PRIMUS TELECOMMUNICATIONS GROUP INC
Form DEFM14A
June 12, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

Primus Telecommunications Group, Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Not Applicable

(2) Aggregate number of securities to which transaction applies:

Not Applicable

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Not Applicable

(4) Proposed maximum aggregate value of transaction:

$129,000,000

(5) Total fee paid:

$17,595.60

x Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Primus Telecommunications Group, Incorporated

460 Herndon Parkway, Suite 150, Herndon, VA 20170

Dear Primus Telecommunications Group, Incorporated Stockholder:

You are cordially invited to attend a special meeting of stockholders of Primus Telecommunications Group, Incorporated (we , our , us and the company), which will be held on July 17, 2013 at 10 a.m., local time, at the Ritz-Carlton Tysons Corner, 1700 Tysons Boulevard, McLean, VA 22102.

On May 10, 2013, we entered into an equity purchase agreement (which we refer to as the equity purchase agreement) with PTUS, Inc. and PTCAN, Inc., pursuant to which PTUS, Inc. and PTCAN, Inc., which are affiliates of York Capital Management, will buy our North America retail telecommunications operations in the United States and Canada, which we refer to as the sale transaction.

A special committee of our board of directors, which we refer to as our special committee, consisting entirely of independent directors, reviewed and considered the terms and conditions of the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction. Our special committee unanimously determined that the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction, are advisable, fair to and in the best interests of the company and its stockholders, and recommended that our board of directors approve and declare the advisability of the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction, and recommend that our stockholders adopt the equity purchase agreement. Our board of directors, after careful consideration and acting on the unanimous recommendation of our special committee, deemed it advisable and in the best interests of the company and our stockholders that the company enter into the equity purchase agreement, determined that the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction, are advisable, fair to and in the best interests of the company and its stockholders and recommended that our stockholders adopt the equity purchase agreement at the special meeting. Our board of directors and special committee recommends that you vote **FOR** the proposal to adopt the equity purchase agreement.

At the special meeting of stockholders, you will be asked to approve the sale transaction and to approve, on a non-binding advisory basis, the compensation that may be paid or become payable to certain of our named executive officers in connection with the sale transaction. If there are insufficient votes to approve the sale transaction, you may be asked to vote to adjourn or postpone the special meeting of stockholders in order that we can solicit additional proxies. The sale transaction is conditioned upon receiving approval from the holders of a majority of the shares of our common stock outstanding and entitled to vote thereon.

The accompanying proxy statement contains important information concerning the sale transaction, certain benefits to be received by our named executive officers in connection with the sale transaction, specific information about the special meeting and how to cast your vote. We encourage you to read the accompanying proxy statement in its entirety.

Your vote is very important. Whether or not you plan to attend the special meeting of stockholders, please vote by proxy using the Internet, by telephone or by mailing the enclosed proxy card. If your shares of our common stock are held in street name by your broker, bank or other nominee, then in order to vote you will need to instruct your broker, bank or other nominee on how to vote your shares using the instructions provided by your broker, trust, bank or other nominee.

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I look forward to greeting those of you who will be able to attend the meeting.

Sincerely yours,

John D. Filipowicz, Esq.
General Counsel, Corporate Secretary, Chief Compliance Officer and Chief Administrative Officer

If you have any questions, or need assistance in voting your shares,

please call our proxy solicitor,

INNISFREE M&A INCORPORATED

TOLL-FREE, at (888) 750-5834

(Banks and Brokers May Call Collect at (212) 750-5833)

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the sale transaction, passed upon the merits or fairness of the sale transaction or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.

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Primus Telecommunications Group, Incorporated

460 Herndon Parkway, Suite 150, Herndon, VA 20170

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Stockholders of Primus Telecommunications Group, Incorporated:

A special meeting of stockholders of Primus Telecommunications Group, Incorporated (we , our , us and the company) will be held on July 17, 2013, at 10 a.m. local time, at the Ritz-Carlton Tysons Corner, 1700 Tysons Boulevard, McLean, VA 22102. At the special meeting, stockholders will be asked to adopt resolutions:

1. To approve the sale of our North America retail telecommunications operations in the United States and Canada, as contemplated by the equity purchase agreement by and among PTUS, Inc., PTCAN, Inc., Primus Telecommunications Holding, Inc., Primus Telecommunications International, Inc., Lingo Holdings, Inc. and the company, dated as of May 10, 2013 (as it may be amended from time to time in accordance with the terms thereof), a copy of which is attached as *Appendix A* to the accompanying proxy statement and which we refer to as the equity purchase agreement. We refer to this proposal as the Sale Proposal .

2. To consider and provide an advisory (non-binding) vote approving the payment of certain compensation that may be paid or become payable to our named executive officers, as described in the section entitled SALE PROPOSAL Interests of Certain Persons in the Sale Transaction. We refer to this proposal as the Transaction-Related Compensation Arrangements Proposal.

Our board of directors fixed June 17, 2013 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of our common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, we expect approximately 14,000,095 shares of common stock to be outstanding and entitled to vote.

The proxy statement accompanying this notice is deemed to be incorporated into and forms part of this notice. The accompanying proxy statement, dated June 12, 2013, and proxy card for the special meeting are first being mailed to our stockholders on or about June 17, 2013.

Our special committee, consisting entirely of independent directors, reviewed and considered the terms and conditions of the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction. This special committee unanimously determined that the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction, are advisable, fair to and in the best interests of the company and its stockholders, and recommended that our board of directors approve and declare the advisability of the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction, and recommend that our stockholders adopt the equity purchase agreement. Our board of directors, after careful consideration and acting on the unanimous recommendation of our special committee, deemed it advisable and in the best interests of the company and our stockholders that the company enter into the equity purchase agreement, determined that the equity purchase agreement and the transactions contemplated by the equity purchase agreement, including the sale transaction, are advisable, fair to and in the best interests of the company and its stockholders and recommended that our stockholders adopt the equity purchase agreement at the special meeting. Our board of directors recommends that you vote **FOR** the Sale Proposal.

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Only stockholders and persons holding proxies from stockholders may attend the special meeting. If your shares are registered in your name, you should bring a form of photo identification to the special meeting. If your shares are held in the name of a broker, bank or other nominee, you should bring a proxy or letter from that broker, bank or other nominee that confirms you are the beneficial owner of those shares, together with a form of photo identification. Cameras, recording devices and other electronic devices will not be permitted at the special meeting. All stockholders are cordially invited to attend the special meeting.

By Resolution of the Board of Directors,

John D. Filipowicz, Esq.
General Counsel, Corporate Secretary, Chief Compliance Officer and Chief Administrative Officer

June 17, 2013

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

460 Herndon Parkway

Suite 150

Herndon, VA 20170

PROXY STATEMENT

The board of directors of Primus Telecommunications Group, Incorporated, a Delaware corporation (which we refer to as PTGi the company, we, our, and us), is soliciting the enclosed proxy for use at the special meeting of stockholders to be held on July 17, 2013, at 10 a.m. local time, at the Ritz-Carlton Tysons Corner, 1700 Tysons Boulevard, McLean, VA 22102. This proxy statement, dated June 12, 2013, and proxy card are first being mailed to our stockholders on or about June 17, 2013.

SUMMARY TERM SHEET

This summary term sheet, together with the question and answer section that follows, highlights selected information from this proxy statement about the sale of our North America Telecom business to PTUS, Inc. and PTCAN, Inc., which we refer to as the sale transaction. The sale transaction may constitute a sale of substantially all of our operating assets, as the term substantially all has been interpreted by the Delaware courts. This summary term sheet and the question and answer section may not contain all of the information that is important to you. For a more complete description of the sale transaction, you should carefully read this proxy statement and the equity purchase agreement attached hereto as Appendix A in their entirety. The location of the more detailed description of each item in this summary is provided in the parentheses in each sub-heading below. Also see WHERE YOU CAN FIND MORE INFORMATION on page 73.

Information About the Parties (page 38)

Primus Telecommunications Group, Incorporated

We are publicly traded on The New York Stock Exchange (or NYSE , symbol: PTGI). We are a leading provider of advanced communication solutions, including traditional and IP voice, data, mobile services, broadband Internet, metro fiber and Carrier Ethernet to business and residential customers in Canada and the United States. We are also one of the leading international wholesale service providers to fixed and mobile network operators worldwide. We own and operate our own global network of next-generation IP soft switches, media gateways, hosted IP/SIP platforms, broadband infrastructure, and fiber capacity in Canada. Founded in 1994, our principal executive offices are currently located at 7901 Jones Branch Drive, Suite 900, McLean, VA, 22102 and as of June 30, 2013 will be located at 460 Herndon Parkway, Suite 150, Herndon, VA 20170.

PTUS, Inc. and PTCAN, Inc.

PTUS, Inc. and PTCAN, Inc., which we refer to as the purchasers, are U.S. and Canadian shell companies, respectively, formed in 2013 to purchase the companies to be sold. The purchasers are affiliates of York Capital Management.

York Capital Management

York Capital Management is an investment firm established in 1991. The firm pursues a multi-strategy investment style and manages over $15 billion across several different investment strategies with offices in New York, London and Hong Kong.

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Equity Purchase Agreement (page 58 and *Appendix A*)

On May 10, 2013, we entered into an equity purchase agreement with the purchasers (which we refer to as the equity purchase agreement), pursuant to which we have agreed, subject to specified terms and conditions, including approval of the sale transaction by our stockholders at the special meeting and regulatory approvals, to sell to the purchasers our wholly-owned subsidiaries that conduct our North America retail telecommunications operations in the United States and Canada, which we refer to as our North America Telecom business or as the business to be sold. Such subsidiaries include Primus Telecommunications, Inc. (or PTI), Lingo, Inc. (or Lingo), iPrimus, USA, Inc., 3620212 Canada Inc., Primus Telecommunications Canada Inc. (or PTCI), Telesonic Communications Inc., and Globility Communications Corporation, which we refer to as the companies to be sold.

A copy of the equity purchase agreement is attached as *Appendix A* to this proxy statement. We encourage you to read the equity purchase agreement in its entirety.

Purchase Price (page 58)

If the sale transaction is consummated, the purchasers will pay us $129 million in cash, subject to potential downward or upward post-closing adjustments based on net working capital and cash at closing, which we refer to as the purchase price. $126 million of the purchase price, subject to any adjustments described in the foregoing, is required to be paid upon the closing for the sale of all of the companies to be sold other than PTI, which we refer to as the closing, and $3 million of the purchase price is required to be paid upon a second closing for the sale of PTI, our subsidiary that holds licenses to provide long distance and local exchange telecommunications services in the United States, which we refer to as the second closing, $3 million of the purchase price will be placed in escrow upon the closing to fund the second closing. A portion of the purchase price will be placed in escrow for potential indemnification obligations.

Recommendation of Our Board of Directors (page 42)

After careful consideration, our board of directors unanimously recommends, acting at the recommendation of our special committee, that you vote:

FOR the Sale Proposal; and

FOR the Transaction-Related Compensation Arrangements Proposal.

Reasons for the Sale Transaction (page 42)

From time to time, our board of directors and our special committee consult with financial advisors to review strategic alternatives and evaluate prospects and options for certain of our business, including our North America Telecom business. After taking into account all of the material factors relating to the equity purchase agreement and the sale transaction and the entirety of our strategic review process, our special committee unanimously recommended to our board of directors, and our board of directors unanimously determined, that the equity purchase agreement and the sale transaction are advisable and in the best interests of our company and our stockholders. Our special committee and our board of directors did not assign relative weights to the material factors it considered. In addition, our special committee and our board of directors did not reach any specific conclusion on each of the material factors considered, but conducted an overall analysis of all of the material factors taken together. Individual members of our special committee and our board of directors may have given different weights to different factors. Our special committee consulted with outside legal counsel concerning their fiduciary duties in the context of our strategic business review.

Opinion of Our Financial Advisor (page 45 and Appendix B)

We retained Jefferies LLC, or Jefferies, to provide our special committee with financial advisory services in connection with a possible sale, disposition or other business transaction involving our equity or assets of including the sale transaction, and an opinion as to the fairness to us of the consideration to be received in connection with any such sale, disposition or other business transaction. At the meeting of the special committee on May 9, 2013, Jefferies rendered its opinion to our special committee to the effect that, as of that date, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken as set forth therein, the aggregate consideration of $129 million to be received by certain of our subsidiaries pursuant to the equity purchase agreement was fair to us, from a financial point of view.

Jefferies opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Jefferies in rendering its opinion. Jefferies opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the aggregate consideration of $129 million to be received by certain of our subsidiaries pursuant to the equity purchase agreement as of the date of the opinion. It does not address any other aspects of the sale transaction and does not constitute a recommendation as to how any holder of shares of our common stock should vote with respect to the sale transaction or any matter related thereto.

The full text of the written opinion of Jefferies is attached hereto as *Appendix B*. We encourage you to read the opinion carefully and in its entirety.

Special Meeting (page 9)

Date, Time and Place. The special meeting will be held on July 17, 2013 at 10 a.m. local time, at the Ritz-Carlton Tysons Corner, 1700 Tysons Boulevard, McLean, VA 22102.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on June 17, 2013, the record date for the special meeting. You will have one vote at the special meeting for each share of our common stock you held at the close of business on the record date. There were 14,000,095 shares of our common stock outstanding as of June 12, 2013 and we expect the same amount to be outstanding as of the record date and entitled to vote at the annual meeting.

Required Vote. The Sale Proposal requires the affirmative vote of the holders of at least a majority of the shares of our common stock outstanding at the close of business on the record date to be approved. Abstentions and broker non-votes will have the same effect as votes against the Sale Proposal. The Transaction-Related Compensation Arrangements Proposal is a non-binding stockholder advisory vote and requires the affirmative vote of a majority of the shares of our common stock present, in person or by proxy, at the special meeting and entitled to vote thereon. Abstentions will have the same effect as a vote against the Transaction-Related Compensation Arrangements Proposal; whereas broker non-votes will have no effect on the outcome of the Transaction-Related Compensation Arrangements Proposal.

Interests of Certain Persons in the Sale Transaction (page 52)

Our executive officers and members of our board of directors have interests in the sale transaction that may be in addition to, or different from, the interests of our stockholders generally.

In connection with the sale transaction, Andrew Day, James Keeley, Richard Ramlall, and John Filipowicz will be entitled to (i) special cash bonuses; (ii) accelerated vesting of restricted stock units (RSUs) upon termination; and (iii) pro-rated 2013 bonuses at the target amount, conditioned upon the executive remaining employed past June 30, 2013. In addition, these named executive officers may be entitled to specified severance benefits in the event that their employment with the company is, or is deemed to be, terminated without cause (as defined in their respective employment agreements). Furthermore, in connection with Peter D. Aquino s resignation, effective April 30, 2013, and pursuant to his separation agreement, Mr. Aquino became entitled to certain severance benefits and accelerated vesting of his outstanding and unvested equity awards. For a detailed description and approximate value of these benefits, see SALE PROPOSAL Interests of Certain Persons in the Sale Transaction.

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Our special committee was aware of and considered these potential interests and considered them in making its recommendation to our board of directors, among other matters, in evaluating and negotiating the sale transaction and equity purchase agreement and in recommending that our stockholders approve the Sale Proposal.

Conditions to Closing (page 64)

The consummation of the sale transaction is subject to the satisfaction or waiver of certain conditions on or prior to the closing. Such conditions include, in addition to customary closing conditions, that our stockholders approve the Sale Proposal.

Conditions to Second Closing (page 66)

The consummation of the second closing of the sale transaction is also subject to the satisfaction or waiver of certain conditions on or prior to the second closing, including certain regulatory approvals.

