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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

RELATING TO THE AMENDMENT AND RESTATEMENT OF A RIGHTS PLAN

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 31, 2002**

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**0-29092**	**54-1708481**
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

1700 Old Meadow Road, Suite 300, McLean, VA
(Address of principal executive offices and zip code)

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

Item 5. Other Events.

On December 31, 2002, Primus Telecommunications Group, Incorporated (the "Company") announced that it had signed an agreement to sell up to $42 million aggregate principal amount of convertible preferred stock to certain affiliates of AIG Capital Partners, Inc. and an additional institutional investor.

A copy of a press release dated December 31, 2002 announcing the transaction is attached hereto as Exhibit 99.3 and incorporated by reference herein.

Item 7. Exhibits.

4.1	Certificate of Designation.
99.1	Stock Purchase Agreement dated as of December 31, 2002.
99.2	Registration Rights Agreement dated as of December 31, 2002.
99.3	Press Release of Primus Telecommunications Group, Incorporated dated December 31, 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Dated: December 31, 2002

By: _____

Name: Neil Hazard
Title: Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

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Exhibit 4.1

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CERTIFICATE OF DESIGNATION

OF THE VOTING POWERS, DESIGNATIONS,
PREFERENCES AND RELATIVE, PARTICIPATING,
OPTIONAL AND OTHER SPECIAL RIGHTS AND QUALIFICATIONS,
LIMITATIONS AND RESTRICTIONS APPLICABLE TO THE

SERIES C CONVERTIBLE PREFERRED STOCK

Pursuant to Section 151 of the
General Corporation Law of
the State of Delaware

I, John F. DePodesta, the Executive Vice President of Primus Telecommunications Group, Incorporated (the "*Corporation*"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "*DGCL*"), DO HEREBY CERTIFY that:

Pursuant to authority conferred upon the Board of Directors of the Corporation (the "*Board*") by the First Amended and Restated Certificate of Incorporation of the Corporation (as amended and in effect as of the date hereof and as amended from time to time hereafter in accordance with and subject to the provisions hereof, the "*Certificate*") and, pursuant to the provisions of Section 151 of the DGCL, the Board, by action duly taken at a meeting thereof conducted in accordance with the provisions of the DGCL, adopted the following resolutions creating a series of 559,950 shares of Preferred Stock designated as Series C Convertible Preferred Stock (the "*Series C Preferred*"), out of the class of the Corporation's previously authorized preferred stock, par value $0.01 per share (the "*Preferred Stock*"), which resolutions remain in full force and effect on the date hereof:

RESOLVED, that pursuant to the authority vested in the Board in accordance with the provisions of the Certificate, the Board hereby creates, authorizes and provides for the issuance of shares of Series C Preferred having the voting powers, designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions that are set forth as follows:

Section 1. *Certain Definitions.* As used in this Certificate of Designation (this "*Designation*") with respect to the Series C Preferred, the following terms shall have the meanings provided in this *Section 1*, with all other capitalized terms used and not otherwise defined herein having the meanings assigned to such terms in the Certificate:

"*Accretive Debt Exchange*" shall mean, in each case as and to the extent effected for or resulting in an Exchange Price Per Share that is greater than or equal to the Effective Conversion Price in effect immediately prior to such issuance, any issuance by the Corporation of Common Stock, Convertible Securities or Other Stock Rights in exchange for, or for the purchase, redemption or retirement of, debt securities or other indebtedness of the Corporation from time to time outstanding.

"*Additional Series C Shares*" shall mean any and all shares of Series C Preferred issued and sold by the Corporation to applicable Series C Holders as Additional Shares (as defined in the Purchase Agreement) at any Subsequent Closing (as defined in the Purchase Agreement) under the Purchase Agreement on and subject to the terms and conditions thereof.

"*Additional Stock*" shall mean shares of Common Stock issued (or, in accordance with *Section 5(d)(vi)* below, deemed issued) by the Corporation after the Initial Issue Date other than (A) shares of Common Stock (x) issued pursuant to a transaction described in *Section 5(d)(vii)* below, (y) issuable or issued in connection with transactions described in clauses (ii), (iii) or (iv) of the definition of "Excluded Issuance" (as defined below), or (z) issued or issuable upon any conversions of Series C Preferred shares, and (B) any Additional Series C Shares issued and sold by the Corporation to applicable Series C Holders on and subject to the terms and conditions of the Purchase Agreement as "Additional Shares" thereunder.

"*Authorized Preferred Stock Issuance*" shall mean any issuance or series of issuances by the Corporation, at any time and from time to time after the Initial Issue Date until June 1, 2004, of additional shares of Preferred Stock to third-party investors for a purchase price, individually or in the aggregate for all such issuances or series of issuances, not to exceed seventy-five million U.S. dollars (US$75,000,000), in each case to the extent that each such issuance or series of issuances complies with each of the following conditions (unless the same have been waived by the affirmative vote (or written consent) of Series C Holders holding a majority of the issued and then-outstanding shares of Series C Preferred, voting separately as a class): (i) the new Preferred Stock subject to issuance shall entitle its holders to rights, powers and preferences with respect to dividends, voting (except as provided in clause (iii) of this definition below), liquidation rights and preferences, preemptive rights, protective provisions, anti-dilution protection and other matters that are no more than *pari passu* with the Series C Preferred nor otherwise more favorable to such holders than those rights, powers and preferences as are set forth for the benefit of the Series C Holders in this Designation with respect to the Series C Preferred subject hereto; (ii) the purchase price per share of such new Preferred Stock and the Common Stock-equivalent per-share consideration for such new Preferred Stock (such Common Stock-equivalent per-share consideration to be computed as of the new Preferred Stock issuance date as the quotient of (x) the total consideration payable to the Corporation upon issuance of such new Preferred Stock, *divided by* (y) the maximum number of shares of Common Stock issuable upon conversion of all shares of such new Preferred Stock then issued) shall be as determined by the Board; *provided* that the purchase price per share of such new Preferred Stock and the Common Stock-equivalent per-share consideration for such new Preferred Stock determined as aforesaid shall be greater than or equal to the Series C Issue Price Per Share and the Effective Conversion Price, respectively, then in effect with respect to the Series C Preferred; *provided further* that in the event that any firm commitment to purchase any such new Preferred Stock is entered into between the Corporation and any third-party purchaser(s) (such

