Group, Incorporated (the "Company"), and Thomas R. Kloster, the Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2008, to which this Certification is attached as Exhibit 32 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Dated: April 15, 2009

/s/ K. PAUL SINGH	/s/ THOMAS R. KLOSTER
K. Paul Singh	**Thomas R. Kloster**
Chairman, President and Chief Executive Officer	**Chief Financial Officer (Principal Financial Officer)**
(Principal Executive Officer) and Director	