Solicitation of Other Offers; Exclusivity (page 62)

We are required to end discussions with other parties with respect to an alternative proposal (as defined in the equity purchase agreement and discussed below under EQUITY PURCHASE AGREEMENT Solicitation of Other Offers; Exclusivity). We also cannot, and we are required to cause our representatives not to, directly or indirectly, initiate, solicit, or knowingly encourage any inquiries regarding, any alternative proposal or provide non-public information relating to us with the intent of encouraging an alternative proposal, engage in discussions regarding any alternative proposal, approve, endorse or recommend an alternative proposal, or enter into an agreement relating to an alternative proposal. Notwithstanding the foregoing, if our special committee determines in good faith that an unsolicited alternative proposal, constitutes or could reasonably be expected to lead to a superior proposal (as defined in the equity purchase agreement and discussed below under EQUITY PURCHASE AGREEMENT Solicitation of Other Offers; Exclusivity), we may participate in negotiations regarding the alternative proposal.

Primus Telecommunications Group, Incorporated Board Recommendation (page 63)

Our board of directors unanimously recommends that you vote for the Sale Proposal. Until our stockholders vote on the Sale Proposal, our board of directors may not withdraw or modify in a manner adverse to the purchasers, or publicly propose to withdraw or modify in a manner adverse to the purchasers, this recommendation. Notwithstanding the foregoing, our board of directors may withdraw or modify its recommendation to vote in favor of the Sale Proposal and terminate the equity purchase agreement in connection with the receipt of an alternative proposal that is a superior proposal if:

- our special committee or our board of directors determines that the failure to do so would be inconsistent with the exercise of its fiduciary duties;

- we give 3 days advance notice to the purchasers that our special committee or our board of directors has resolved to not recommend the adoption of the equity purchase agreement to stockholders;

- During such 3-day period, the purchasers are given the opportunity to negotiate in good faith so that we will not terminate the equity purchase agreement and we will not make a change of recommendation (as defined in the equity purchase agreement and discussed in EQUITY PURCHASE AGREEMENT Solicitation of Other Offers; Exclusivity); and

- we pay a break-up fee of $3.87 million to the purchasers as further described below.

Thereafter, our board of directors can only proceed with the withdrawal or modification of its recommendation if the purchasers do not agree to make necessary adjustments to the equity purchase agreement so that the competing alternative proposal would no longer constitute a superior proposal.

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Termination (page 67)

The equity purchase agreement may be terminated at any time prior to the closing as follows:

- by mutual written consent of us and the purchasers;
- by us or the purchasers on or after September 30, 2013 if the closing has not occurred by the close of business on such date, provided that neither party may exercise this right if it is in breach of the equity purchase agreement and that breach is the direct cause of the failure to close by September 30, 2013;
- by us or the purchasers if a final non-appealable governmental or court order is in effect restraining, enjoining or otherwise prohibiting the consummation of the sale transaction;
- by us or the purchasers if our special meeting has concluded and stockholder approval for the sale transaction has not been obtained;
- by us in order to enter into a transaction that is a superior proposal if, prior to our special meeting, our board of directors has received a superior proposal and we pay the break-up fee described below;
- by the purchasers, prior to our obtaining stockholder approval for the sale transaction, if our special committee or board of directors withdraws or modifies its recommendation that our stockholders vote in favor of the sale transaction and we pay the break-up fee described below;
- by us if our special committee or board of directors withdraws or modifies its recommendation that our stockholders vote in favor of the sale transaction in connection with a superior proposal and we pay the break-up fee described below; or;
- by us if all the conditions to the closing of the sale transaction have been satisfied and we notify the purchasers that we are prepared to consummate the closing and the purchasers fail to consummate the closing.

Termination Fees (page 67)

Subject to certain exceptions, we are required to reimburse the purchasers for reasonable costs and expenses up to a maximum amount of 1% of the purchase price, which we refer to the reimbursement fee, if the equity purchase agreement is properly terminated by:

- us or the purchasers because the closing has not occurred prior to the close of business on September 30, 2013; or
- us or the purchasers, because our stockholders do not approve the Sale Proposal.

We are required to pay to the purchasers $3.87 million in cash (such amount being reduced on a dollar for dollar basis for any reimbursement fee paid by us to the purchasers), which we refer to as the break-up fee, if:

(A) the equity purchase agreement is properly terminated:

- by us or the purchasers if our special meeting has concluded and stockholder approval of the sale transaction has not been obtained, or

- by us or the purchasers if the closing has not occurred prior to the close of business on September 30, 2013, and the reason for the failure to close is an uncured breach of the equity purchase agreement by us that results in the failure to satisfy a closing condition, and

(B) prior to termination under the foregoing circumstances, a qualifying transaction (as such term is defined in the equity purchase agreement) has been publicly announced and, within 3 months of such termination, the qualifying transaction is consummated or we enter into a definitive agreement providing for the qualifying transaction; or

- the equity purchase agreement is properly terminated by us, in order to enter into a transaction that is a superior proposal if, prior to our special meeting, our board of directors has received a superior proposal; or

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- the equity purchase agreement is properly terminated by us, prior to our obtaining stockholder approval for the sale transaction, because our special committee or board of directors withdraws or modifies its recommendation that our stockholders vote in favor of the sale transaction in connection with a superior proposal; or

- the equity purchase agreement is properly terminated by the purchasers, prior to our obtaining stockholder approval for the sale transaction, because our special committee or board of directors withdraws or modifies its recommendation that our stockholders vote in favor of the sale transaction in connection with a superior proposal.

The purchasers are required to pay to us $25 million in cash, which we refer to as the reverse break-up fee, if the equity purchase agreement is properly terminated by:

- us because all the conditions to the closing of the sale transaction have been satisfied and we notify the purchasers that we are prepared to consummate the closing and the purchasers fail to consummate the closing;

- us or the purchasers because the closing has not occurred by the close of business on September 30, 2013, and prior to such termination all the conditions to the closing of the sale transaction have been satisfied and we notify the purchasers that we are prepared to consummate the closing and the purchasers fail to consummate the closing; or

- us or the purchasers because the closing has not occurred by the close of business on September 30, 2013, and prior to such termination the purchasers have breached the equity purchase agreement, which breach remains uncured and results in the failure of a condition to the closing of the sale transaction.

Indemnification (page 68)

We and the purchasers have agreed to indemnify each other for damages as a result of certain breaches of representations, warranties or covenants contained in the equity purchase agreement. The representations, warranties and covenants survive for a period of 14 months after the closing of the sale transaction. Subject to certain exceptions, a party s damages from breaches of representations, warranties and covenants must exceed $500,000 in the aggregate before the other party is required to make indemnification payments, the aggregate indemnification claims payable by us for breaches of representations, warranties and covenants may not exceed $12.9 million, and the aggregate indemnification claims payable by the purchasers for breaches of representations and warranties may not exceed $12.9 million. In addition, for 14 months after the closing of the sale transaction, we must maintain a minimum cash balance of approximately $6.45 million in order to satisfy our indemnification obligations under the equity purchase agreement.

Expected Consummation of Sale Transaction (page 52)

We expect to consummate the sale transaction as soon as practicable after all of the closing conditions in the equity purchase agreement, including obtaining approval of the Sale Proposal by our stockholders, have been satisfied or waived. Subject to the satisfaction or waiver of these conditions, we expect the sale transaction to close by the third quarter of the year ending December 31, 2013, with the exception of the sale of PTI. Subject to regulatory approvals, the sale of PTI is expected to close subsequent to the third quarter of the year ended December 31, 2013. Approximately $126 million, subject to potential downward or upward post-closing adjustments based on net working capital and cash at closing, is required to be paid upon the closing, with $3 million to be paid upon the second closing of the sale of PTI. However, there can be no assurance that the sale transaction will be consummated at all or, if consummated, when it will be consummated.

Effects on Our Business if the Sale Transaction is Consummated (page 52)

If the sale transaction is consummated, we plan to continue to own our International Carrier Services business, which we refer to as ICS, in an efficient and cost-effective manner, under which we provide domestic

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and international minute transport and termination services and targets a diverse customer base including Tier 1 international carriers, multi-national carriers, wireless providers, VoIP providers, cable companies and ISPs. We classified ICS as a discontinued operation in the second quarter of the year ended December 31, 2012 in connection with our announced intention at that time to actively solicit a sale or other disposition of ICS. We are still considering strategic alternatives regarding the ICS business.

We do not expect that our reporting obligations as a U.S. public company will not be affected as a result of consummation the sale transaction. We expect to continue to qualify for listing on The New York Stock Exchange.

Effects on Our Business if the Sale Transaction is Not Consummated (page 52)

If the sale transaction is not consummated, we plan to continue to operate our North America Telecom business as currently conducted. We may also consider and evaluate other strategic opportunities from time to time. In such a circumstance, there can be no assurances that our continued operation of our North America Telecom business or any alternative strategic opportunities will result in the same or greater value to our stockholders as the proposed sale transaction. From time to time we may consider strategic alternatives regarding the North America Telecom business.

If the equity purchase agreement is terminated under certain circumstances described in this proxy statement and set forth in the equity purchase agreement and described above, we may be required to pay the purchasers a break-up fee of $3.87 million or reimburse the purchasers for reasonable costs and expenses up to a maximum amount of 1% of the purchase price.

Ancillary Agreements (page 69)

We negotiated the following additional agreements that will be executed in connection with and following the closing.

Transition Services Agreement

The Transition Services Agreement to be entered into by and among us and the purchasers provides for the provision of certain services for a transition period after entering into the equity purchase agreement. These services include: network services, information systems services, HR services, finance services, telecom services and inter-closing services.

Colocation Facilities Agreement

The Colocation Facilities Agreement to be entered into by and between our carriers services entity, PTGi International Carrier Services, Inc., which we refer to as PTGi ICS, and Lingo, provides for PTGi ICS allowing access to some of its leased properties to the purchasers so that the purchasers can locate certain telecommunications and/or data equipment and cabling to receive and deliver voice and/or data communications traffic and related services. Furthermore, we will provide specified services under this agreement in the form of a grant to Lingo of a revocable and non-exclusive license to use certain areas inside our leasehold premises.

Management Services Agreement

The Management Services Agreement to be entered into by and among PTGi, PTI and PTUS, Inc., provides that PTUS, Inc. will provide certain management services and operational services to PTI relating to PTI s telecommunications service business.

Carrier Services Agreement

A Carrier Services Agreement to be entered into by and between PTGi ICS and PTCI, provides for communications services to be provided between the two parties to the agreement, which may include call termination or internet protocol transport services.

Assignment Assumption Agreement

The Assignment Assumption Agreement to be entered into by and among PTGi, PTCI and PTCAN, Inc., provides that PTCI shall assign certain of its rights and obligations under the purchase agreement dated April 17, 2013 (pursuant to which we sold BLACKIRON Data ULC, which we refer to as BLACKIRON, to Rogers Communications, Inc.) to PTGi.

Carrier Services Agreement

A Carrier Services Agreement by and between PTGi ICS and PTI, provides for communications services to be provided between the two parties to the agreement, which may include call termination or internet protocol transport services.

Governmental and Regulatory Approval (page 51)

In connection with the second closing of the sale transaction, approval is required from the Federal Communications Commission and certain state public utility commissions with regard to licenses held by PTI to provide long distance and local exchange telecommunications services in the United States. See PROPOSAL #1-SALE PROPOSAL Government and Regulatory Approvals for a description of the consents and approvals (and status thereof) required under U.S. laws in connection with the sale transaction.

No Appraisal or Dissenters Rights (page 52)

No appraisal or dissenters rights are available to our stockholders under Delaware law or our certificate of incorporation or bylaws in connection with the actions contemplated by the Sale Proposal or the Transaction-Related Compensation Arrangements Proposal.

Anticipated Accounting Treatment (page 56)

Following the consummation of the sale transaction, we will remove all of the related account balances of our North America Telecom business from our consolidated balance sheet and record a gain on the sale equal to the difference between the purchase price received and the book value of our ownership interest in our North America Telecom business.

Material U.S. Federal Income Tax Consequences of the Sale Transaction (page 57)

The sale transaction will be treated as a taxable sale of assets (including subsidiary stock) by us and certain of our subsidiaries and will give rise to net taxable gain recognition in the United States. We expect all of the gain recognized for United States federal income tax purposes to be offset with net operating losses. We anticipate that we will incur some alternative minimum tax for United States federal income tax purposes as a result of the sale transaction. Generally, the transaction will not produce any separate and independent income tax consequences to our stockholders. Each stockholder is urged to consult his or her own tax advisor as to tax consequences of the transactions, including any state, local, foreign or other tax consequences and on his or her particular facts and circumstances.

Risk Factors (page 16)

In evaluating the Sale Proposal, you should carefully read this proxy statement and consider the factors discussed in the section entitled RISK FACTORS.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

Q: Why am I receiving this proxy statement?

A: Our board of directors is furnishing this proxy statement in connection with the solicitation of proxies to be voted at the special meeting of stockholders, or at any adjournments or postponements of the special meeting.

Q: When and where will the special meeting be held?

A: The special meeting will be held on July 17, 2013, at 10 a.m. local time, at the Ritz-Carlton Tysons Corner, 1700 Tysons Boulevard, McLean, VA 22102.

Q: What matters will the stockholders vote on at the special meeting?

A: The stockholders will vote on the following proposals:

- To approve the Sale Proposal; and
- To approve the Transaction-Related Compensation Arrangements Proposal.

Q: What is the Sale Proposal?

A: The Sale Proposal is a proposal to sell our North America Telecom business to the purchasers, pursuant to an equity purchase agreement dated as of May 10, 2013 by and between us, the purchasers and two of our wholly-owned subsidiaries.

Q: What will happen if the Sale Proposal is approved by our stockholders?

A: Under the terms of the equity purchase agreement, if the Sale Proposal is approved by our stockholders and the other closing conditions under the equity purchase agreement have been satisfied or waived, we will sell our North America Telecom business to the purchasers.

Q: What is the Transaction-Related Compensation Arrangements Proposal?

A: The Transaction-Related Compensation Arrangements Proposal is a non-binding advisory vote to approve the payment of certain compensation to our named executive officers that is based on or otherwise relates to the sale transaction. For further information regarding the compensation arrangements, see PROPOSAL #1-SALE PROPOSAL Interests of Certain Persons in the Sale Transaction.

Q: What will happen if the Transaction-Related Compensation Arrangements Proposal is approved by our stockholders?

A: The vote on executive compensation payable in connection with the sale transaction is a vote separate and apart from the Sale Proposal. Accordingly, approval of this proposal is not a condition to consummation of the sale transaction, and as an advisory vote, the result will not be binding on our board of directors or on the compensation committee of our board of directors. Therefore, if the sale transaction is approved by our stockholders and consummated, the compensation based on or otherwise relating to the sale transaction may be paid to our named executive officers regardless of whether our stockholders approve the Transaction-Related Compensation Arrangements Proposal.

Q: Am I entitled to appraisal or dissenters rights in connection with the Sale Proposal or the Transaction-Related Compensation Arrangements Proposal?

A: No appraisal or dissenters rights are available to our stockholders under Delaware law or under our certificate of incorporation or bylaws in connection with the Sale Proposal or the Transaction-Related Compensation Arrangements Proposal.

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Q: Who is entitled to vote at the special meeting?

A: Holders of our common stock at the close of business on June 17, 2013, the record date for the special meeting established by our board of directors, are entitled to receive notice of, and to vote their shares at, the special meeting and any related adjournments or postponements.
There were 14,000,095 shares of our common stock outstanding as of June 12, 2013 and we expect the same amount to be outstanding as of the record date and entitled to vote. Holders of our common stock are entitled to one vote per share.

Q: What are the quorum requirements for the special meeting?

A: The presence in person or by proxy of the holders of a majority of our issued and outstanding shares of common stock that are entitled to vote at the special meeting constitutes a quorum. You are counted as present at the special meeting for quorum purposes if you are present and vote in person at the special meeting or if you properly submit a proxy by returning the proxy card accompanying this proxy statement in the postage-paid envelope provided or by the telephone or using the Internet procedures described under Q: How do I vote? A validly submitted proxy will result in your shares counting towards a quorum even if no voting instructions are provided.