commitment to be subject only to such shareholder approval of the issuance of such new Preferred Stock as may be required by applicable law or regulation) within forty-five (45) days after the Initial Issue Date, the purchase price per share of such new Preferred Stock and the Common Stock-equivalent per-share consideration for such new Preferred Stock determined as aforesaid shall be equal to the Series C Issue Price Per Share and the Effective Conversion Price, respectively, then in effect with respect to the Series C Preferred; (iii) such new Preferred Stock shall not entitle the holders thereof to appoint, voting separately from any other class or series of the Corporation's capital stock, more than two (2) directors and one (1) board observer (on terms substantially similar to the Board Observer as defined herein) to the Board and, unless and until the aggregate purchase consideration received by the Corporation for all Authorized Preferred Stock Issuances shall exceed forty-five million U.S. dollars (US$45,000,000), such holders shall not be entitled to appoint more than one (1) such director; (iv) the liquidation preference or any other amount payable upon a Liquidation to the holders of such new Preferred Stock on a *pari passu* and pro rata basis with the Series C Preferred shall not exceed the Common Stock-equivalent per-share consideration (as determined in accordance with clause (ii) of this definition above) paid to the Corporation for each share of such new Preferred Stock as is issued and outstanding as of the applicable Liquidation date; *provided*

that, in the case of any new Preferred Stock issued pursuant to any firm purchase commitment entered into between the Corporation and any third-party purchaser(s) within forty-five (45) days after the Initial Issue Date as described in clause (ii) of this definition above, the amount of the Series C Preferred Liquidation Preference specified in clause (i) of the definition of "Liquidation Preference" below shall be paid on a *pari passu* and pro rata basis with the aggregate liquidation preference payable to the holders of such new Preferred Stock in respect of the per-share consideration paid to the Corporation therefor until all Series C Holders and all holders of such new Preferred Stock shall have received their full purchase consideration (determined in the case of the Series C Holders as the amount specified in clause (i) of the definition of "Liquidation Preference" below with respect to each Series C Preferred share then issued and outstanding) paid to the Corporation for the Series C Preferred shares and new Preferred Stock shares, respectively, that are then issued and outstanding, and, thereafter, once the Series C Holders shall have received their full fifteen percent (15%) internal rate of return as part of the Liquidation Preference applicable to the Series C Preferred, the holders of such new Preferred Stock shall be entitled to receive, in preference to any distribution or payment on or with respect to the Common Stock or any other equity securities of the Corporation ranking junior to such new Preferred Stock (but, in any event, *pari passu* with the Series A Preferred Stock), an additional liquidation preference amount equal to an internal rate of return of fifteen percent (15%) from its date of issuance on the purchase price for such new Preferred Stock, and (v) the shares of such new Preferred Stock shall be entitled to registration rights that are no more favorable (including, without limitation, with respect to number of demand registrations, "piggyback" rights, Form S-3 registrations, underwriter cutbacks and like matters) than those contemplated by the Registration Rights Agreement entered into by the Corporation and the initial Series C Holders as and in the manner provided in the Purchase Agreement.

"*Board Observer*" shall mean an individual reasonably acceptable to the Board (it being agreed that Mr. Geoff Hamlin will be acceptable to the Board for this purpose if so appointed) who is appointed by the Series C Holders as provided in *Section 6(b)*below to have the right, as a non-voting observer with respect thereto, to attend, receive notice of and receive and review other materials relating to meetings of the Board from time to time conducted after the Initial Issue Date, it being understood and agreed that such individual (i) shall be subject to the same obligations as voting Board members with respect to confidentiality, conflicts of interest, and misappropriation of corporate opportunities, and shall provide, prior to attending any Board meetings, such agreements, undertakings or assurances to such effect as may be reasonably requested by the Corporation, (ii) shall not be entitled to vote on, engage in discussion of or otherwise participate in any matter submitted to the Board nor to offer any motions or resolutions to the Board, and (iii) shall be subject to exclusion from meetings (or portions thereof) determined by the Board or its chairman to involve or relate to (x) communications with or materials prepared by attorneys or other professional advisors for which any legal privilege may be available to the Corporation and/or any Board members, or (y) information or materials not otherwise adequately protected from improper disclosure or use under the terms of the confidentiality undertakings provided by such individual to the Corporation as noted in the foregoing clause (i).

"*Common Stock*" shall mean the Corporation's common stock, par value $0.01 per share.

"*Common Stock Equivalents*" shall have the meaning provided in *Section 5(d)(vii)* below.

"*Conversion Ratio*" shall have the meaning provided in *Section 5(a)* below.

"*Convertible Securities*" shall mean, as of any date, any and all issued and outstanding securities of the Corporation that are convertible into or exchangeable for shares of Common Stock in accordance with their respective terms.

"*EBITDA*" shall mean, for any measurement period, the Corporation's consolidated net income for such period, determined before deduction of interest expense, taxes, depreciation expense and amortization expense attributable to such period, as reflected in the Corporation's quarterly and annual reports filed with the Securities and Exchange Commission for the relevant period (or, to the extent not reflected in any such report, as reflected in any written statement or release disseminated to the public with respect to such matters in lieu of or in addition to any such report), in each case as computed in accordance with GAAP consistently applied throughout the relevant period and using a methodology consistent with the Corporation's past practices prior to and as of the Initial Issue Date.

"*Effective Conversion Price*" shall mean, as of any date, an amount equal to (x) the Series C Issue Price Per Share, *divided by* (y) the Conversion Ratio then in effect, as determined in accordance with the provisions of this Designation.

"*Employee Option*" shall have the meaning provided in *Section 7(b)(v)* below.

"*Excess Subject Issuance Notice*" shall have the meaning provided in *Section 8(d)* below.

"*Excess Subject Securities*" shall have the meaning provided in *Section 8(d)* below.

"*Exchange Act*" shall mean the Securities and Exchange Act of 1934, as amended.