Q: How many votes do I have?

A: Each share of PTGi common stock entitles you to one vote, without cumulation, on each matter to be voted upon at the meeting.

Q: What vote is required to approve each of the proposals?

A: ***The Sale Proposal:*** The approval of the Sale Proposal requires the affirmative vote of holders of at least a majority of our issued and outstanding shares of common stock as of the record date. If you abstain from voting, either in person or by proxy, or you do not instruct your broker or other nominee how to vote your shares, the resulting abstention or broker non-vote will have the same effect as a vote against the Sale Proposal.
The Transaction-Related Compensation Arrangements Proposal: The Transaction-Related Compensation Arrangements Proposal is a non-binding stockholder advisory vote and requires the affirmative vote of a majority of the shares of our common stock present, in person or by proxy, at the special meeting and entitled to vote thereon. Abstentions will have the same effect as a vote against the Transaction-Related Compensation Arrangements Proposal. Broker non-votes will have no effect on the outcome of the Transaction-Related Compensation Arrangements Proposal.

Q: How do I vote?

A: You may vote by proxy or in person at the special meeting.
Voting in Person: If you hold shares as a stockholder of record and wish to attend the special meeting and vote in person, you will be given a ballot at the special meeting. Alternatively, you may provide us with a signed proxy card before voting is closed. If you would like to vote in person, please bring a valid photo ID with you to the special meeting. Even if you plan to attend the special meeting, we strongly encourage you to submit a proxy for your shares in advance as described below, so your vote will be counted if you are not able to attend. If your shares are held in street name, you must bring to the special meeting a proxy from the record holder of the shares (your broker, bank or nominee) authorizing you to vote at the special meeting. To do this, you should contact your broker, bank or nominee as soon as possible.

Voting By Proxy: If you hold your shares as a stockholder of record, you may submit a proxy for your shares by mail, by telephone or using the Internet. If you submit a proxy by telephone or using the Internet,

you should not return the proxy card accompanying this proxy statement. Telephone and Internet voting facilities are available now and will be available 24 hours a day until 11:59 p.m., Eastern Time, on July 16, 2013.

Vote by Mail: You may submit a proxy for your shares by mail by marking the proxy card accompanying this proxy statement, dating and signing it, and returning it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 in the postage-paid envelope provided. Please allow sufficient time for mailing if you decide to submit a proxy for your shares by mail.

Vote by Telephone: You may also submit a proxy for your shares by telephone by following the instructions provided on the proxy card accompanying this proxy statement. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

Vote using the Internet: You may also submit a proxy for your shares using the Internet by following the instructions provided on the proxy card accompanying this proxy statement.

If you hold your shares in street name, then you received this proxy statement from your broker, bank or nominee, along with a voting instruction card from your broker, bank or nominee. You will need to instruct your broker, bank or other nominee on how to vote your shares of common stock using the voting instructions provided.

All shares represented by properly executed proxies received in time for the special meeting will be voted in the manner specified by the stockholders giving those proxies.

Q: What happens if I abstain?

A: Abstentions are counted for purposes of determining whether there is a quorum. Abstentions will have the same effect as a vote against the approval of the Sale Proposal and the Transaction-Related Compensation Arrangements Proposal.

Q: If I hold my shares in street name through my broker, will my broker vote these shares for me?

A: If you hold your shares in street name, you must provide your broker, bank or other nominee with instructions in order to vote those shares. To do so, you should follow the voting instructions provided to you by your bank, broker or other nominee. If your bank, broker or nominee holds your shares in its name and you do not instruct it how to vote, it will not have discretion to vote on any of the proposals at the special meeting.

Q: What happens if I hold my shares in street name through my broker and I do not instruct my broker how to vote my shares?

A: Brokers, banks or other nominees who hold shares in street name for their customers have the authority to vote on routine proposals when they have not received instructions from the beneficial owners of such shares. However, brokers, banks or other nominees do not have the authority to vote shares they hold for their customers on non-routine proposals when they have not received instructions from the beneficial owners of such shares. The Sale Proposal and the Transaction-Related Compensation Arrangements Proposal are non-routine proposals. As a result, absent instructions from the beneficial owner of such shares, brokers, banks and other nominees will not vote those shares. This is referred to as a broker non-vote. Broker non-votes are counted for purposes of determining whether there is a quorum. Broker non-votes will have the same effect as a vote against the approval of the Sale Proposal. Broker non-votes will not have any effect on the outcome of the vote on the Transaction-Related Compensation Arrangements Proposal.

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Q: Can I change my vote?

A: Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before the vote at the special meeting by:

- delivering to the Corporate Secretary of the Company, a written notice, bearing a date later than your proxy, stating that you revoke the proxy, at the following address: Primus Telecommunications Group, Incorporated, 460 Herndon Parkway, Suite 150, Herndon, VA 20170;

- submitting a later-dated proxy (either by mail, the telephone or using the Internet) relating to the same shares prior to the vote at the special meeting; or

- attending the special meeting and voting in person (although attendance at the special meeting will not, by itself, revoke a proxy).

If your shares are held in street name, you must contact your broker, bank or nominee to revoke your proxy.

Q: What if I do not specify a choice for a matter when returning a proxy?

A: If you hold your shares of record, proxies that are signed and returned without voting instructions will be voted in accordance with the recommendations of our board of directors. If your shares are held in street name, failure to give voting instructions to your broker, bank or other nominee will result in a broker non-vote.

Q: What is the difference between a stockholder of record and a stockholder who holds stock in street name?

A: If your shares are registered in your name, you are a stockholder of record. If your shares are held in an account with a broker, bank or another holder of record, these shares are held in street name.

Q: Can I see a list of stockholders of record?

A: You may examine a list of the stockholders of record as of the close of business on June 17, 2013 for any purpose germane to the special meeting during normal business hours during the 10-day period preceding the date of the meeting at our offices at 460 Herndon Parkway, Suite 150, Herndon, VA 20170. This list will also be made available at the special meeting.

Q: What does it mean if I get more than one proxy card?

A: If your shares are registered differently and are in more than one account, you may receive more than one proxy card. Please complete, sign, date, and return all of the proxy cards you receive regarding the special meeting to ensure that all of your shares are voted.

Q: How are proxies being solicited and what is the cost?

A: We will bear all expenses incurred in connection with the solicitation of proxies and printing, filing and mailing this proxy statement. In addition to solicitation by mail, our directors, officers and employees may solicit proxies from stockholders by telephone, letter, by the Internet or other electronic means or in person. These directors, officers and employees will not be paid additional remuneration for their efforts but may be reimbursed for out-of-pocket expenses incurred in connection therewith. Additionally, we have retained Innisfree M&A Incorporated, which we refer to as Innisfree, to assist in the solicitation. We will pay Innisfree a fee of $15,000 for these services, and will reimburse their out-of-pocket expenses. We will request brokers, custodians, nominees and other record holders to forward copies of the proxy statement and related soliciting materials to persons for whom they hold shares of our common stock and to request authority for the exercise of proxies. In such cases, upon the request of the record holders, we will reimburse such holders for their reasonable out-of-pocket expenses.

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Q: What should I do if I have questions regarding the special meeting?

A: If you have any questions about how to cast your vote for the special meeting or would like copies of any of the documents referred to in this proxy statement, you should call the firm assisting us with the solicitation of proxies, Innisfree, toll-free, at (888) 750-5834. Banks and brokers may call collect at (212) 750-5833.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that are subject to the safe harbor created thereby. These forward-looking statements are based on management s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as anticipates, estimates, expects, projects, intends, p and believes, among others, generally identify forward-looking statements.

Actual results could differ materially from those contained in the forward-looking statements. Factors or risks that could cause our actual results to differ materially from the results we anticipate include, but are not limited to the following:

- continuing uncertain global economic conditions;
- significant changes in the competitive environment, including as a result of industry consolidation, and the effect of competition in our markets, including our pricing policies;
- our possible inability to generate sufficient liquidity, margins, earnings per share, cash flow and working capital;
- our ability to attract and retain customers;
- our expectations regarding increased competition, pricing pressures, and declining usage patterns in our traditional products;
- the effectiveness and profitability of our growth products and bundled service offerings, the pace and cost of customer migration onto our networks, and the successful network platform migration to reduce costs and increase efficiencies;
- volatility in the volume and mix of trading activity on the online voice trading exchange, which we refer to as the Exchange;
- strengthening of the U.S. dollar against foreign currencies, which may reduce the amount of U.S. dollars generated from foreign operating subsidiaries and adversely affect our ability to service our significant debt obligations and pay corporate expenses;
- our compliance with complex laws and regulations in the U.S. and internationally;
- further changes in the telecommunications or Internet industry, including rapid technological, regulatory and pricing changes in our principal markets;
- our liquidity and possible inability to service our substantial indebtedness;
- an occurrence of a default or event of default under our indentures;

our expectations regarding the timing, extent and effectiveness of our cost reduction initiatives and management s ability to moderate or control discretionary spending;

management s plans, goals, forecasts, expectations, guidance, objectives, strategies, and timing for future operations, acquisitions, synergies, asset dispositions, fixed asset and goodwill impairment charges, tax and withholding expense, selling, general and administrative expenses, product plans, performance and results;

management s assessment of market factors and competitive developments, including pricing actions and regulatory rulings;

our possible inability to raise additional capital when needed, on attractive terms, or at all;

and our possible inability to hire and retain qualified executive management, sales, technical and other personnel;

uncertainties surrounding the sale transaction, including: the uncertainty as to the timing of the closing and whether our stockholders will approve the sale transaction;

the possibility that competing offers for the businesses to be sold will be made;

the possibility that various closing conditions for the sale transaction may not be satisfied or waived; and

the effects of disruption from the sale transaction making it more difficult to maintain relationships with employees, customers and other business partners.

These and additional factors to be considered are set forth under RISK FACTORS beginning on the next page of this proxy statement.

Other unknown or unpredictable factors could also affect our business, financial condition and results. Although we believe that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that any of the estimated or projected results will be realized. You should not place undue reliance on these forward-looking statements, which apply only as of the date hereof. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so.

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RISK FACTORS

A wide range of factors could materially affect our overall performance, the performance of our individual business segments and our results of operations, and therefore, an investment in us is subject to risks and uncertainties. In addition to factors affecting specific business operations and the financial results of those operations identified elsewhere in this proxy statement, the following factors, among others, could adversely affect our operations. While each risk is described separately below, some of these risks are interrelated and it is possible that certain risks could trigger the applicability of other risks described below. Also, the risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us, or that are currently deemed immaterial, could also potentially impair our overall performance, the performance of our individual business segments and our results of operations.

RISKS RELATED TO OUR INDUSTRY AND OVERALL BUSINESS

Continuing global economic conditions could adversely affect our business.

The global economy and capital and credit markets have been experiencing exceptional turmoil and upheaval over the past several years. Many major economies worldwide entered significant economic recessions beginning in 2007 and continue to experience economic weakness, with the potential for another economic downturn to occur. Ongoing concerns about the systemic impact of potential long-term and widespread recession and potentially prolonged economic recovery, volatile energy costs, geopolitical issues, the availability, cost and terms of credit, consumer and business confidence and demand, and substantially increased unemployment rates have all contributed to increased market volatility and diminished expectations for many established and emerging economies, including those in which we operate. These general economic conditions could have a material adverse effect on our cash flow from operations, results of operations and overall financial condition.

The availability, cost and terms of credit also have been and may continue to be adversely affected by illiquid markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce credit to business and consumers. These factors have led to a decrease in spending by business and consumers over the past several years, and a corresponding slowdown in global infrastructure spending. Continued uncertainty in the U.S. and international markets and economies and prolonged stagnation in business and consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to access capital markets and obtain capital lease financing to meet liquidity needs.

There are uncertainties associated with our continued exploration and evaluation of strategic alternatives to enhance stockholder value.

On October 4, 2011, we announced that a Special Committee of PTGi s Board of Directors was exploring and evaluating strategic alternatives to enhance stockholder value. We sold all of the equity interests of our Australian telecommunications business, which we refer to as Primus Australia, to M2 in May 2012 and all of the equity interests of BLACKIRON to Rogers Communications, Inc. in April 2013. Also in June 2012, PTGi s Board of Directors committed to dispose of, and is actively soliciting a sale or other disposition of, the company s International Carrier Services business unit, which we refer to as ICS. However, in addition to the possible sale or other disposition or disposal of ICS, our special committee continues to explore and evaluate other strategic alternatives to enhance stockholder value, which may include (but may not be limited to) a sale, merger or other business combination, a recapitalization, a joint venture arrangement, the sale or spinoff of our assets or one or more of our business units, or the continued execution of our business plans. There is no set timetable for completion of the evaluation process, and we do not intend to provide updates or make any comments regarding the evaluation of strategic alternatives, unless our Board of Directors has approved a specific transaction or otherwise deems disclosure appropriate.

Except as described above, there can be no assurance that any such transaction will be pursued or consummated. We may also incur substantial costs in connection with the pursuit of strategic alternatives which are not ultimately consummated. Also, there are risks inherent with the consummation of any such transaction, such as the risks that the expected enhancement of stockholder value may not be realized, that unexpected liabilities may result from such transaction and that the process of consummating or the effects of consummating such a transaction may cause interruption or slow down the operations of our existing or continuing businesses. See, for example, The sale of BLACKIRON and Primus Australia substantially reduced our revenue and Risks Associated with the ICS Business We may encounter difficulties and incur costs in pursuing the divestiture plan associated with our ICS business unit, which could adversely impact our business and results of operations for a discussion of specific risks associated with the disposition of Primus Australia and the proposed disposition of ICS, respectively.

The sale of BLACKIRON and Primus Australia substantially reduced our revenue.

We divested ourselves of BLACKIRON, which operated our BLACKIRON Data business unit, to Rogers Communications Inc. or one of its affiliates on April 17, 2013. Our BLACKIRON Data business unit accounted for approximately $9.7 million, or 15.8%, of our net revenues, exclusive of the currency effect, for the three months ended March 31, 2013 and approximately $34.1 million, or 12.9%, of our net revenues, exclusive of the currency effect, for the fiscal year ended December 31, 2012.

We also divested ourselves of our Australian operations pursuant to the sale of Primus Australia to M2, which transaction was consummated on May 31, 2012. Our Australian operations accounted for approximately $66.8 million, or 28.6%, of our net revenues, exclusive of the currency effect, for the three months ended March 31, 2012 and approximately $254.9 million, or 27.2%, of our net revenues, exclusive of the currency effect, for the fiscal year ended December 31, 2011.

Following the divestiture of BLACKIRON and Primus Australia, our ability to produce revenues was substantially reduced. There can be no assurance that the proceeds from the divestiture and the revenues and profits generated from our remaining operations, along with other capital that we have access to, will be adequate to sustain our business objectives.

Strengthening of the United States Dollar (USD) against certain foreign currencies, including the Canadian dollar (CAD), reduces the amount of USD generated from foreign currency payments from our foreign operating subsidiaries and may adversely affect our results of operations and our ability to service our debt.

A significant portion of our net revenue (about 86% for the year ended December 31, 2012) is derived from sales and operations outside the U.S. The reporting currency for our consolidated financial statements is the USD. Our foreign operating subsidiaries, including our largest operating subsidiaries in Canada, generate cash in their respective local currencies and fluctuations in exchange rates can have a material adverse effect on amounts of USDs transferred to U.S. parent entities.

From December 31, 2008 to December 31, 2009, the CAD increased by 11% relative to the USD, which had a positive impact on amounts of USDs transferred to U.S. parent entities. From December 31, 2009 to December 31, 2010, the CAD increased by 5% relative to the USD. From December 31, 2010 to December 31, 2011, the CAD decreased by 1% relative to the USD. And from December 31, 2011 to September 30, 2013, the CAD increased by 3% relative to the USD. Due to the large percentage of our operations conducted outside of the U.S., and the cash transfers from these foreign operating subsidiaries to the U.S. parent, a strengthening of the USD relative to the CAD could have an adverse impact on future results of operations and could adversely affect our ability to service our significant debt obligations and make principal payments at the parent entity level, and pay corporate expenses.

We historically have not engaged in hedging transactions. 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

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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.

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 local, long-distance, Internet, broadband, DSL, data and hosting and wireless telecommunications industry is significantly influenced by the marketing and pricing decisions of the larger 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. The most significant competitors in our primary markets include:

United States: AT&T Inc., Verizon Communications Inc., CenturyLink Inc., and other incumbent carriers, cable companies, including Comcast Corporation, Time Warner Cable Inc., Cablevision Systems Corporation and Charter Communications, Inc., other competitive LECs, including PaeTec Communications, Inc., Time Warner Telecom Inc., XO Communications Services, Inc. and Frontier Communications Corp., independent Voice over Internet Protocol (which we refer to as VoIP), providers,, which we refer to as VoIP providers, including Vonage Holdings Corp and Cbeyond, Inc., wireless carriers in the U.S., including Verizon Communications Inc., AT&T Inc., Sprint Corp., T-Mobile USA Inc., MetroPCS Communications, Inc. and Leap Wireless International, Inc., and Web-based companies, including Skype Technologies S.A. and Google Inc.

Canada: TELUS, Bell Canada, MTS, Saskatchewan Telecommunications, wireless providers, including Rogers, TELUS, Bell Canada, Bragg Communications Inc., Cogeco, Quebecor Inc. and Shaw, cable companies, and other service providers and resellers including Globalive Communications Corp. in Canada.

Customers frequently change local, long-distance, wireless and 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, customers generally can switch carriers and service offerings at their discretion with little notice to us. Competition in all of our markets is likely to remain intense, or increase in intensity and, as deregulatory influences affect markets outside the U.S., competition in non-U.S. markets is increasing to a level similar to the intense competition in the U.S.

The ICS business faces competition for its voice trading services from communication services providers traditional processes and new companies that may be able to create centralized trading solutions that replicate ICS s voice trading platforms. The ICS business PrivateExchange and AssuredAxcess solutions may compete with communication services providers traditional processes, communication services providers themselves and potentially other companies that provide software and services to communication services providers. The ICS business faces competition for its data trading services from ISPs and Internet capacity resellers, and to a lesser extent, software-based, Internet infrastructure companies and Internet network service providers. These companies may be more effective in attracting voice traffic than the Exchange and Carrier Services offerings (Carrier Services).

Once communications services providers have established business relationships with competitors to the ICS business, it could be extremely difficult to convince them to utilize the Exchange or Carrier Services. These competitors may be able to develop services or processes that are superior to ICS s services or processes, or that achieve greater industry acceptance. Where the ICS business competes with traditional processes, it may be particularly difficult to convince customers to utilize the Exchange or Carrier Services.

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Since the Exchange provides full disclosure of prices offered by participating sellers on an anonymous basis, buyers may choose to purchase network capacity through the Exchange instead of sending traffic to their existing suppliers at pre-determined, and often higher, contract prices. If suppliers of communications capacity fear or determine that the price disclosure and spot market limit order mechanisms provided by the Exchange will cannibalize the greater profit-generating potential of their existing businesses, they may choose to withdraw from the Exchange. If participants withdraw from the Exchange in significant numbers, it could cause the Exchange to fail and materially harm the ICS business.

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 U.S., and Canada and the major wireless carriers and cable companies have introduced pricing and product bundling strategies that provide for fixed, low rates or unlimited plans for domestic and international calls. This strategy could have a material adverse effect on our net revenue per minute, results of operations and financial condition if our pricing, which we set to remain competitive, is not offset by similar declines in our costs. 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.

Given strong competition in delivering individual and bundled local, wireless, broadband, DSL and VoIP services, we may not be able to operate successfully or expand these parts of our business.

We have accelerated initiatives to become an integrated wireline 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 voice and Internet customers to our competitors bundled wireline, wireless and broadband service offerings. Our primary competitors include incumbent telecommunications providers, cable companies and other ISPs that have a significant presence in the relevant market or internationally. Many of these operators have substantially greater resources, capital and operational experience than we do. We are experiencing increased competition from traditional telecommunications carriers, cable companies and other new entrants that have expanded into the market for broadband, VoIP, Internet services, data and hosting and traditional voice services. In addition, 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 (1) may not be able to expand successfully; (2) may experience margin pressure; (3) may face quarterly revenue and operating results variability; (4) may have limited resources to develop and to market our new services; and (5) may 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 traditional long-distance voice and dial-up ISP 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.

Our positioning in the marketplace and intense domestic and international competition in these services places a significant strain on our resources, and if not managed effectively, could result in operational inefficiencies and other difficulties.

Our positioning in the marketplace to focus on Growth Services segments of the telecom market, including broadband, and VoIP, may place a significant strain on our management, operational and financial resources and increase demand on our systems and controls. To manage our market positioning effectively, we must continue

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to implement and improve our operational and financial systems and controls, invest in critical network infrastructure to expand its coverage and capacity including to maintain or improve our service quality levels, purchase and utilize other transmission facilities, evolve our support and billing systems 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, support, sales and marketing, administrative resources, 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.

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.

While we recognized net income of $27.9 million in 2012 (after taking into account $94.3 million of gain from the sale of discontinued operations, net of tax), we incurred a net loss of $38.7 million in 2011 and have incurred losses in prior periods. We cannot assure you 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.

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 local, wireless, broadband, data and 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 any reason, 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, 2012, derived about 86% of our net revenues by providing services outside of the U.S. We are smaller than the principal or incumbent telecommunications carriers that operate in each of the jurisdictions where we operate, including in international markets. In these markets, incumbent carriers: (1) are likely to modify and/or control access to, and pricing of, the local networks; (2) enjoy better brand recognition and brand and customer loyalty; (3) generally offer a wider range of products and services; and (4) have significant operational economies of scale, including a larger backbone network and longer term customer and supplier agreements on generally better prevailing terms. Moreover, the incumbent carriers may take many months to allow competitors, including us, to interconnect to their 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: (A) obtain the permits and operating licenses required for us to operate in the new service areas; (B) obtain access to local transmission facilities on economically acceptable terms; or (C) 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 operations or derive taxable revenue (or may be construed by such authorities as conducting operations or deriving taxable revenue), we may become subject to assessments for taxes (which may include penalties and

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interest) which are either unexpected, or have not been accrued for in our historical results of operations or both. Such developments, in addition to the other uncertainties and risks described above, could have adverse consequences that might 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 and costs 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 U.S.

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 broadband 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. As the overall market for domestic and international long-distance and traditional local services continues to decline in favor of Internet-based, wireless, and broadband communications, revenue contribution from our Traditional Services has been consequently declining. If we do not adjust to meet changing market conditions or do not have adequate resources, 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 and Internet 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. As a result, competition is intense to switch customers to VoIP product offerings in the U.S. and internationally. 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. Our ability to retain our existing customer base and generate new customers effectively, 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 infrastructure. In addition, we rely on third party equipment and service vendors 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 aspects of our 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.

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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 U.S. and internationally. We rely on a combination of patents, trademarks, copyrights, domain names, trade secrets, licenses and other contractual arrangements to protect our intellectual property. We are subject to the risks of claims and litigation alleging infringement of the intellectual property rights of others and may need to litigate against others to protect our intellectual property rights. The telecommunications industry is subject to frequent litigation regarding patent and other intellectual property rights. Any such litigation could result in substantial costs and diversion of resources that could have a material effect on our business, financial condition and/or operations. Furthermore, there can be no assurance that we would be successful in any such litigation.

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. 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, and there can be no assurance that suitable alternative products would be available.

We also rely on indemnification provisions from third parties 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. Furthermore, effective intellectual property protection may not be available in every country where we do business. Any significant impairment of our intellectual property or other licensed rights could harm our business and/or our ability to compete effectively.

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

The loss of the services of our Chairman of our board of directors, President and Chief Executive Officer or other key personnel, or our inability to attract and retain additional key management, technical and sales personnel, could have a material adverse effect upon our financial condition and results of operations.

RISKS ASSOCIATED WITH OUR FINANCIAL STATEMENTS

At various times in the past, our disclosure controls and procedures and internal control over financial reporting have been determined not to be effective. If we fail to maintain effective internal control over financial reporting at a reasonable assurance level, we may not be able to accurately report our financial results, which could have a material adverse effect on our operations, investor confidence in our business and the trading prices of our securities.

At various times in the past, in evaluating the effectiveness of our internal control over financial reporting, our management identified control deficiencies in our controls and procedures in the areas of accounting for income taxes and for foreign currency transaction gain (loss), and management concluded in each case that the control deficiency in our internal controls over financial reporting constituted a material weakness. These deficiencies represented a material weakness in internal control over financial reporting on the basis that there was more than a remote likelihood that a material misstatement in our interim or annual financial statements could occur and would not be prevented or detected by our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Our management has taken steps in each case to address the control deficiencies and has concluded that we maintained effective internal control over financial reporting as of September 30, 2013 and that our disclosure controls and procedures were effective as of that date. However, we cannot assure you that additional material weaknesses in our internal control over financial reporting or deficiencies in the effectiveness of our disclosure controls and procedures will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, and cause us to fail to timely meet our periodic reporting obligations or result in material misstatements in our financial statements. The existence of a material weakness could result in future errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information.

We may encounter difficulties and incur costs in pursuing the divestiture plan associated with our ICS business unit, which could adversely impact our business and results of operations.

On June 28, 2012, PTGi s Board of Directors committed to dispose of and is actively soliciting a sale or other disposition of the company s ICS business unit. We may not be able to achieve the full strategic and financial benefits we expect from the divestiture of our ICS business unit. There is no guarantee that the planned divestiture will occur or will not be significantly delayed, and there can be no assurance that analysts and investors will place greater value on the company following any such divestiture. Completion of the plan of divestiture is also subject to a number of factors. Our divestiture plan may require a substantial amount of management, administrative and operational resources. These demands may distract our employees from the day-to-day operations of our other business units. If we are unable to successfully address any of these risks, our business and results of operations may be adversely impacted.

The members of the Exchange may not trade on the Exchange or utilize ICS s other services due to, among other things, the lack of a liquid market, which may materially harm the ICS business. Volatility in trading volumes may have a significant adverse effect on the ICS business financial condition and operating results, which could have a negative impact on the amount we may realize from the planned sale of ICS.

Traditionally, communication services providers buy and sell network capacity in a direct, one-to-one process. The members may not trade on the Exchange unless it provides them with an active and liquid market. Liquidity depends on, among other things, the number of buyers and sellers and the number of competitively priced routes that actively trade on a particular communications route. ICS s ability to increase the number of buyers that actively trade on the Exchange will depend on, among other things, the willingness and ability of prospective sellers to satisfy the quality criteria and price parameters imposed by prospective buyers and on the increased participation of competing sellers from which a buyer can choose in order to obtain favorable pricing, achieve cost savings and consistently gain access to the required quality services. ICS s ability to increase the number of sellers that actively trade on the Exchange will depend upon the extent to which there are sufficient numbers of prospective buyers available to increase the likelihood that sellers will generate meaningful sales revenues. Alternatively, the members may not trade on the Exchange if they are not able to realize significant cost savings. This may also result in a decline in trading volume and liquidity of the Exchange. Trading volume is additionally impacted by the mix of hundreds of geographic markets traded on the Exchange. Each market has distinct characteristics, such as price and average call duration. Declines in the trading volume on the Exchange would result in lower revenues to ICS and would adversely affect ICS s profitability because of ICS s fixed cost structure.

If the Exchange continues to be an active, liquid market in which lower-priced alternatives are available to buyers, sellers may conclude that further development of the Exchange will erode their profits and they may stop offering communications capacity on the Exchange.

There have been adverse changes in the public and private equity and debt markets for communication services providers that have affected their ability to obtain financing or to fund capital expenditures. In some cases, the significant debt burden carried by certain communication services providers has adversely affected their ability to pay their outstanding balances with ICS and some of the members have filed for bankruptcy as a result of their debt burdens.

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In certain instances, ICS offers its customers a fixed rate for specific markets for a set duration. ICS may assume the risk on the price of the minutes and ICS may not be able to secure the prices from sellers to ensure ICS does not lose money on the minutes purchased by the buyers. ICS could incur significant losses related to having a higher cost of minutes sold in relation to the price offered to the buyer of this service.

Any breach of security relating to confidential information of the members or customers could result in legal liability to ICS and a reduction in use of the Carrier Services or Exchange or cancellation of Arbinet s services, any of which could materially harm ICS s business.

Maintaining international operations will subject ICS to additional risks and uncertainties.

ICS maintains international operations, which will subject ICS to additional risks and uncertainties. ICS has established delivery points in New York City, London, Frankfurt, Miami and Hong Kong. Foreign operations are subject to a variety of additional risks that could have an adverse effect on ICS s business, including:

- difficulties in collecting accounts receivable and longer collection periods;
- changing and conflicting regulatory requirements;
- potentially adverse tax consequences;
- tariffs and general export restrictions;
- difficulties in integrating, staffing and managing foreign operations;
- political instability;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;
- the impact of local economic conditions and practices;
- potential non-enforceability of ICS s intellectual property and proprietary rights in foreign countries; and
- fluctuations in currency exchange rates.

ICS s inability to manage these risks effectively could result in increased costs and distractions and may adversely affect ICS s business, financial condition and operating results, which could negatively impact the amount we may realize from the planned sale of ICS.

Any failure of ICS s physical infrastructure, including undetected defects in technology, could lead to significant costs and disruptions that could reduce its revenue and harm its business reputation and financial results, which could negatively impact the amount we may realize from the planned sale of ICS.

ICS s business depends on providing customers with highly reliable service. ICS must protect its infrastructure and any colocated equipment of the members located in ICS s exchange delivery points, or EDPs. ICS s EDPs, the technology and the services ICS provides are subject to failure resulting from numerous factors, including:

human error;

physical or electronic security breaches;

fire, earthquake, flood and other natural disasters;

water damage;

power loss; and

terrorism, sabotage and vandalism.

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Problems at one or more of ICS s EDPs, whether or not within ICS s control, could result in service interruptions or significant equipment damage. Any loss of services, equipment damage or inability to terminate voice calls or supply Internet capacity could reduce the confidence of the members and customers and could consequently impair ICS s ability to obtain and retain members and customers, which would adversely affect both ICS s ability to generate revenues and its operating results.

RISKS ASSOCIATED WITH OUR LIQUIDITY NEEDS, INDEBTEDNESS AND SECURITIES

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

Our ability to satisfy our debt obligations will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. We cannot assure you that our business will generate cash flow from operations in an amount sufficient to fund our liquidity needs. If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such disposition may not be adequate to meet our debt service obligations then due.

The 10% Notes Indenture contains significant operating and financial restrictions which may limit our ability and our restricted subsidiaries ability to operate their businesses.

The indenture (as amended or supplemented from time to time, the 10% Notes Indenture) contains significant operating and financial restrictions on PTGi and its restricted subsidiaries. These restrictions limit the ability of PTGi and its restricted subsidiaries to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- create liens on certain assets to secure debt;
- pay dividends or make other equity distributions;
- purchase or redeem capital stock;
- make certain investments;
- transfer or sell assets;
- agree to restrictions on the ability of restricted subsidiaries to make payments to us or the issuer;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our or the issuer s assets; and

engage in transactions with affiliates.