"*Exchange Price Per Share*" shall mean, for purposes of any Accretive Debt Exchange, an equivalent Common Stock price per share for securities of the Corporation issuable in exchange for, or purchase, redemption or retirement of, the debt securities or other indebtedness of the Corporation subject thereto, such equivalent price to be computed as the quotient of (A) the sum of (i) the total of all amounts outstanding (including, without limitation, all principal or other stated amounts payable, together with all interest, penalties, fees or other amounts accrued thereon or attributable thereto) under the debt securities or other indebtedness so exchanged, purchased, redeemed or retired (before deducting any discounts, commissions or other expenses allowed, paid or incurred by the Corporation for or otherwise in connection with such exchange, purchase, redemption or retirement transactions and the issuance and sale of the Common Stock, Convertible Securities or Other Stock Rights in respect thereof), *plus* (ii) in the case of any Convertible Securities or Other Stock Rights included in any such issuance, the minimum additional consideration to be received by the Corporation upon conversion, exercise or exchange, as applicable, of such Convertible Securities or Other Stock Rights for or into shares of Common Stock in accordance with their respective terms, *divided by* (B) the total number of shares of Common Stock included in such issuance or, in the case of any Convertible Securities or Other Stock Rights so issued, the maximum number of shares of Common Stock as would on such date be issuable in respect of the conversion, exercise or exchange, as applicable, of such Convertible Securities and Other Stock Rights in accordance with their respective terms.

"*Excluded Issuance*" shall mean (i) grants or issuances of Employee Options, to the extent that the maximum number of shares of Common Stock issuable upon exercise of the Employee Options so granted or issued, when taken together with the aggregate maximum number of shares of Common Stock issuable upon exercise of any and all other Employee Options that are issued and outstanding on the date of such grant or issuance (whether such other Employee Options were issued prior to, on or after the Initial Issue Date, but taking into account any forfeitures with respect thereto as provided in *Section 7(b)(v)* below), would not, in the aggregate, exceed nine million (9,000,000) shares of Common Stock, (ii) grants or issuances of up to a maximum of (x) one hundred thousand (100,000) shares of Common Stock, to the Corporation's employees, agents, consultants and similar persons, as from time to time determined by the Board on and after the Initial Issue Date, and (y) one million (1,000,000) shares of Common Stock as restricted-stock awards and/or option grants (with the shares of Common Stock subject to such restricted-

stock awards and/or option grants being included in and counted against the maximum number of shares of Common Stock permitted to be subject to Employee Options pursuant to Section 7(b)(v) of this Designation) to executive or senior management of the Corporation, (iii) the issuance of up to two million seven hundred forty-eight thousand eight hundred ninety-four (2,748,894) shares (as shall be increased, if and when an Authorized Preferred Stock Issuance is effected pursuant to a firm purchase commitment entered into by the Corporation within forty-five (45) days after the Initial Issue Date as described in the second proviso to clause (ii) of the definition of "Authorized Preferred Stock Issuance" above, by a number of shares of Common Stock equal to the difference between (A) the total number of shares of Common Stock into which the new Preferred Stock issued pursuant to such Authorized Preferred Stock Issuance is convertible in accordance with its terms as of the date of issuance of such new Preferred Stock, *divided by* 0.97, *minus* (B) the total number of shares of Common Stock into which such new Preferred Stock is convertible in accordance with its terms as of the date of issuance of such new Preferred Stock) of Common Stock, individually or in the aggregate for all issuances as described in this clause (iii), in connection with (x) Board-approved acquisitions, joint ventures and/or financial/investment advisory transactions and (y) issuances to vendors, suppliers and other persons in the ordinary course of the Corporation's business, and (iv) shares of Common Stock or Series C Preferred issued as a dividend on the Series C Preferred. In each instance where this definition specifies a fixed number of shares of Common Stock, such number shall be adjusted (or subject to further adjustment) as appropriate to reflect, if and when occurring after the Initial Issue Date, any split(s) or subdivision(s) of, or the payment or distribution of any Common Stock Equivalents on or with respect to, the entire class of Common Stock as described in *Section 5(d)(vii)* below.

"*Fully Diluted Basis*" shall mean and include, where referenced for purposes of any computation or determination to be made with respect to this Designation or any shares of Series C Preferred subject hereto, any and all shares of Common Stock as are issued and outstanding as of the applicable computation or determination date, together with the maximum number of shares of Common Stock as would be issuable on such date in respect of the conversion, exercise or exchange, as applicable, of any and all then issued and outstanding Convertible Securities and Other Stock Rights (including, in the case of Other Stock Rights, the further conversion, exercise or exchange for or into shares of Common Stock of any Convertible Securities issuable upon conversion, exercise or exchange of such Other Stock Rights) in accordance with their respective terms.

"*GAAP*" shall mean United States generally accepted accounting principles in effect from time to time.

"*Initial Issue Date*" shall mean the Initial Closing Date under (and as defined in) the Purchase Agreement.

"*Issue Date*" shall mean (x) in the case of any Series C Preferred shares issued on such date, the Initial Issue Date, and (y) in the case of any Additional Series C Shares, the date of the Subsequent Closing (as defined in the Purchase Agreement) on which such Additional Series C Shares are issued and sold by the Corporation to applicable Series C Holders on and subject to the terms and conditions of the Purchase Agreement as "Additional Shares" thereunder.

"*Liquidation*" shall have the meaning provided in *Section 4* below.

"*Liquidation Preference*" shall mean, with respect to each share of Series C Preferred that is issued and outstanding as of any Liquidation date, an amount per share equal to the sum of (i) the product of (x) the Effective Conversion Price then applicable, *multiplied by* (y) such number of shares of Common Stock (or fractional amount thereof) as would have been issuable at the then-effective Conversion Ratio had such share of Series C Preferred been converted into

Common Stock immediately prior to such Liquidation; *plus* (ii) such amount as would represent a fifteen percent (15%) internal rate of return, calculated with respect to all issued and outstanding Series C Preferred shares from the Initial Issue Date as if all such Series C Preferred shares were issued on such Initial Issue Date, on the Series C Issue Price Per Share for such Series C Preferred Share, with any dividends at any time paid in cash with respect to the Series C Preferred and any cash payments made to the Series C Holders pursuant to *Section 5(e)* below and Section 8.13 of the Purchase Agreement being included in, and otherwise taken into account for purposes of, such internal rate of return calculation.

"*Material Subsidiary*" shall mean, as of any date, each direct or indirect subsidiary of the Corporation whose consolidated gross revenues, as determined in accordance with GAAP, are greater than or equal to seventy-five million U.S. dollars (US$75,000,000).

"*Minimum Effective Conversion Price*" shall have the meaning provided in *Section 5(f)(i)* below.

"*Net Debt*" shall have the meaning provided in the Purchase Agreement.

"*Non-Interested Director*" shall mean the Preferred Director and each of the Non-Management Directors.

"*Non-Management Director*" shall mean, as of any date, each director then serving on the Board who is not, and has not been during the twelve (12) month period immediately preceding such date, employed or engaged by the Corporation as a compensated (excluding any compensation solely for serving as a director of the Corporation) employee, consultant, advisor or independent contractor.

"*Other Stock Rights*" shall mean, as of any date, any and all issued and outstanding warrants, options or other rights as are exercisable for the purchase of, or are exchangeable for or convertible into, shares of Common Stock or Convertible Securities.

"*Performance Adjustment Amount*" shall mean an amount per issued and outstanding share of Series C Preferred of one dollar and fifty cents ($1.50).

"*Performance Milestone*" shall mean any one of the following events: (i) a reduction in the Corporation's total Net Debt to $405,000,000 or less; or (ii) an average daily closing price for the Common Stock during any period of thirty (30) consecutive trading days following the Initial Issue Date (as adjusted for stock splits, stock dividends and similar events, if any, occurring during such thirty (30) day period) that equals or exceeds the Effective Conversion Price then in effect; or (iii) a reduction to a level of 3.625 or less in the ratio of (x) the Corporation's total Net Debt as of the end of any fiscal quarter of the Corporation to (y) an annualized EBITDA figure for the Corporation based on the EBITDA level achieved in such fiscal quarter then ended and the immediately preceding fiscal quarter.

"*Preemptive Rightholder*" shall have the meaning provided in *Section 8(a)* below.

"*Preemptive Rightholders' Share*" shall have the meaning provided in *Section 8(a)* below.

"*Preferred Director*" shall have the meaning provided in *Section 6(b)* below.

"*Preferred Stock*" shall have the meaning provided in the preamble above.

"*Purchase Agreement*" shall mean that certain Stock Purchase Agreement, dated on or about December 30, 2002, pursuant to which the Corporation has agreed to issue and sell to certain purchasers, and such purchasers have agreed to purchase and acquire from the Corporation, certain shares of Series C Preferred on the Initial Issue Date and on subsequent Issue Dates as provided therein.

"*Series C Holder*" shall mean each individual or entity owning, beneficially and of record, any amount of duly issued and outstanding shares of Series C Preferred as of any applicable date of determination hereunder.

"*Series C Issue Price Per Share*" shall mean a price per share for each share of Series C Preferred equal to $75.0067.

"*Series C Preferred*" shall have the meaning provided in the preamble above.

"*Subject Issuance*" shall have the meaning provided in *Section 8* below.

"*Subject Issuance Notice*" shall have the meaning provided in *Section 8(a)* below.

"*Subject Issuee*" shall have the meaning provided in *Section 8(a)* below.

"*Subject Security*" shall have the meaning provided in *Section 8(b)* below.

"*Subject Security Price*" shall have the meaning provided in *Section 8(b)* below.

Section 2. *Designation and Amount.* There is hereby designated, as a new series of the Corporation's Preferred Stock, the "Series C Convertible Preferred Stock" of the Corporation, and the number of shares constituting such series shall be 559,950.

Section 3. *Dividends and Distributions.* Each Series C Holder shall be entitled to receive non-cumulative dividends at a rate of eight percent (8%) per annum on the Series C Issue Price Per Share for, from and after the applicable Issue Date of, each issued and outstanding share of Series C Preferred held by such Series C Holder on applicable dividend dates. Such dividends shall be paid on the Series C Preferred (i) out of funds legally available for such payment on the applicable dividend date(s), (ii) on a *pari passu* and pro rata basis with any and all outstanding shares of new Preferred Stock issued pursuant to any Authorized Preferred Stock Issuance and in preference to and prior to the payment of any dividend on any other class or series (*i.e.*, other than the new Preferred Stock issued as aforesaid), whether or not in existence as of the Initial Issue Date, of the Corporation's capital stock and, unless otherwise specifically declared and paid by the Corporation with respect to the Series C Preferred in the sole and absolute discretion of the Board, only if and when dividends are paid on any such other class(es) or series of the Corporation's capital stock, and (iii) in cash, in shares of Common Stock (valued for this purpose at the average daily closing price (as adjusted for stock splits, stock dividends and similar events, if any, occurring within the relevant thirty (30) day period) for the Common Stock during the period of thirty (30) consecutive trading days ending on the applicable dividend date) or as a combination of the foregoing, as determined by the Board.

Section 4. *Liquidation and Liquidation Preference.* Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (a "*Liquidation*"), each Series C Holder shall be entitled to receive, from the assets and proceeds remaining for distribution to the Corporation's stockholders after payment and discharge of the Corporation's liabilities upon such Liquidation and in preference to any distribution or payment on or with respect to the Common

Stock or any other equity securities of the Corporation ranking junior to the Series C Preferred (but, in any event, *pari passu* and pro rata with the Series A Preferred Stock and, subject to the proviso set forth in clause (iv) of the definition of "Authorized Preferred Stock Issuance" above, any issued and outstanding shares of new Preferred Stock issued pursuant to an Authorized Preferred Stock Issuance), an amount with respect to each Series C Preferred share then outstanding and held by such Series C Holder (excluding specifically for this purpose any Series C Preferred shares previously converted or otherwise disposed of by such Series C Holder) equal to the Liquidation Preference. If, upon any Liquidation, the assets and proceeds of the Corporation to be distributed among the Series C Holders are insufficient to permit payment of the full amount of the Liquidation Preference then payable to all such Series C Holders, then, subject only to any liquidation rights as may be applicable on a *pari passu* basis to issued and outstanding shares of Series A Preferred Stock and any issued and outstanding shares of new Preferred Stock issued pursuant