These restrictions could limit the ability of PTGi and its restricted subsidiaries to finance their future operations or capital needs, make acquisitions or pursue available business opportunities. PTGi and its restricted subsidiaries may be required to take action to reduce their debt or act in a manner contrary to their business objectives to satisfy these covenants. Events beyond the control of PTGi and its restricted subsidiaries, including changes in economic and business conditions in the markets in which they operate, may affect their ability to do

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so. PTGi and its restricted subsidiaries may not be able to satisfy these covenants. A breach of any of the covenants in the 10% Notes Indenture could result in a default under the 10% Notes Indenture, which could lead to the debt under the 10% Notes Indenture becoming immediately due and payable and foreclosure on our assets that secure our obligations with respect to our 10% Senior Secured Notes due 2017 and 10% Senior Secured Exchange Notes due 2017 (collectively, the 10% Notes). A default under the10% Notes Indenture could, in turn, result in a default under other debt instruments and result in other creditors accelerating the payment of other obligations and foreclosing on assets securing such obligations, if any. Any such defaults could materially impair our financial conditions and liquidity.

We have a substantial amount of indebtedness.

As of December 31, 2012, we had $127.069 million of long-term obligations. Our substantial indebtedness has important consequences. For example, it:

- limits our ability to borrow additional funds;
- limits our flexibility in planning for, or reacting to, changes in our business and our industry;
- increases our vulnerability to general adverse economic and industry conditions;
- limits our ability to make strategic acquisitions;
- requires us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate activities; and
- places us at a competitive disadvantage compared to competitors that have less debt.

Interest costs related to our debt are substantial and, as a result, the demands on our cash resources are significant. Our ability to make payments on our debt and to fund operations and planned capital expenditures will depend on our future results of operations and ability to generate cash. Our future results of operations are, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Despite current indebtedness levels and restrictive covenants, we and our subsidiaries may still be able to incur substantial additional debt, which could exacerbate the risks described above.

We may incur additional debt in the future, including debt secured by the collateral that secures our 10% Notes, as well as other assets that do not secure such notes. Although the 10% Notes Indenture contains, and future indebtedness documents may contain, restrictions on our ability to incur additional indebtedness, those restrictions are, or may be, subject to a number of exceptions, and the indebtedness incurred in compliance with those restrictions could be substantial. In addition, if we are able to designate some of the restricted subsidiaries under the 10% Notes Indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in such Indenture and engage in other activities in which restricted subsidiaries may not engage. If we incur any additional secured debt that ranks equally with the 10% Notes, the holders of that debt will be entitled to share ratably with the holders of the 10% Notes in any proceeds distributed in connection with any bankruptcy, liquidation, reorganization or similar proceedings. Adding new debt to current debt levels could intensify the related risks that we now face.

There are no assurances that our common stock will remain listed on the NYSE.

On June 23, 2011, PTGi began to trade its common stock on the NYSE under the ticker symbol PTGi. At that time, trading of its common stock on the OTC Bulletin Board under the ticker symbol PMUG ceased. In order to maintain the listing of PTGi s common stock on NYSE, we must comply with listing requirements with respect to, among other things, corporate governance, communications with stockholders and the trading price of PTGi s common stock. Although we believe that we are currently in compliance with NYSE listing standards,

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there can be no assurance that we will continue to be in compliance in the future. If we fail to comply with these listing standards, NYSE could delist PTGi s common stock. In the event of a delisting of PTGi s common stock from NYSE, we cannot assure you that our common stock would be listed on an alternate stock exchange. Moreover, a delisting of PTGi s common stock from NYSE could materially and adversely affect, among other things, the liquidity of PTGi s common stock, the market price of PTGi s common stock, and our access to capital markets.

ADDITIONAL RISKS RELATED TO REGULATION

We are subject to constantly changing regulation, both in the U.S. and abroad, including the imposition of fees and taxes, the potential adverse effects of which may have a material adverse effect 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 domestic, foreign or international 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 our competitive position, growth and financial performance. 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. Many regulatory actions are underway or are being contemplated by governmental agencies, including the ongoing FCC initiative to promote expanded broadband services in the U.S. It is impossible to predict at this time what specific rules or requirements the FCC will propose or adopt, or how any such rules or requirements would affect our business or financial results.

The FCC or Congress in the United States and the Canadian Radio-television and Telecommunications Commission, or CRTC, or Parliament in Canada may revise how companies like us contribute to certain federal programs that could increase our costs, reduce our profitability, or make our services less competitive in the communications marketplace.

In the U.S., the Communications Act and associated FCC regulations require that every provider of interstate telecommunications contribute, on an equitable and non-discriminatory basis, to federal universal service mechanisms established by the FCC, which affects our cost of providing services. At present, these contributions are calculated based on contributors interstate and international revenue derived from U.S. end users for telecommunications or telecommunications services, as those terms are defined under FCC regulations. The FCC has announced its intention to propose new rules regarding universal service contribution. These new proposals would likely affect most of our competitors, but not all of our competitors would be affected in the same way or to the same degree as we would be. It is impossible to predict the impact of these new proposals, if adopted, on our operations and financial results. We cannot predict whether the FCC will adopt any particular contribution methodology, nor can we predict the potential impact on our business at this time. A revised contribution methodology could increase our contribution obligation, including increasing our contribution disproportionately compared to some of our competitors. In such event, we may need to either raise the total amount of our consumer s bills, potentially making us less competitive with other providers of communications services, or reduce our profit margins.

We are subject to similar contribution obligations in Canada. These obligations include percentage-of-revenue based contributions to subsidize the provision of telephone service in high cost service areas, percentage-of-revenue based contributions to fund CRTC telecommunications regulatory activities, and percentage-of-revenue based contributions to fund Canadian numbering resource administration. Any change to these regulations may increase or decrease our contribution obligations, operations and financial results.

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In the U.S. and Canada, there is increasing regulation of VoIP service offerings. Increased regulation may increase our costs, reduce our profit margins, or make our services less competitive in the communications marketplace.

Increasingly, laws, regulations or rulings that apply to traditional telephone services are being extended to commerce and communications services that utilize Internet Protocol, including VoIP. The increasing growth of the VoIP market and popularity of VoIP products and services heighten the risk that governmental agencies will continue to increase the level of regulation applied to VoIP and the Internet. We are unable to predict the impact, if any, that future legislation, judicial decisions or regulations concerning Internet Protocol enabled products and services may have on our business, financial condition, and results of operations. Regulation may be targeted towards, among other things, fees, charges, surcharges, and taxation of VoIP services, liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, filing requirements, consumer protection, public safety issues like E911, CALEA, the provision of online payment services, broadband residential Internet access, and the characteristics and quality of products and services, any of which could restrict our business or increase our cost of doing business. The rules that the FCC has already extended to interconnected VoIP providers include:

- Rules with respect to the use of CPNI requiring VoIP providers to adhere to particular customer approval processes when using CPNI outside of pre-defined limits and when using CPNI for marketing purposes, and requiring VoIP providers to take certain steps to verify a customer s identity before releasing any CPNI over the telephone or the Internet, and to report unauthorized disclosures of CPNI;

- In April 2010, the FCC adopted a Notice of Inquiry regarding the possible establishment of a voluntary cyber security certification program. At present it is not possible to predict whether any new formal or informal requirements will arise from this proceeding or how any such requirements might affect our business;

- The disability access requirements of Sections 225 and 255 of the Communications Act, which have been interpreted by the FCC to require interconnected VoIP providers to contribute to the telecommunications relay services fund and offer 711 abbreviated dialing access to relay services, and to ensure that VoIP services are accessible to persons with disabilities, if reasonably achievable. In August 2010, the FCC adopted a Further Order and Notice of Proposed Rulemaking with respect to hearing aid compatibility requirements applicable to various services. In April 2012, the FCC released an order adopting technical standards governing hearing aid compatibility for mobile phones. We cannot predict at this time what additional hearing aid compatibility or other disability access requirements the FCC will establish, if any, or how any such new requirements may affect us;

- Rules requiring VoIP providers to configure VoIP networks in a manner that facilitates lawful surveillance under CALEA;

- Rules requiring VoIP providers to permit customers to retain their assigned telephone numbers when changing carriers including newly established requirements to process customer carrier changes on an expedited basis;

- Rules requiring VoIP providers to provide access to E911 services on terms generally similar to those provided by traditional landline carriers;

- In April 2010, the FCC adopted a Notice of Inquiry regarding the survivability of broadband infrastructure, including in the case of damage due to natural or human-caused disasters or public emergencies;

- In December 2010, the FCC released a Notice of Inquiry regarding Next Generation 9-1-1 service. On February 22, 2012, Congress enacted the Next Generation 9-1-1 Advancement Act of 2012 as part of the Middle Class Tax Relief and Job Creation Act of 2012. Section 6509 of the Act directs the Commission to issue a report, within one year of enactment, containing recommendations for the legal and statutory framework for Next Generation 9-1-1 (NG9-1-1) services. The FCC has opened a proceeding to consider the recommendations to be made in the report. It is uncertain whether the FCC will adopt specific requirements arising from these proceedings or, if it does, how and whether any such requirements will affect us;

Rules requiring VoIP providers to pay regulatory fees based on reported interstate and international revenues, including universal service fees;

Rules requiring VoIP providers to provide notice to customers of discontinuance of service in some circumstances;

Rules that extend outage reporting requirements to interconnected VoIP providers;

In July 2011, the FCC released a Notice of Proposed Rulemaking, seeking comment on proposed rules designed to assist consumers in detecting and preventing the placement of unauthorized charges on their telephone bills, an unlawful practice commonly referred to as cramming. On April, 27, 2012, the FCC released an Order and Further Notice of Proposed Rulemaking establishing rules governing cramming. The FCC found that the record in the proceeding did not demonstrate a need for rules to address cramming for VoIP customers at this time, but requested comment on any developments concerning cramming for VoIP customers. At this time we cannot predict whether the FCC will adopt cramming rules applicable to VoIP or other services, nor can we predict its potential impact on our business; and

In November 2011, the FCC released an Order requiring VoIP providers to pay intercarrier compensation for the exchange of PSTN-VoIP traffic, the reduction of default payment rates, and the provision of signaling information with VoIP calls. The Order broadly reforms the system of default rates that apply to payments between regulated service providers going forward, but does not resolve past disputes. To the extent that another provider were to assert that the traffic we exchange with them is subject to higher levels of compensation than we, or the third parties terminating our traffic to the PSTN, pay today (if any), our termination costs could initially increase, but ultimately will be reduced as the intercarrier compensation system transitions to bill-and-keep. We cannot predict the full impact of the FCC s Order at this time.

In Canada the CRTC has extended rules to interconnected VoIP providers that are similar to certain of those described above for the U.S., which rules are also subject to change from time to time.

We may become subject to increased obligations with regard to accessibility obligations for people with disabilities and more of our service offerings may become subject to disabilities access obligations.

In October 2011, the FCC ruled that VoIP services are subject to Sections 255 and 716 of the Act regarding requirements to ensure that people with disabilities have access to certain services. As such, VoIP providers and other providers of advanced communications services (and manufacturers of equipment used for such services) must ensure that their services and products are accessible to people with disabilities, unless it is not achievable to do so. The FCC also established recordkeeping, certification, and enforcement provisions related to the disability access provisions it adopted. If and to the extent that we are determined to be out of compliance with the FCC s disability access requirements, we may be subject to fines, penalties, cease and desist orders prohibiting us from providing service on the federal and state levels or any combination of the foregoing. The FCC s review of disability access related requirements remains ongoing, and at this time, we cannot predict whether we will be subject to additional accessibility requirements.

In Canada, we are subject to certain regulatory obligations related to the accommodation of people with disabilities. These obligations include, for example, the provision of materials in alternative formats, the provision of relay services and requirements related to website format and content. If and to the extent that we are determined to be out of compliance with these obligations, we may be subject to orders to comply and/or revocation of registrations that are required to operate our business.

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Other international governmental regulation could limit our ability to provide our services, make them more expensive and may have a material adverse effect on our competitive position, growth and financial performance.

Our international operations are also subject to regulatory risks, including the risk that regulations in some jurisdictions will prohibit us from providing our services cost-effectively or at all, which could limit our growth. We cannot make assurances that these conditions will not have a material effect on our revenues and growth in the future. International regulatory considerations that affect or limit our business include general changes in access charges and contribution payments that could adversely affect our cost of providing long-distance, wireless, broadband, VoIP, local and other services. Any adverse developments implicating the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

We may be exposed to significant liability resulting from our noncompliance with FCC orders regarding E911 services.

As of November 2005, FCC rules require VoIP providers interconnected to the public switched telephone network to provide E911 service in a manner similar to traditional wireline carriers. Like many interconnected VoIP providers, Lingo, a subsidiary of ours which sells such services, was able to meet this deadline for some but not all of its customers. We sought a waiver from the FCC asking for additional time to complete deploying our E911 service. The FCC has not yet addressed our waiver petition. As of December 31, 2012, approximately 99% of our Lingo customers were equipped with 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 cease and desist orders prohibiting Lingo from providing service on the federal and state levels or any combination of the foregoing.

The FCC rules also require interconnected VoIP providers to distribute stickers and labels informing customers of the limitations on their emergency services as compared with traditional landline E911 service, as well as to notify and obtain affirmative acknowledgement from customers that they are aware of those limitations. 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, therefore, believe that we have effectively satisfied this requirement.

We may be exposed to significant liability based on the differences between our E911 services and those delivered by traditional providers of telephony services.

Lingo s current E911 services, like those offered by other providers of VoIP 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 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 Lingo provides 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.

Since 2008, interconnected VoIP providers and others involved in handling 911 calls have been afforded the same liability protections as mobile or wired telephone service providers when handling 911 calls. However, the applicability of the liability protection to 911 calling services that do not conform to the FCC s VoIP E911 rules is unclear. As such, to the extent our services do not comply with the FCC s VoIP E911 requirements we may still face significant and material liability due to failures of our E911 service to function properly. We may be similarly exposed to liability in Canada in connection with emergency services associated with our VoIP services in that country.

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The FCC in the United States and the CRTC in Canada may impose additional E911 obligations on VoIP providers, like us, that may increase our cost, decrease our profits, or make our services less competitive with other providers of calling services.

The FCC is considering a number of changes regarding the applicability of E911 requirements to VoIP providers like us and has sought comment on whether nomadic interconnected VoIP providers should be required to offer automatic location information of their users without customers providing location information. The FCC also sought comment on (i) how far it can extend E911 obligations to other types of companies including device manufacturers, software developers and others, (ii) whether to apply the FCC s 911 rules to outbound-only interconnected VoIP services (i.e., services that support outbound calls to the PSTN but not inbound voice calling from the PSTN); (iii) whether to develop a framework for ensuring that all covered VoIP providers can provide automatic location information for VoIP 911 calls; (iv) whether to revise the FCC s definition of interconnected VoIP service; and (v) whether any amendment of the definition of interconnected VoIP service should be limited to 911 purposes, or should apply more broadly to other contexts.

The FCC is also considering whether E911 obligations should apply to other IP-enabled services.

At this time we cannot predict the outcome of these proceedings nor can we predict their potential impact on our business.

The CRTC has announced a review of the 911 service framework in Canada. This proceeding commenced in December 2012 and will review the 911 service frameworks for all telecommunication services, including wireline, wireless and VoIP. At this time we cannot predict the outcome of this proceeding nor can we predict its potential impact on our business. Any change to the 911 regulations applicable to our operations may increase our obligations and impact our operations and financial results.

Uncertainty regarding the rates we pay to interconnected telecommunications carriers in the U.S. may affect our profitability and increase the retail price of our service.