to an Authorized Preferred Stock Issuance, the entire assets and proceeds to be distributed by the Corporation shall be distributed ratably among such Series C Holders based on the aggregate Liquidation Preference amount represented by the shares of Series C Preferred held by each such Series C Holder. The Corporation shall mail to each Series C Holder written notice of any event or circumstance as would constitute a Liquidation hereunder not less than sixty (60) days (or, in the case of any involuntary Liquidation event or circumstance, such shorter period as is practicable in the circumstances) prior to the effective date thereof. Unless otherwise determined by the vote of Series C Holders representing not less than two-thirds ($^2/_3$) of the then-issued and outstanding shares of Series C Preferred, a Liquidation shall be deemed to include a merger, reorganization, sale or other transaction that (i) results in the transfer of fifty percent (50%) or more of the outstanding voting securities or voting power of the Corporation (computed on a Fully Diluted Basis), (ii) results in the holders of a majority of the Corporation's outstanding voting securities or voting power (computed on a Fully Diluted Basis) immediately prior to such transaction holding, directly or indirectly, less than a majority of the outstanding voting securities or voting power (on a similarly fully diluted basis) of the surviving entity, (iii) results in the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the Corporation's assets, or (iv) results in a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act) of more than fifty percent (50%) of the total voting power of the then-outstanding voting capital stock of the Corporation on a Fully Diluted Basis.

Section 5. *Conversion of Series C Preferred; Anti-Dilution Adjustments*.

(a) *Conversion Generally.* On and subject to the terms and conditions of this *Section 5*, each share of Series C Preferred shall be convertible into fully-paid and nonassessable shares of Common Stock at a ratio (as subject to adjustment from time to time in accordance with the provisions of *Section 5(d)* below, the "*Conversion Ratio*") of forty (40) shares of Common Stock to one (1) share of Series C Preferred tendered for conversion in accordance with the provisions of this *Section 5*. For the avoidance of doubt, the Conversion Ratio in effect at any time hereunder shall be the same for all issued and outstanding shares of Series C Preferred, whether issued on the Initial Issue Date or as Additional Series C Shares or otherwise.

(b) *Optional Conversion.* At any time and from time to time, each Series C Holder shall have the option to convert all or any portion of its Series C Preferred shares into such number of shares of Common Stock as is determined by multiplying the number of Series C Preferred shares tendered for conversion by the Conversion Ratio in effect on the date of such conversion. Each Series C Holder electing to effect any conversion as provided in this *Section 5(b)* shall (i) surrender the certificate or certificates representing the shares of Series C Preferred subject to such conversion, duly endorsed, at the office of the Corporation and (ii) deliver written notice to the Corporation at such office that such Series C Holder has irrevocably and unconditionally elected to convert the number of shares of Series C Preferred specified in such notice. Each conversion notice so delivered to the Corporation shall state the name or names in which the converting Series C Holder wishes to have issued the certificate or certificates for shares of Common Stock issuable upon such conversion. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to each converting Series C Holder a certificate or certificates for the number of shares of Common Stock to which such Series C Holder is entitled. Each such conversion shall be deemed to have been effected immediately prior to the close of business on the date of the Corporation's receipt of the applicable conversion notice and surrender of the certificate(s) representing the shares of Series C Preferred subject to such conversion, and the person(s) entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder(s) of such shares of Common Stock on and as of such date.

(c) *Mandatory Conversion.* Any and all issued and outstanding shares of Series C Preferred shall be subject to mandatory and automatic conversion into Common Stock at the then-effective Conversion Ratio immediately upon the occurrence of either of the following events:

(i) (x) the average closing price for the Common Stock for any period of twenty (20) consecutive trading days (as adjusted for stock splits, stock dividends and similar events, if any, occurring during such twenty (20) trading day period) shall exceed three (3) times the Effective Conversion Price applicable as of the end of such twenty (20) trading day period, and (y) all of the then-outstanding shares of Series C Preferred issued to applicable Series C Holders on any applicable Issue Date shall no longer remain subject to transfer restrictions as contained in, and may be sold or transferred by such Series C Holders in compliance with, Rule 144(k) and Rule 145 under the Securities Act of 1933, as amended; or

(ii) Series C Holders representing in the aggregate not less than two-thirds ($^2/_3$) of the total number of issued and outstanding shares of Series C Preferred as of the date of any such election shall elect to effect an optional conversion as provided in *Section 5(b)* with respect to their Series C Preferred shares.

Immediately upon the effectiveness of any mandatory conversion as provided in this *Section 5(c)*, any and all issued and outstanding shares of Series C Preferred (or such portion(s) thereof issued on any particular Issue Date as no longer remain subject to the transfer restrictions contemplated by *Section 5(c)(i)(y)* above) shall be converted automatically without any further action by the applicable Series C Holders and whether or not the certificates representing such shares have been surrendered to the Corporation; *provided, however*, that the Corporation shall not be obligated to issue to any Series C Holder certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the shares of Series C Preferred subject to conversion have either been delivered to the Corporation as provided below, or such Series C Holder has notified the Corporation that such certificates have been lost, stolen or destroyed and has executed an agreement satisfactory to the Corporation to indemnify the Corporation for any loss incurred by it in connection with such certificates. Upon any mandatory conversion of the Series C Preferred as aforesaid, each Series C Holder shall surrender any and all (or such portion(s) thereof representing

Series C Preferred shares issued on any particular Issue Date as no longer remain subject to the transfer restrictions contemplated by *Section 5(c)(i)(y)* above) certificates representing shares of Series C Preferred then held by such Series C Holder at the office of the Corporation. Thereupon, there shall be issued and delivered to such Series C Holder promptly at such office (or at the office of the transfer agent for the Common Stock) and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Series C Preferred surrendered were convertible on the date on which such mandatory conversion occurred pursuant to this *Section 5(c)*.

(d) *Anti-Dilution Adjustments.* Subject in all respects to the limitations set forth in *Section 5(f)* below, the Conversion Ratio shall be subject to adjustment from time to time as follows:

(i) If the Corporation shall issue, after the Initial Issue Date, any Additional Stock without consideration or for a consideration per share that is less than the Effective Conversion Price in effect immediately prior to the issuance of such Additional Stock, the Conversion Ratio in effect immediately prior to each such issuance shall (except as otherwise provided in this *Section 5(d)* or in *Section 5(f)* below) concurrently therewith be replaced by an adjusted Conversion Ratio equal to the quotient of (X) the Series C Issue Price Per Share, *divided by* (Y) the product of (A) the Effective Conversion Price in effect immediately prior to

such Additional Stock issuance, *multiplied by* (B) a fraction, (1) the *numerator* of which shall be (a) the number of shares of Common Stock outstanding immediately prior to such Additional Stock issuance, *plus* (b) the number of shares of Common Stock that the aggregate consideration received by the Corporation for such Additional Stock issuance would purchase at the Effective Conversion Price in effect immediately prior to such Additional Stock issuance; and (2) the *denominator* of which shall be (x) the number of shares of Common Stock outstanding immediately prior to such Additional Stock issuance, *plus* (y) the number of shares of Additional Stock issued or issuable (as determined in accordance with *Section 5(d)(vi)* below) as part of the Additional Stock issuance giving rise to the Conversion Ratio adjustment provided for in this *Section 5(d)(i)*. For purposes of each calculation as aforesaid, the number of shares of Common Stock outstanding immediately prior to the applicable issuance of Additional Stock shall be calculated on a Fully Diluted Basis, as if all Convertible Securities had been fully converted into or exchanged for shares of Common Stock in accordance with their respective terms immediately prior to such issuance and all Other Stock Rights had been fully exercised (and any Convertible Securities acquired upon exercise thereof had been further converted into or exchanged for shares of Common Stock) in accordance with their respective terms immediately prior to such issuance, but excluding from such calculation any additional shares of Common Stock issuable with respect to any Convertible Securities or Other Stock Rights solely as a result of any Conversion Ratio adjustment effected pursuant to this *Section 5(d)(i)* in respect of the particular Additional Stock issuance for which such calculation is made. For illustrative purposes, the formula for adjustment of the Conversion Ratio pursuant to this *Section 5(d)*shall be as follows:

$$ACR = ECP \times \frac{SCIPPS}{\frac{CSO + (\$\$\$/ECP)}{CSO + AS}}$$

Where:

ACR = Conversion Ratio as adjusted in accordance with this *Section 5(d)(i)*, being the new Conversion Ratio applicable to the Series C Preferred upon and after each Additional Stock issuance giving rise to such adjustment, as from time to time subject to further adjustment (unless prohibited under *Section 5(f)* below) as provided in this *Section 5(d)* or in *Section 5(e)(i)* below

SCIPPS = Series C Issue Price Per Share

ECP = Effective Conversion Price in effect immediately prior to the determination of a Conversion Ratio adjustment pursuant to this *Section 5(d)(i)*

CSO = The number of shares of Common Stock outstanding immediately prior to the Additional Stock issuance giving rise to the Conversion Ratio adjustment pursuant to this *Section 5(d)(i)*

$$ = The amount of cash received and the fair value of non-cash consideration received for the Additional Stock issuance as determined in accordance with *Sections 5(d)(iii), (iv)* and *(v)* below

AS = The number of shares of Additional Stock issued or issuable, as determined in accordance with *Section 5(d)(vi)* below, in connection with the Additional Stock issuance giving rise to the Conversion Ratio adjustment pursuant to this *Section 5(d)(i)*

(ii) Except as provided in *Sections 5(d)(vi)(3)* and *(4)* and *Section 5(d)(viii)* below, no adjustment to the Conversion Ratio pursuant to this *Section 5(d)* shall have the effect of decreasing the Conversion Ratio below the Conversion Ratio in effect immediately prior to such adjustment.

(iii) In the case of the issuance of Additional Stock for cash, the consideration received shall be deemed to be the amount of cash paid therefor before deducting any discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(iv) In the case of the issuance of Additional Stock in exchange for, or for the purchase, redemption or retirement of, any debt securities or other indebtedness of the Corporation from time to time outstanding, the consideration received shall be deemed to be the total of all amounts outstanding (including, without limitation, all principal or other stated amounts payable, together with all interest, penalties, fees or other amounts

accrued thereon or attributable thereto) under the debt securities or other indebtedness so exchanged, purchased, redeemed or retired, before deducting any discounts, commissions or other expenses allowed, paid or incurred by the Corporation for or otherwise in connection with such exchange, purchase, redemption or retirement transactions and the issuance and sale of Additional Stock in respect thereof.

(v) In the case of the issuance of Additional Stock for a consideration in whole or in part other than cash, the consideration other than cash (and other than as described in *Section 5(d)(iv)* above) shall be deemed to be the fair value thereof as determined by the Board irrespective of any accounting treatment.

(vi) In the case of any Convertible Securities or Other Stock Rights (whether granted or issued before, on or after the Initial Issue Date), the following provisions shall apply for all purposes of this *Section 5(d)*:

(1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of Other Stock Rights exercisable for Common Stock shall be deemed to have been issued at the time such Other Stock Rights were granted or issued and for a consideration equal to the consideration (determined in the manner provided in *Sections 5(d)(iii)*, *(iv)* and (*v*)), if any, received by the Corporation upon the grant or issuance of such Other Stock Rights, *plus* the minimum exercise price payable on exercise of such Other Stock Rights in respect of shares of Common Stock subject thereto.

(2) The aggregate maximum number of shares of Common Stock deliverable (x) upon conversion of or in exchange for any Convertible Securities, or (y) upon the conversion, exercise or exchange of any Other Stock Rights convertible into or exercisable or exchangeable for Convertible Securities and the subsequent conversion, exercise or exchange thereof ultimately into Common Stock shall be deemed to have been issued at the time such Convertible Securities or Other Stock Rights were granted or issued, in each case, for a consideration equal to the consideration (determined in the manner provided in *Sections 5(d)(iii)*, *(iv)* and (*v*)), if any, received by the Corporation upon the grant or issuance of any such Convertible Securities or Other Stock Rights (excluding any cash received on account of accrued interest or accrued dividends), *plus* the minimum additional consideration (determined in the manner provided in *Sections 5(d)(iii)*, *(iv)* and (*v*)), if any, to be received by the Corporation upon the conversion or exchange of such Convertible Securities or the exercise of, and subsequent conversion of Convertible Securities subject to, such Other Stock Rights.

(3) In the event that any change is effected after the Initial Issue Date in the number of shares of Common Stock deliverable or in the consideration payable to the Corporation upon exercise of any Other Stock Rights or upon conversion of or in exchange for any Convertible Securities, including but not limited to any change resulting from the anti-dilution provisions thereof, the Conversion Ratio shall be recomputed in accordance with the provisions of this *Section 5(d)* as necessary to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the conversion or exchange of such Convertible Securities or the exercise of any such Other Stock Rights; *provided*, *however*, that this *Section 5(d)(vi)(3)* shall have no effect on any conversions of Series C Preferred effected prior to the relevant change.