In November 2011, the FCC adopted a major reform of the rules governing payments between telecommunications carriers for the exchange of traffic that is necessary to complete long-distance telephone calls to the traditional telephone network. Under the new rules, LECs generally are prohibited from increasing their rates for termination and origination of long-distance calls (except for the origination charges of smaller telephone companies serving less than 2% of all telephone lines in the U.S.). Starting July 1, 2012, all LECs were required to reduce their charges for terminating in-state toll calls to the extent they are higher than the comparable charges for interstate calls, and after July 1, 2013, the charges for terminating in-state toll calls must be no higher than those for interstate calls. Starting July 1, 2014, LECs will be required to further reduce the rates for terminating both interstate and in-state long-distance calls in a series of steps until (in most cases) the rates are reduced to zero effective July 1, 2018. Charges for outgoing calls originated by U.S. customers are not required to be reduced, except for certain dedicated transport charges which are subject to the reductions described above, although the FCC is conducting a further rulemaking proceeding in which it will consider possible reductions to originating charges. The FCC s decision is subject to petitions for reconsideration as well as multiple petitions for judicial review, which could result in changes in either the transition schedule or the ultimate elimination of terminating charges. Because of the continuing proceedings both at the FCC and in the courts, we face ongoing uncertainty as to our future costs for both originating and terminating telephone calls in the U.S. Further, we face uncertainty as to whether and how our competitors will adjust their retail prices in response to changes in the cost of call termination, which may affect our own pricing and profit margins.

We may not be able to comply with recent FCC requirements regarding the transfer of telephone numbers to other providers when customers change providers.

In 2008, the FCC clarified that interconnected VoIP providers, such as us, are subject to its rules regarding transferring the telephone numbers of customers that choose to obtain service from other providers, including both interconnected VoIP providers and traditional carriers. In 2009, the FCC released an order that reduces the amount of time within which voice service providers must transfer a telephone number to a new provider. We, along with other VoIP providers, are now required to transfer telephone numbers on the shortened timeframe. We rely on our underlying, third party carriers to comply with these rules. Our underlying, third party carriers are currently in compliance with the FCC s rules and we expect that they will remain in compliance. But should our underlying carriers fail to comply with the FCC rules, we may be subject to fines, penalties, or cease and desist orders.

States in the U.S. may subject our service to state USF obligations.

Several states have attempted to require nomadic interconnected VoIP providers to contribute to state USFs. One state, Nebraska, engaged in litigation with a provider of interconnected VoIP services similar to us. On July 16, 2009, Kansas and Nebraska filed a petition with the FCC requesting a declaratory ruling that states are not preempted from requiring nomadic interconnected VoIP providers to contribute to state USFs. The petition also sought a retroactive rule finding that states have been able to collect such contributions for an uncertain time period. On November 5, 2010, the FCC released an order granting the petition in part, clarifying that on a prospective basis states may extend USF contribution requirements to cover intrastate revenues of nomadic VoIP providers, so long as the state s particular requirements do not conflict with federal law or policies. We cannot predict which states may seek to impose such contributions on us. Decisions by states to collect state USF contributions may result in increased state regulation of our service and increased costs associated with our services, which may lead to either lower profits or a less competitively priced service. Typically, state USF fees would be passed on to consumers. At this time, we cannot predict the outcome of individual state decisions or the impact such decisions might have on our business.

We may become subject to U.S. state or Canadian provincial regulation for certain service offerings.

A number of states have adopted the position that offerings by VoIP companies like us are subject to state regulation. These states generally base their jurisdiction to regulate such offerings based on whether a VoIP company is able to determine the beginning and end points of communications and whether such communications occur entirely within the boundaries of the respective state. We believe that the FCC has preempted states from regulating VoIP offerings. We cannot predict how this issue will be resolved or its impact on our business at this time but we could be subject to increased costs, reduced profitability, and fines or penalties.

Our operations in Canada are subject to Federal regulation. However, certain provinces have issued consumer protection legislation that seeks to apply to telecommunication services and operations. The validity of provincial regulations on a federally regulated service has not been tested or challenged by parties to date. We cannot predict how this issue will be resolved or its impact on our business at this time but we could be subject to increased costs, reduced profitability, and fines or penalties under provincial legislation.

Access to the Internet is required by us and our users in order to offer our services. If Internet access providers or other companies involved in handling Internet traffic are able to block, degrade or charge us so that we cannot offer quality services, we could incur additional costs or lose customers.

Our service offerings require that customers have access to broadband Internet access at a sufficient bandwidth in order to support call quality and other related services. We and our customers rely on service providers that have significant market power in the broadband Internet access marketplace including incumbent providers of wireline telephone services, cable companies and wireless companies. It is possible that some of these providers could take measures to degrade or disrupt our services, or increase the cost to us or our users to obtain access to certain levels of bandwidth necessary to make our service offerings.

On December 23, 2010, the FCC adopted an order that imposes network neutrality rules on providers of fixed and wireless broadband Internet access services, with wireless providers subject to a more limited set of

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rules. Among other things, the rules: (1) require providers of consumer broadband Internet access to publicly disclose their network management practices and the performance and commercial terms of their broadband Internet access services; (2) prevent broadband Internet access providers from blocking lawful content, applications, services, or non-harmful devices, subject to reasonable network management; and (3) prevent broadband Internet access providers from unreasonably discriminating in the transmission of lawful network traffic over a consumer s broadband Internet access service. While the substance of the rules and the process used by the FCC in adopting the rules differs from the FCC s previous Internet policy principles that were called into question by the D.C. Circuit, questions remain concerning the FCC s ability to adopt rules governing the conduct of fixed and wireless broadband Internet access providers. The FCC s rules became effective on November 20, 2011. Several parties have appealed these rules to the U.S. Court of Appeals for the District of Columbia. We cannot predict to what extent these or any other appeals may succeed, nor can we predict what impact these rules may have on our business at this time. If an Internet access provider were to interfere with access to our products and services, such actions could result in a loss of existing users and increased costs, and could impair our ability to attract new users, thereby harming our revenue and growth.

We are subject to the requirements of the Federal Trade Commission s new Red Flag identity theft rules.

We must comply with Section 114 of the Fair and Accurate Credit Transactions Act of 2003 (FACTA) and rules of the FTC that require creditors to develop and effectuate written internal programs to detect, prevent, and mitigate identity theft in connection with their accounts. The rules became effective on January 1, 2011, and we may be deemed to be a creditor as defined in the FACTA to the extent that we use consumer reports in connection with providing service to customers, or provide information to debt collectors or consumer reporting agencies.

On December 6, 2012, the Federal Trade Commission published an interim final rule that narrows the circumstances under which creditors are covered by the Red Flag Rule. The interim final rule amends the definition of creditor in the Red Flag Rule to clarify that a creditor is covered only if, in the ordinary course of business, it regularly obtains or uses consumer reports in connection with a credit transaction, furnishes information to consumer reporting agencies in connection with a credit transaction, or advances funds to or on behalf of a person, in certain cases. The FTC accepted public comment on the interim final rule until February 11, 2013, at which point such interim rule became effective.

We are taking steps to ensure compliance with the FTC s rules, but if and to the extent that we are determined to be out of compliance with the rules we may be subject to fines, penalties, compliance orders or any combination of the foregoing.

Uncertainty regarding the rates we pay to incumbent telecommunications carriers in Canada may affect our profitability and the retail price of our service.

In 2008, the CRTC issued a decision that relieved the incumbent telecommunications carriers of the obligation to provide certain regulated wholesale services classified as non-essential subject to phase-out. Access to services classified as non-essential subject to phase-out is pursuant to negotiated commercial terms upon deregulation. More than a third of wholesale services have been deregulated as of 2012, including intra-exchange transport services which are used to interconnect our sites where we have located DSLAM equipment. The area likely to have the next-largest impact involves high-speed access to business services, which is to be deregulated in 2013. A further review of the framework and the continued regulation of wholesale services that remain regulated is scheduled to commence in 2014 but may commence earlier, including in 2013. In addition, a decision on the final regulated rates that will apply to the capacity-based billing framework for wholesale Internet access services approved in November 2011 is outstanding.

Accordingly, we face certain uncertainty and risks related to the ability to establish favorable negotiated agreements with the incumbents for wholesale services that have been and will be deregulated and in relation to any changes to the regulated rates for services that remain regulated. We also face uncertainty as to whether and how our competitors will adjust their retail prices in response to changes to regulated rates or favorable negotiated agreements, which may affect our own pricing and profit margins.

RISKS RELATED TO THE SALE TRANSACTION

The pending sale transaction creates uncertainty about our future which could materially and adversely affect our business, financial condition and results of operations.

The pending sale transaction creates uncertainty about our future. Therefore, our current or potential business partners may decide to delay, defer or cancel entering into new business arrangements with us pending consummation of the sale transaction or termination of the equity purchase agreement. In addition, while the sale transaction is pending, we are subject to a number of risks, including:

- the diversion of management and employee attention from our day-to-day business;
- the potential disruption to business partners and other service providers;
- the loss of employees who may depart due to their concern about losing their jobs following the sale transaction or a shift in loyalty of employees of the businesses to be sold who see the purchasers as their *de facto* employer even before the consummation of the sale transaction; and
- our inability to respond effectively to competitive pressures, industry developments and future opportunities.

The occurrence of any of these events individually or in combination could materially and adversely affect our business, financial condition and results of operations.

We cannot predict whether the closing conditions for the proposed transaction will be satisfied. As a result, we cannot assure you that the proposed transaction will be completed. If the closing conditions for the proposed transaction are not satisfied or waived, or if the transaction is not completed for any other reason, the market price of our common stock may decline.

Failure to consummate the transaction could result in disruption of our sales and marketing or other key business activities in our North America Telecom business, which may have an impact on our financial performance.

We have also incurred substantial transaction costs in connection with the sale transaction, and we will continue to do so until the consummation of the sale transaction.

The equity purchase agreement limits our ability to pursue alternatives to the sale transaction.

The equity purchase agreement contains provisions that make it substantially more difficult for us to sell Primus Telecommunications Group, Incorporated as an entire company, to any company other than the purchasers. Specifically, we were required to end discussions with respect to other alternative proposals when we entered into the equity purchase agreement. We also cannot, and we are required to cause our representatives not to, directly or indirectly, initiate, solicit, or knowingly encourage any inquiries regarding, any alternative proposal or otherwise negotiate or provide non-public information regarding the businesses to be sold in connection with, an alternative proposal. However, if our board of directors determines in good faith that an unsolicited alternative proposal constitutes or is reasonably likely to lead to a superior proposal, we may participate in negotiations regarding the alternative proposal. These provisions, in addition to the requirement that we pay $3.87 million to the purchasers in connection with terminating the equity purchase agreement to pursue a superior proposal, could discourage a third party that might have an interest in acquiring us as a company, or our North America Telecom business, even if that party was prepared to pay consideration with a higher value than the purchase price to be paid by the purchasers.

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We may not receive all regulatory approvals and consents required in order for us to consummate the sale transaction.

The sale transaction cannot be consummated until all required consents, approvals and waiting periods under applicable telecommunications laws have been received or have expired or terminated, as appropriate, and all other material governmental approvals and consents have been obtained and are in full force and effect. We and the purchasers have submitted or are in the process of submitting required filings in all of the relevant jurisdictions and have obtained certain of the required consents and approvals and certain of the waiting periods have expired. Although we do not expect regulatory authorities with whom we and the purchasers are still working to raise any significant objections in connection with their review of the sale transaction, we cannot be certain that we will obtain all remaining required regulatory approvals and consents, that certain regulatory approvals and consents may not be delayed or that any regulatory approvals will not contain terms, conditions or restrictions that would be detrimental to us, the purchasers and our collective abilities to close the sale transaction.

The failure to consummate the sale transaction may materially and adversely affect our business, financial condition and results of operations.

The purchasers obligation to close the sale transaction is subject to a number of conditions, including our stockholders approval of the Sale Proposal, the receipt of the approvals and consents from regulatory authorities discussed above and the absence of a material adverse effect, as defined under EQUITY PURCHASE AGREEMENT Conditions to Closing below. We cannot control some of these conditions and we cannot assure you that they will be satisfied, or that the purchasers will waive any that are not satisfied. If the sale transaction is not consummated, we may be subject to a number of risks, including the following:

- we may not be able to identify an alternate transaction, or if an alternate transaction is identified, such alternate transaction may not result in an equivalent price to what is proposed in the sale transaction;
- the trading price of our common stock may decline to the extent that the current market price reflects a market assumption that the sale transaction will be consummated;
- our relationships with our customers, suppliers and employees may be damaged beyond repair and our business may be harmed; and
- in certain instances we may be required to pay the purchasers a break-up fee of $3.87 million.

The occurrence of any of these events individually or in combination could materially and adversely affect our business, financial condition and results of operations, which could cause the market value of our common stock to decline.

If the equity purchase agreement is terminated under specified circumstances we will be required to pay the purchasers a fee of $3.87 million. The requirement to pay this break-up fee may discourage third parties from submitting an alternative proposal.

Under the terms of the equity purchase agreement, we are required to pay the purchasers $3.87 million in cash if the equity purchase agreement is properly terminated by:

- either us or the purchasers if the sale transaction has not closed by September 30, 2013, provided that both: (i) we breach representations, warranties or covenants which breach results in an uncured failure of a closing condition, (b) the sale transaction has been publicly announced and, (c) within 3 months following the termination of the equity purchase agreement, the sale transaction has been consummated or a definitive acquisition agreement been entered into;
- either us or the purchasers if our stockholders do not approve the Sale Proposal, provided that both: (i) the sale transaction has been publicly announced and, (ii) within 3 months following the termination of the equity purchase agreement, the sale transaction has been consummated or a definitive acquisition agreement been entered into

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the purchasers if our board of directors has withdrawn or modified its recommendation to vote in favor of the Sale Proposal without also terminating the equity purchase agreement; or

us in order to enter into a transaction that is a superior proposal if our stockholders have not yet approved the Sale Proposal.

The requirement that we pay the purchasers the break-up fee may discourage third parties from submitting an alternative proposal as it could add to the price they would pay, or the value they would receive, in any such transaction.

The equity purchase agreement may expose us to contingent liabilities.

We have agreed to indemnify the purchasers for certain breaches of any representation, warranty or covenant made by us in the equity purchase agreement, subject to certain limitations. Our indemnification obligations are subject to limitations, but the limitation on our maximum exposure is quite high. In some instances our indemnification obligations are not subject to any limitations. Significant indemnification claims by the purchasers could materially and adversely affect our business, financial condition and results of operations.

Because our North America Telecom business represented 87.1% of our net revenues for the year end December 31, 2012, our business following the sale transaction will be substantially reduced and less diversified.

We may encounter unanticipated difficulties or challenges as we transition into a company where the remaining revenue is derived from our International Carrier Services business, under which we provide domestic and international minute transport and termination services and targets a diverse customer base including Tier 1 international carriers, multi-national carriers, wireless providers, VoIP providers, cable companies and ISPs. The reduction in the scale and scope of our business as a result of the sale transaction will expose a larger portion of our business to the type of risks associated with International Carrier Services. If we are unable to address and overcome these difficulties or challenges, we may not be successful with our remaining businesses.

We will be limited from using significant intellectual property rights and pursuing certain business opportunities following the consummation of the sale transaction.

Although our board of directors has determined that the sale transaction is in the best interests of us and our stockholders, by disposing of our North America Telecom business we are restricting our use of significant intellectual property rights. This includes the removal of all reference to the Primus trademark and all related intellectual property from us and our subsidiaries and affiliates, which therefore prevents us from continuing to do business under the Primus name.

The purchasers use of our trademarks and related brands following the consummation of the sale transaction under the trademark rights agreement and otherwise could adversely affect our business.

Our trademarks and related brands and associated goodwill represent a key component of the value of our business, and any impairment to the goodwill associated with our trademarks and related brands could adversely affect our business. The purchasers will acquire certain of our trademarks in the sale transaction, including but not necessarily limited to the Primus trademark, which will prevent us from doing business under the Primus name. As a result, following the consummation of the sale transaction, the goodwill associated with those trademarks and related brands will be partially dependent on the purchasers reputation and its use of our trademarks and related brands, which could be harmed due to factors outside of our control. If the purchasers fail to maintain the quality of the products with which they use our trademarks consistent with our historical standards, or if the purchasers reputation among consumers is harmed for any reason, the goodwill associated with our trademarks and related brands could be negatively impacted, which could have a material adverse effect on our business.

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Our ability to complete the transaction may require us to redeem outstanding indebtedness.

Under the terms of the equity purchase agreement, we will be required to obtain the release of certain security interests related to our North American telecommunications business held pursuant to the terms of 10% Notes Indenture. In order to have these security interests released, we may decide to call for redemption all outstanding 10% Notes at 100% of the principal amount thereof plus, without duplication, accrued and unpaid interest and additional interest, if any, to the date of redemption. If we decide to redeem the 10% Notes and are unable to redeem the notes on the purchase date from the proceeds of the transaction or otherwise on the redemption date, we may not be able to complete the transaction or the timing of the completion of the transaction could be delayed, as well as result in an event of default under the 10% Notes Indenture and may also constitute a cross-default on other indebtedness (or the instruments governing such indebtedness) existing at that time.

Our directors and executive officers may have interests in the sale transaction that may be in addition to, or different from, the interests of our stockholders.

Stockholders should be aware that our directors and executive officers have financial interests in the sale transaction that may be in addition to, or different from, the interests of our stockholders generally. These interests include (i) special cash bonuses in connection with the sale transaction, (ii) pro-rated 2013 bonuses, (iii) severance payments and continued health benefits , and (iv) accelerated vesting of restricted stock unit awards (i.e., these restricted stock unit awards will vest and become fully exercisable or be paid and settled, as applicable). Our special committee and our board of directors was aware of and considered these potential interests, among other matters, in evaluating and negotiating the sale transaction and equity purchase agreement and in recommending to our stockholders that they approve the Sale Proposal. See SALE PROPOSAL Interests of Certain Persons in the Sale Transaction in this proxy statement for greater detail.

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PROPOSAL #1

SALE PROPOSAL

Parties to the Acquisition

Primus Telecommunications Group, Incorporated

We are publicly traded on The New York Stock Exchange (or NYSE , symbol: PTGI). We are a leading provider of advanced communication solutions, including traditional and IP voice, data, mobile services, broadband Internet, metro fiber and Carrier Ethernet to business and residential customers in Canada and the United States. We are also one of the leading international wholesale service providers to fixed and mobile network operators worldwide. We own and operate our own global network of next-generation IP soft switches, media gateways, hosted IP/SIP platforms, broadband infrastructure, and fiber capacity in Canada. Founded in 1994, our principal executive offices are located at 460 Herndon Parkway, Suite 150, Herndon, VA 20170.

PTUS, Inc. and PTCAN, Inc.

PTUS, Inc. and PTCAN, Inc., which we refer to as the purchasers, are U.S. and Canadian shell companies, respectively, formed in 2013 to purchase the companies to be sold. The purchasers are affiliates of York Capital Management.

York Capital Management

York Capital Management is an investment firm established in 1991. The firm pursues a multi-strategy investment style and manages over $15 billion across several different investment strategies with offices in New York, London and Hong Kong.

Background of the Sale Transaction

Our special committee, formed on September 13, 2011, and our board of directors have, from time to time, engaged in a review of our business plans and other strategic alternatives as part of their ongoing activities. This process has included evaluating prospects and options pertaining to our businesses, the markets in which we compete and the possibility of pursuing strategic alternatives with a view towards enhancing value for our stockholders.

In late 2011, our special committee began to consider potential significant strategic transactions involving our company, including our North America Telecom business. For this initiative, in fall of 2011, our special committee retained Jefferies to serve as its financial advisor in connection with its consideration of strategic options for our company, including our North America Telecom business.

Following discussions with our special committee concerning the operations, financial profile and prospects for our company, Jefferies undertook a review of our company and, at our special committee s request, prepared a list of potential buyers it believed might have an interest in acquiring our North America Telecom business. At our special committee s request, Jefferies contacted numerous potential buyers, which included strategic buyers that could generate transaction synergies, and financial sponsors, in an effort to assess their level of interest in a possible transaction.

Between December 15, 2011 and March 8, 2012, we received indications of interest involving our North America Telecom business from certain potential buyers. Beginning on December 15, 2011, we, with the assistance of Jefferies, engaged in a due diligence process with certain potential buyers from whom we had received such preliminary indications of interest, by providing access to a virtual data room containing due diligence materials, and providing management presentations and due diligence sessions covering financial, IT, network, regulatory and other matters.

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On November 1, 2012, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny & Myers LLP, or O Melveny, our outside legal counsel, participated, to discuss a review provided by Jefferies of various strategic alternatives for our company, including our North America Telecom business.

Subsequent to the November 1, 2012 meeting, Jefferies, at the request of our special committee, continued to engage third parties that showed an interest in our North America Telecom business. As part of this process, O Melveny prepared draft acquisition agreements that were uploaded to the virtual data room. Management meetings were conducted with and access to an updated virtual data room were provided to selected third parties. Potential buyers that had been given access to our updated virtual data room reviewed the due diligence materials we posted to such data room. Jefferies maintained dialogues with potential buyers to address questions and respond to due diligence requests.

By December 18, 2012, we had received two indications of interest for the sale of our North America Telecom business. On November 5, 2012 and December 18, 2012, we received non-binding proposals from York Capital Management, through certain of its affiliates (which we refer to as York), to acquire our North America Telecom business for cash consideration of $130 million on a cash-free and debt-free basis. On December 18, 2012, we received an indication of interest from Party A to acquire our North America Telecom business for cash consideration of $115 million on a cash-free and debt-free basis, $10 million of which would not be paid until 12 months after the closing of the transaction.

On December 18, 2012, we received a mark-up from York of the draft of the equity purchase agreement for the sale of our North America Telecom business that had been posted our virtual data room. Pursuant to its mark-up of the equity purchase agreement, York proposed a purchase price of $130 million, indemnification obligations of the company, an unspecified escrow amount to be released 24 months after the closing date to cover our indemnification obligations, an unspecified escrow amount to cover any post-closing working capital adjustments, a termination fee of $19.5 million (i.e., 15% of the proposed purchase price), and an unspecified cap on certain of our indemnification obligations.

On December 21, 2012, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, to discuss a review provided by Jefferies of various strategic alternatives for our business units and the various bids that had been received by potential buyers. The special committee discussed which bidders to enter into negotiations with and negotiation strategies regarding price, transaction terms and completion of diligence. As between York and Party A, our special committee determined to focus our efforts on negotiations with York based on the consideration of a variety of factors, including the higher cash consideration proposed to be paid by York and the belief that there was greater certainty that a transaction with York would occur. The special committee then discussed material terms of the proposal received from York, including purchase price, escrow period, financing, certainty of funding and a reverse termination fee.

On December 26, 2012, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, to discuss an update provided by Jefferies covering, among other things, an update on the results of negotiations regarding certain material transaction terms with York. The special committee discussed such material transaction terms, including purchase price, no financing condition, certainty of funding, escrow amount, escrow period and indemnification. Our special committee, with input from Jefferies and O Melveny, discussed and deliberated as whether we should agree to a 45-day exclusivity period with York. After discussion and deliberation, our special committee resolved to pursue a 45-day exclusivity period with York with respect to the sale of our North America Telecom business.

In the week following the December 26, 2012 special committee meeting, our special committee, with the assistance of Jefferies and O Melveny, negotiated and finalized a term sheet relating to the proposed transaction with York. The final term sheet was entered into on January 3, 2013 and provided for a 45-day exclusivity period, a purchase price of $133 million (on a cash-free and debt-free basis), no financing condition, a $13.3

million cap on our indemnification obligations, an escrow amount of $13.3 million to be released 15 months after the closing date, and a termination fee of $3.99 million (i.e., 3% of the then proposed purchase price) upon termination of the equity purchase agreement due to our acceptance of a superior proposal.

On January 16, 2013, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, to discuss the proposed transaction with York, certain restructuring transactions to occur prior to the closing of the proposed transaction with York and related matters.

On January 24, 2013, we, with the assistance of O Melveny, provided our comments to York s initial mark-up of the equity purchase agreement for the sale of our North America Telecom business. In accordance with the terms of the final term sheet, we revised the equity purchase agreement to reflect a purchase price of $133 million, a $13.3 million cap on certain of our indemnification obligations, a termination fee equal to $3.99 million (i.e., 3% of the then proposed purchase price), an escrow amount of $13.3 million to be released 15 months after the closing date to cover our indemnification obligations and the deletion of any escrow amount to cover post-closing working capital adjustments.

On January 30, 2013, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, to discuss an update provided by Jefferies concerning the proposed sale of our North America Telecom business.

On February 22, 2013, York s counsel distributed a mark-up of the draft of the equity purchase agreement for the sale of our North America Telecom business. On February 28, 2013 and March 4, 2013, York s counsel and O Melveny convened telephonic conferences to discuss and engage in negotiations regarding York s prior mark-up of the equity purchase agreement.

On March 6, 2013, we, with the assistance of O Melveny, distributed our comments to York s prior mark-up of the equity purchase agreement.

On March 15, 2013, York, York s counsel, the chairman of our special committee and O Melveny convened a telephonic conference generally to discuss structure of the proposed transaction with York, including tax structure.

On March 22, 2013, York, York s counsel, the chairman of our special committee and O Melveny convened a telephonic conference generally to discuss and negotiate the escrow amounts in connection with the proposed transaction with York.

Between February 22, 2013 and March 22, 2013, York proposed that the purchase price for our North America Telecom business be reduced from $133 million to $125 million. As a result of numerous discussions between the chairman of our special committee and principals of York, we agreed to reduce the purchase price from $133 million to $129 million, which was reflected in mark-up of the equity purchase agreement that we received from York on April 9, 2013 described below.

On April 2, 2013, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, during which O Melveny provided an update on the status of negotiations for the proposed transaction with York.

On April 9, 2013, York distributed an additional mark-up of the draft of the equity purchase agreement for the sale of our North America Telecom business, pursuant to which York proposed a purchase price of $129 million, a $19.35 million cap on certain of our indemnification obligations, an escrow amount of $6.45 million to be released 14 months after the closing date to cover our indemnification obligations, an escrow amount of $4 million to cover any post-closing working capital adjustments, an escrow amount of $4.8 million to cover certain tax liabilities, and the requirement that we maintain a minimum cash balance of approximately $15 million for 14 months after the closing date.

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On April 29, 2013, York s counsel and O Melveny convened a telephonic conference to discuss and engage in negotiations regarding York s prior mark-up of the equity purchase agreement.

On May 1, 2013, we, with the assistance of O Melveny, provided our comments to York s prior mark-up of the equity purchase agreement for the sale of our North America Telecom business, pursuant to which we proposed a cap of approximately $12.9 million on certain of our indemnification obligations, the requirement that we maintain a minimum cash balance of approximately $6.45 million for 14 months after the closing date, and a termination fee equal to $3.87 million (i.e., 3% of the then proposed purchase price).

On May 3, 2013, York distributed an additional mark-up of the draft of the equity purchase agreement for the sale of our North America Telecom business.

On May 5, 2013, in negotiations with York, we proposed that York pay a reverse termination fee of CAD $54 million to us in certain circumstances in which the equity purchase agreement is terminated or the purchasers breach the equity purchase agreement.

On May 6, 2013, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, during which O Melveny provided a review of the fiduciary duties applicable to members of our special committee, including as such duties would apply to the proposed sale of our North America Telecom business to York, an update on the status of the proposed transaction with York, and a detailed review of the proposed terms of such transaction. During such meeting, representatives of Jefferies reviewed with the special committee certain preliminary financial analyses with respect to the $129 million in cash proposed to be paid by York for our North America Telecom business.

On May 7, 2013, we, with the assistance of O Melveny, provided additional comments to York s prior mark-up of the equity purchase agreement for the sale of our North America Telecom business, pursuant to which we proposed that the $3 million purchase price for PTI, our subsidiary that holds licenses to provide long distance and local exchange telecommunications services, be placed into escrow until the closing of the sale of such subsidiary.

On May 8, 2013, York distributed an additional mark-up of the draft of the equity purchase agreement for the sale of our North America Telecom business. York agreed that the purchasers under the equity purchase agreement would pay a reverse termination fee of $25 million to us in certain circumstances in which the equity purchase agreement is terminated or the purchasers breach the equity purchase agreement. In addition, York agreed that York Special Opportunities Fund, LP, an affiliate of York, would guarantee the purchasers obligation to pay the $25 million reverse termination fee.

On May 8, 2013, York s counsel and O Melveny convened a telephonic conference to discuss and engage in negotiations regarding York s prior mark-up of the equity purchase agreement.

On May 9, 2013, our special committee convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, during which O Melveny provided a review of our special committee s fiduciary duties in connection with the proposed transaction with York, an update on the status of such transaction, and a detailed review of the proposed terms of such transaction. During such meeting, representatives of Jefferies presented their financial analysis with respect to the cash consideration of $129 million proposed to be paid by York for our North America Telecom business and delivered to the special committee its opinion to the effect that, as of May 9, 2013, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken as set forth in its opinion, the aggregate consideration of $129 million to be received by certain of our subsidiaries pursuant to the equity purchase agreement was fair to us, from a financial point of view. Following a discussion of each of these topics, our special committee unanimously determined to recommend that our board of directors approve, and declare to be advisable and in the best interests of the company and its stockholders, the execution of the equity purchase agreement with York and the proposed transaction with York on the terms presented to our special committee.

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On May 9, 2013, our board of directors convened a telephonic meeting, at which representatives of Jefferies and O Melveny participated, during which O Melveny provided a review of our board s fiduciary duties in connection with the proposed transaction with York, an update on the status of such transaction, and a detailed review of the proposed terms of such transaction. Following a discussion of each of these topics and in consideration of our special committee s unanimous recommendation, our board of directors approved, and declared to be advisable and in the best interests of the company and its stockholders, the execution of the equity purchase agreement with York and the proposed transaction with York on the terms presented to the board of directors.

On May 9, 2013 and May 10 2013, we and York, with the assistance of our respective outside counsel, conducted numerous negotiations and exchanged several mark-ups of the equity purchase agreement in order to finalize the equity purchase agreement and related ancillary agreements and documents for the sale of our North America Telecom business.

Following finalization of the equity purchase agreement and related ancillary agreements and documents, we and the purchasers, affiliates of York, executed the equity purchase agreement on May 10, 2013.

Past Contacts, Transactions or Negotiations

Other than as described above and in the SALE PROPOSAL Background of the Sale Transaction above and the SALE PROPOSAL Interests of Certain Persons in the Sale Transaction below, we and our subsidiaries, on the one hand, and the purchasers, on the other hand, have not had prior contacts, transactions, or negotiations, and other than as described above, therein and in EQUITY PURCHASE AGREEMENT Voting Agreement below, there are no present or proposed material agreements, arrangements, understandings or relationships between our executive officers or directors and the purchasers, their executive officers or directors.