(4) Upon the expiration, forfeiture or termination of (x) any Other Stock Rights with respect to Common Stock, (y) any rights to convert Convertible Securities into or exchange Convertible Securities for Common Stock, or (z) any Other Stock Rights with respect to Convertible Securities, the then-effective Conversion Ratio, to the extent determined or adjusted on the basis of or by giving effect to the Convertible Securities or Other Stock Rights so expired, forfeited or terminated, shall be recomputed to reflect the issuance of only that number of shares of Common Stock actually issued (or, if applicable, any Convertible Securities so issued and then outstanding and in effect) upon conversion, exchange or exercise, as applicable, of such Convertible Securities or Other Stock Rights; *provided*, *however*, that this *Section 5(d)(vi)(4)* shall have no effect on any conversions of Series C Preferred effected prior to any such expiration, forfeiture or termination.

(5) The number of shares of Common Stock deemed issued and the consideration paid and deemed paid therefor pursuant to *Sections 5(d)(vi)(1)* and *(2)* shall be appropriately adjusted to reflect any change, expiration, termination or forfeiture of the types described in either *Section 5(d)(vi)(3)* or *(4)*.

(vii) If the Corporation shall at any time or from time to time after the Initial Issue Date fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or in Convertible Securities or Other Stock Rights convertible into or exercisable or exchangeable for or otherwise entitling the holder thereof to receive, directly or indirectly, any additional shares of Common Stock (hereinafter referred to collectively as "*Common Stock Equivalents*") without payment of any consideration by such holders for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion, exercise or exchange thereof), then, as of such record date (or the date of such dividend, distribution, split or subdivision if no record date is fixed), the Conversion Ratio shall be increased so that the number of shares of Common Stock issuable on conversion of each share of Series C Preferred shall be increased in proportion to the increase in the aggregate number of shares of Common Stock then outstanding (or deemed outstanding pursuant to *Section 5(d)(vi)*) as a result of any such dividend, distribution, split or subdivision and the number of shares of Common Stock issuable in respect of any Common Stock Equivalents so issued or distributed.

(viii) If the number of shares of Common Stock outstanding (or, for purposes of *Section 5(d)(vi)*, deemed outstanding) at any time after the Initial Issue Date is decreased by a reverse stock split, combination or consolidation of the outstanding shares of Common Stock, then, as of the record date for such reverse stock split, combination or consolidation, the Conversion Ratio shall be decreased so that the number of shares of Common Stock issuable

on conversion of each share of Series C Preferred shall be decreased in proportion to such decrease in the shares of Common Stock then outstanding (or deemed outstanding pursuant to *Section 5(d)(vi)*).

(e) *Performance-Based Conversion Ratio Adjustment.* In addition to any Conversion Ratio adjustments as may be required from time to time pursuant to *Section 5(d)* above, but, in any event, in all respects subject to the limitations imposed under *Section 5(f)* below, the Conversion Ratio shall be further subject to adjustment as provided in this *Section 5(e)*:

(i) From and after the Initial Issue Date until such date as of which one or more of the Performance Milestones shall have first been achieved, the Conversion Ratio as in effect on the forty-fifth (45^{th}) day following each fiscal quarter shall be replaced by an adjusted Conversion Ratio equal to the quotient of (X) the sum of (a) the Series C Issue Price Per Share, *plus* (b) the Performance Adjustment Amount (or, to the extent a Performance Milestone is achieved prior to the last calendar day of a fiscal quarter, a pro rated portion thereof based upon the actual number of days elapsed during such fiscal quarter prior to such Performance Milestone being achieved), *divided by* (Y) the Effective Conversion Price in effect immediately prior to the adjustment to the Conversion Ratio as contemplated by this *Section 5(e)(i)*.

(ii) Notwithstanding anything to the contrary herein, no adjustment to the Conversion Ratio pursuant to this *Section 5(e)* shall have the effect of decreasing the Conversion Ratio below the Conversion Ratio in effect immediately prior to such adjustment.

(iii) Subject to *Section 5(f)* below, upon any adjustment to the Conversion Ratio pursuant to this *Section 5(e)*, such adjusted Conversion Ratio shall become and be deemed to be the Conversion Ratio in effect for all purposes (including, specifically, *Section 5(d)*) of this Designation, until further adjusted in accordance with the provisions herein set forth.

(iv) Immediately upon the date as of which one or more of the Performance Milestones shall have first been achieved, no further adjustments to the Conversion Ratio pursuant to this *Section 5(e)* shall be made, except for any adjustment to the Conversion Ratio not previously made in accordance with this *Section 5(e)* for the fiscal quarter or portion thereof attributable to the period ending on such Performance Milestone achievement date.

(v) To the extent permitted by applicable law, the Corporation shall have the right to tender to each Series C Holder an amount in cash, to be paid at the Corporation's option in lieu of, on the date of and in satisfaction and discharge of any Conversion Ratio adjustment otherwise required to be made pursuant to this *Section 5(e)*, equal to the Performance Adjustment Amount (or such proportionate percentage thereof provided for in *Section 5(e)(i)* above as of any applicable adjustment date) *multiplied by* the number of shares of Series C Preferred held by such Series C Holder as of the applicable adjustment date. In the case of any Series C Preferred shares that are issued as Additional Series C Shares after the date(s) on which any cash payments were made to Series C Holders pursuant to this *Section 5(e)(v)*, the Corporation shall pay, to the extent permitted by applicable law, to the Series C Holders of such Additional Series C Shares, within fifteen (15) days after the issuance of such Additional Series C Shares, a cash amount equal to the Performance Adjustment Amount(s) as would have been paid to the holder(s) of such Additional Series C Shares had the same been issued and outstanding on the date(s) of any earlier cash payment(s) made by the Corporation pursuant to this *Section 5(e)(v)*. Upon any payment made by the Corporation pursuant to this *Section 5(e)(v)* in lieu of any Conversion Ratio adjustment, such Conversion Ratio adjustment shall not be given effect notwithstanding any provision of this Designation to the contrary, and each Series C Holder shall be deemed to have waived any and all of its rights under this Designation with respect thereto. For the avoidance of doubt, if the

Corporation elects to make any cash payment pursuant to this *Section 5(e)(v)* in lieu of any Conversion Ratio adjustment, such cash payment shall be made with respect to the entirety of the Conversion Ratio adjustment to which the Series C Holders would otherwise be entitled under this *Section 5(e)*, such that partial cash payments with partial Conversion Ratio adjustments shall not be permitted hereunder.