Reasons for the Sale Transaction and Recommendation of our Special Committee and Board of Directors

In reaching its decision to approve the equity purchase agreement and the transactions contemplated thereby, and to recommend that our stockholders vote to approve the Sale Proposal, our special committee and board of directors consulted with management and our financial and legal advisors. Our special committee and board of directors considered all material factors relating to the equity purchase agreement and the proposed sale transaction, many of which our board of directors and special committee believed supported its decision, including:

- the consideration that we would receive in the sale transaction in comparison to the risks associated with maintaining the operations of our North America Telecom business, which include those risk factors discussed above under RISK FACTORS Risks Related to Our Company. Specifically, our board of directors and special committee believes that the sale transaction was more favorable to our company. In addition, our board of directors and special committee concluded that simply maintaining our North America Telecom business would not unlock the inherent value in these businesses to enhance stockholder value;

- that our resulting business profile, subsequent to consummation of the sale transaction and the use of the proceeds therefrom to pay down indebtedness would have lower fixed costs and hence more operating flexibility, and more clarity and focus which would allow us to dedicate our resources more fully to operating and growing our remaining business;

- the process conducted with respect to the sale transaction, which involved discussions with various parties and which did not lead to any proposals more favorable to us and our stockholders than the proposal by the purchasers, and the sale transaction represented the highest and most certain value to our stockholders;

- the efficiencies that the purchasers expects to benefit from following the acquisition of our North America Telecom business allowed the purchasers to offer us consideration that was greater than the value that our board of directors and special committee expected to receive from continuing to own our North America Telecom business;

- the terms of the equity purchase agreement, including:

  - the $126 million in cash to be paid by the purchasers at the closing, which is subject to adjustment and a portion of which will be paid into escrow and $3 million in cash to be paid by the purchasers at the second closing, which provides certainty in value;

  - our ability, under certain circumstances, to furnish information to and participate in discussions with third parties regarding unsolicited alternative proposals;

  - the ability of our board of directors and special committee, under certain circumstances, to change its recommendation that our stockholders vote to approve the Sale Proposal;

  - the view of our board of directors and special committee, after consulting with our legal counsel and financial advisors, that the break-up fee of $3.87 million that we are required to pay to the purchasers if the equity purchase agreement is terminated under certain circumstances was within the range reflected in similar transactions and not likely to preclude third parties from submitting superior alternative proposals to acquire the business we agreed to sell to the purchasers under the equity purchase agreement. See EQUITY PURCHASE AGREEMENT Termination Fees below for a discussion of when the break-up fee may be payable to the purchasers; and

  - the reverse break-up fee of $25 million dollars to be paid by the purchasers to us in certain scenarios following the termination of the equity purchase agreement. See EQUITY PURCHASE AGREEMENT Termination Fees below for a discussion of when the reverse break-up fee may be payable to the purchasers;

- historical information regarding (i) our business, financial performance and results of operations, (ii) market prices, volatility and trading activity with respect to the equity interest, and (iii) market prices with respect to other industry participants and general market indices;

- current information regarding (i) our business, prospects, financial condition, operations, technology, products, services, management, competitive position and strategic business goals and objectives, (ii) general economic, industry and financial market conditions, and (iii) opportunities and competitive factors within the company s industry;

- the potential for other third parties to enter into strategic relationships with or to seek to acquire us, including a review of management s dealings with other possible buyers in the past and assessment of the likelihood that a third party would offer a higher price and the likelihood that stock consideration offered by another bidder would be as attractive as the consideration being offered by the purchasers;

- the timing of the transaction and the risk that if the company does not accept the purchasers offer now, it may not have another opportunity to do so or a comparable opportunity;

the possible negative effect of the transaction and public announcement of the transaction on our financial performance, operating results and stock price and our relationships with customers, suppliers, other business partners, management and employees;

the risks involved with the transaction and the likelihood that the company and the purchasers will be able to complete the transaction, the possibility that the transaction might not be consummated and our prospects going forward without the combination with the purchasers;

the substantial transaction expenses to be incurred in connection with the transaction and the negative impact of such expenses on our cash reserves and operating results;

- all known interests of our directors and executive officers in the transaction that are different from, or in addition to, their interests as stockholders or the interests of our other stockholders generally;

- all other factors our special committee deems relevant;

- our board of directors and special committee recognized that no conclusion could be reached about whether our stock price will increase, decrease or remain unchanged, especially in the short term, following the consummation of the sale transaction, because of the numerous, potentially countervailing factors and unknowns relating to or arising out of the sale transaction that could affect our stock price, and because of general movements and volatility in the stock market. Nonetheless, our board of directors and special committee was of the view that the sale transaction should enhance stockholder value in the long term because we are realizing a premium valuation for the business being sold. To the extent that long-term stock price trends reflect a higher valuation for comparable companies with less leverage than those with higher leverage, receiving a significantly higher EBITDA multiple for the business being sold than the stock market appears to have applied prior to the sale transaction, and using the proceeds to eliminate substantially all of our debt, should, in our board of directors and special committee view, enhance stockholder value; and

- the opinion of Jefferies, dated May 9, 2013, to the special committee to the effect that, as of that date and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken as set forth therein, the aggregate consideration of $129 million to be received by certain of our subsidiaries pursuant to the equity purchase agreement was fair to us, from a financial point of view. See SALE PROPOSAL Opinion of Our Financial Advisor below.

Our special committee and board of directors and special committee also considered and balanced against the potential benefits of the sale transaction a number of potentially adverse and other factors concerning the sale transaction, including the following:

- the diversion of management and employee attention from our business generally;

- the various conditions to the purchasers obligations to consummate the sale transaction and required action by third parties that neither we nor the purchasers control, including the approval of the sale transaction by the various governmental authorities described below under SALE PROPOSAL Governmental and Regulatory Approvals and the cooperation of third parties from whom we will seek lien releases or consents related to the sale transaction that may be required under existing contracts;

- the possibility that we may not receive some or all of the proceeds from escrow;

- the possibility that the sale transaction may not be consummated on the agreed terms or at all, even if approved by our stockholders;

- the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding the sale of the company as a whole or of, our North America Telecom business and the requirement that we pay the purchasers a break-up fee of $3.87 million if the equity purchase agreement is terminated under certain circumstances, as described under EQUITY PURCHASE AGREEMENT Solicitation of Other Offers and EQUITY PURCHASE AGREEMENT Break-Up Fee below;

- the restrictions on the conduct of our North America Telecom business prior to the consummation of the sale transaction, requiring us to conduct this business only in the ordinary course, subject to specific limitations and exceptions, which may delay or prevent us from undertaking business opportunities that may arise pending the consummation of the sale transaction, as described under EQUITY PURCHASE AGREEMENT Conduct of Business below;

the risks and contingencies related to the announcement and pendency of the sale transaction, including the impact of the transaction on and the disruption to relationships with our business partners;

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the risk that unforeseen liabilities and expenses may be incurred that may limit the ultimate amount of net proceeds from the sale transaction, including with respect to our indemnification obligations under the equity purchase agreement;

the risks that our business will be substantially reduced and less diversified following the closing of the sale transaction, including that a larger portion of our business will be exposed to the type of risks associated with commodity products and that the smaller scale of our business will reduce the opportunity to leverage global purchasing efficiencies across business lines;

the risks related to the post-closing restructuring process we will effect to address the reduced size of our company; and

the other risks set forth under RISK FACTORS Risks Relating to the Sale Transaction above.

After taking into account all of the material factors relating to the equity purchase agreement and the sale transaction, including those factors set forth above our board of directors and special committee unanimously concluded that the benefits of the equity purchase agreement and the sale transaction outweigh the risks and that the equity purchase agreement and the sale transaction are advisable and in the best interests of our company and our stockholders. Our board of directors and special committee did not assign relative weights to the material factors it considered. In addition, our board of directors and special committee did not reach any specific conclusion on each of the material factors considered, but conducted an overall analysis of all of the material factors taken together. Individual members of our board of directors and special committee may have given different weights to different factors. Our independent directors consulted with outside legal counsel concerning their fiduciary duties in the context of our strategic review.

The foregoing information and factors considered by our board of directors and special committee are not intended to be exhaustive, but includes all of the material factors considered by our board of directors and special committee.

For the reasons set forth above, our board of directors and special committee has unanimously determined that the sale transaction and the equity purchase agreement are advisable and in the best interests of our company and our stockholders, and unanimously recommends that stockholders vote FOR the Sale Proposal.

Opinion of Our Financial Advisor

We retained Jefferies to provide the special committee with financial advisory services in connection with a possible sale, disposition or other business transaction involving our equity or assets, including the sale transaction, and an opinion as to the fairness to us of the consideration to be received in connection with any such sale, disposition or other business transaction. At the meeting of the special committee on May 9, 2013, Jefferies rendered its opinion to the special committee to the effect that, as of May 9, 2013, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken as set forth therein, the aggregate consideration of $129 million to be received by certain of our subsidiaries pursuant to the equity purchase agreement was fair to us, from a financial point of view.

The full text of the written opinion of Jefferies, dated as of May 9, 2013, is attached hereto as Appendix B. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Jefferies in rendering its opinion. We encourage you to read the opinion carefully and in its entirety. Jefferies opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the consideration to be received by certain of our subsidiaries pursuant to the equity purchase agreement as of the date of the opinion. It does not address any other aspects of the sale transaction and does not constitute a recommendation as to how any holder of shares of our common stock should vote with respect to the sale transaction or any matter related thereto. The summary of the opinion of Jefferies set forth below is qualified in its entirety by reference to the full text of the opinion.

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In arriving at its opinion, Jefferies, among other things:

- reviewed a draft dated May 9, 2013 of the equity purchase agreement;
- reviewed certain publicly available financial and other information about the North America Telecom business;
- reviewed certain information furnished to Jefferies by our management, including financial forecasts and analyses, relating to the business, operations and prospects of the North America Telecom business;
- held discussions with members of our senior management concerning the matters described in the prior two bullet points;
- compared the financial and operating performance of the North America Telecom business with publicly available information concerning publicly traded companies that Jefferies deemed relevant and reviewed the current and historical market prices and valuation multiples of the equity securities of such other companies;
- compared the proposed financial terms of the sale transaction with the financial terms of certain other transactions that Jefferies deemed relevant;
- reviewed certain estimates as to the amount of cost savings anticipated by our management to result from the sale transaction, which we refer to as the cost savings; and
- conducted such other financial studies, analyses and investigations as Jefferies deemed appropriate.

In Jefferies review and analysis and in rendering its opinion, Jefferies assumed and relied upon, but did not assume any responsibility to independently investigate or verify, the accuracy and completeness of all financial and other information that was supplied or otherwise made available by us to Jefferies or that was publicly available (including, without limitation, the information described above), or that was otherwise reviewed by Jefferies. Jefferies relied on assurances of our management that it was not aware of any facts or circumstances that would make such information inaccurate or misleading. In its review, Jefferies did not obtain any independent evaluation or appraisal of any of the assets or liabilities of, nor did Jefferies conduct a physical inspection of any of our properties or facilities. Jefferies was not furnished with any such evaluations or appraisals and did not assume any responsibility to obtain any such evaluations or appraisals.

With respect to the financial forecasts provided to and examined by Jefferies, Jefferies opinion noted that projecting future results of any company is inherently subject to uncertainty. We informed Jefferies, however, and Jefferies assumed, that such financial forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of our management as to the future financial performance of the North America Telecom business. In that regard, our special committee instructed Jefferies to consider the risks and uncertainties of achieving the North America Telecom business financial forecasts and the possibility that such forecasts would not be realized. In addition, our management informed Jefferies, and Jefferies assumed, that the cost savings were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of our management as to the amount of certain cost savings anticipated by our management to result from the sale transaction, and Jefferies relied upon the assessment of our management as to our ability to achieve the cost savings in the amounts projected. In its review and analysis and in rendering its opinion, Jefferies assumed upon the advice of our management that such cost savings would be realized in accordance with such estimates. Jefferies expressed no opinion as to the North America Telecom business financial forecasts, the cost savings or the respective assumptions on which they were made.

Jefferies opinion was based on economic, monetary, regulatory, market and other conditions existing and which could be evaluated as of the date of the opinion. Jefferies expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting Jefferies opinion of which Jefferies became aware after the date of its opinion.

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Jefferies made no independent investigation of any legal, accounting or tax matters affecting us or any of our affiliates, and Jefferies assumed the correctness in all respects material to Jefferies analysis of all legal and accounting advice given to us, our affiliates and the special committee, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the equity purchase agreement to us and our affiliates. In addition, in preparing its opinion, Jefferies did not take into account any accounting or tax consequences of the transaction to us or any of our affiliates. Jefferies assumed that the final form of the equity purchase agreement would be substantially similar to the last draft reviewed by it. Jefferies also assumed that in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the sale transaction, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on any party to the equity purchase agreement, us or the contemplated benefits of the sale transaction.

Jefferies opinion was for the use and benefit of the special committee in its consideration of the sale transaction, and Jefferies opinion did not address the relative merits of the transactions contemplated by the equity purchase agreement as compared to any alternative transaction or opportunity that might be available to us, nor did it address the underlying business decision by us to engage in the sale transaction or the terms of the equity purchase agreement or the documents referred to therein. In addition, Jefferies was not asked to address, and its opinion did not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the parties to the equity purchase agreement, other than us. Jefferies expressed no opinion as to the price at which shares of our common stock will trade at any time. Furthermore, Jefferies did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable or to be received by our or our affiliates respective officers, directors or employees, or any class of such persons, in connection with the sale transaction relative to the aggregate consideration of $129 million to be received by certain of our subsidiaries. Finally, Jefferies did not express any opinion as to the amount or the use of proceeds to be received by us in connection with the sale transaction, as we advised Jefferies that no final determination had yet been made as to the exact amount or use of such proceeds. Jefferies opinion was authorized by the fairness committee of Jefferies LLC.

In preparing its opinion, Jefferies performed a variety of financial and comparative analyses. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analysis and the applications of those methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. Jefferies believes that its analyses must be considered as a whole. Considering any portion of Jefferies analyses or the factors considered by Jefferies, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusion expressed in Jefferies opinion. In addition, Jefferies may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described below should not be taken to be Jefferies view of the actual value of the North America Telecom business. Accordingly, the conclusions reached by Jefferies are based on all analyses and factors taken as a whole and also on the application of Jefferies own experience and judgment.

In performing its analyses, Jefferies made numerous assumptions with respect to industry performance, general business, economic, monetary, regulatory, market and other conditions and other matters, many of which are beyond our and Jefferies control. The analyses performed by Jefferies are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. The analyses performed were prepared solely as part of Jefferies analysis of the fairness, from a financial point of view, of the aggregate consideration of $129 million to be received by certain subsidiaries of PTGI pursuant to the equity purchase agreement, and were provided to the special committee in connection with the delivery of Jefferies opinion.

The following is a summary of the material financial and comparative analyses performed by Jefferies in connection with Jefferies delivery of its opinion and that were presented to the special committee on May 9,

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2013. The financial analyses summarized below include information presented in tabular format. In order to fully understand Jefferies financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Jefferies financial analyses.

For purposes of certain of the analyses described below, the North America Telecom business was separately evaluated based on financial forecasts prepared by our management that included and excluded corporate related expenses of approximately $3.7 million that our management estimated will be eliminated following the sale of that business. The valuations of the North America Telecom business on a stand-alone basis without taking into account the corporate related expenses that would be eliminated following the sale of that business which are referred to below as excluding corporate expenses, and the valuations of the North America Telecom business taking into account the corporate related expenses that would be eliminated following the sale of that business which are referred to below as including corporate expenses.

Selected Comparable Company Analysis

Using publicly available information, Jefferies analyzed trading multiples of the following North America competitive telecom service providers, which we refer to below as the selected comparable companies as of May 8, 2013.

- Cbeyond, Inc.,
- EarthLink, Inc., and
- Vonage Holdings Corp.

In its analysis, Jefferies derived multiples for the selected comparable companies, calculated as follows:

- the enterprise value divided by earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted for non-cash and non-recurring items, or adjusted EBITDA, for the last twelve months, or LTM, which we refer to below as Enterprise Value/LTM Adjusted EBITDA,
- the enterprise value divided by estimated adjusted EBITDA for calendar year 2013, or 2013E adjusted EBITDA, which we refer to below as Enterprise Value/2013E Adjusted EBITDA, and
- the enterprise value divided by estimated adjusted EBITDA for calendar year 2014, or 2014E adjusted EBITDA, which we refer to below as Enterprise Value/2014E Adjusted EBITDA.

This analysis indicated the following:

Selected Comparable Company Multiples

Benchmark	High	Low	Mean	Median	North America Telecom Business Excluding Corporate Expenses	North America Telecom Business Including Corporate Expenses