(f) *Limitations on Conversion Ratio Adjustments.*

(i) Subject to *Section 5(f)(ii)* below, in no event shall any Conversion Ratio adjustment pursuant to *Section 5(d)* or (*e)* be permitted if such adjustment, together with any and all other Conversion Ratio adjustments theretofore effected pursuant to such *Sections 5(d)* and *(e)*, would result in an Effective Conversion Price that is less than (the following, as subject to adjustment in accordance with *Section 5(f)(ii)* below, the "*Minimum Effective Conversion Price*") the average daily closing price that existed for the Common Stock during the period of five (5) consecutive trading days immediately preceding the Initial Issue Date (as adjusted for stock splits, stock dividends and similar events, if any, occurring during such five (5) day period). Any and all Conversion Ratio adjustments required under *Section 5(d)* or *(e)* shall only be effective as and to the proportionate extent that they would result in an Effective Conversion Price greater than or equal to the Minimum Effective Conversion Price then in effect.

(ii) In the event of any split or subdivision of, or the payment or distribution of any Common Stock Equivalents on or with respect to, the entire class of Common Stock as described in *Section 5(d)(vii)* above, the Conversion Ratio adjustment provided for in such *Section 5(d)(vii)* shall be given full effect notwithstanding the Minimum Effective Conversion Price restrictions imposed by *Section 5(f)(i)*. To the extent that any Conversion Ratio adjustment as permitted by this *Section 5(f)(ii)* results in an Effective Conversion Price that is lower than the Minimum Effective Conversion Price applicable immediately prior thereto, the lower Effective Conversion Price resulting from such adjustment shall thereafter constitute the new Minimum Effective Conversion Price for purposes of this *Section 5(f)*; *provided* that the Minimum Effective Conversion Price (whether as so adjusted or as originally in effect) shall from time to time be subject to increase simultaneously with, and by a percentage amount corresponding to, each percentage increase in the Effective Conversion Price resulting from any reduction in the Conversion Ratio as and in the circumstances contemplated by any of *Sections 5(d)(vi)(3)* and *(4)* and *Section (d)(viii)*. For the avoidance of doubt, no adjustment to the Minimum Effective Conversion Price pursuant to this *Section 5(f)(ii)* shall in any manner retroactively affect, alter or modify any Conversion Ratio adjustments (as such adjustments may have been limited by the Minimum Effective Conversion Price in effect with respect to any thereof in accordance with *Section 5(f)(i)* above on the applicable adjustment date therefor) that had been effected in accordance with *Section 5(d)* or *(e)* at any time prior to the applicable Minimum Effective Conversion Price adjustment pursuant to this *Section 5(f)(ii)*.

(g) *Certificate of Adjustment.* Upon each adjustment to the Conversion Ratio required to be made pursuant to *Section 5(d)* or *(e)* above, the Corporation shall promptly compute such adjustment in accordance with the terms of such *Section 5(d)* or *(e)*, as applicable, and shall prepare and furnish to each Series C Holder at such time a certificate setting forth such adjustment and showing in detail the facts upon which such adjustment is based. The

Corporation shall from time to time furnish or cause to be furnished to Series C Holders upon written request a like certificate setting forth (i) all Conversion Ratio adjustments effected pursuant to *Sections 5(d)* and *(e)* at any time prior to the date on which such certificate is requested, (ii) the Conversion Ratio in effect as of such date, and (iii) the number of shares of Common Stock as

would be issuable upon conversion as of such date of a single share of Series C Preferred pursuant to this *Section 5*.

(h) *Fractional Shares.* No fractional shares of Common Stock shall be issued upon conversion of, or upon payment of any dividend on or with respect to, the Series C Preferred. In lieu of any fractional share to which any Series C Holder would otherwise be entitled, the Corporation shall pay a cash amount equal to the product of such fraction *multiplied by* the trading price for the Common Stock at the close of the trading day immediately preceding the date of such conversion or payment, as the case may be.

Section 6. *Voting Rights; Board Representation; Board Observer.*

(a) *Voting Rights.* Except as otherwise expressly provided for herein or as required by law, the Series C Holders shall, with respect to any and all matters submitted to a vote of the Common Stock, be entitled to vote together with the Common Stock, with each share of Series C Preferred representing in such voting that number of votes as would pertain to the full number of shares of Common Stock into which such share of Series C Preferred would be convertible at the Conversion Ratio in effect on and as of the record date for the determination of the stockholders entitled to vote on such matters or, if no such record date is established, on the date such vote is taken. Except as required by law or as otherwise provided herein, the Series C Preferred shall bear voting rights and powers equal to the voting rights and powers of the Common Stock (including, without limiting the provisions of *Section 6(b)* below, the power to elect the directors of the Corporation).

(b) *Board Representation.* For so long as the issued and outstanding shares of Series C Preferred, taken together with any and all issued and outstanding shares of Common Stock at such time held by any current or former Series C Holders to whom shares of Series C Preferred were originally issued on the applicable Issue Date(s) therefor, represents at least ten percent (10%) of the total outstanding voting securities or voting power of the Corporation (determined on a Fully Diluted Basis), the then-current Series C Holders shall be entitled to elect and appoint (by a majority of the then-outstanding Series C Preferred shares) one (1) director to the Board who is reasonably acceptable to the Board (the "*Preferred Director*") (it being agreed that Mr. Paul Pizzani will be acceptable to the Board as a Preferred Director appointee if so appointed by the Series C Holders), as well as one (1) Board Observer. If at any time the foregoing ten percent (10%) ownership threshold is not met, the Series C Holders, for so long as the total issued and outstanding shares of Series C Preferred represents at least five percent (5%) (in this instance excluding for purposes of such computation any shares of Common Stock or other securities of the Corporation then held by current or former Series C Holders) of the total outstanding voting securities or voting power of the Corporation (determined on a Fully Diluted Basis), shall be entitled to appoint (by a majority of the then-outstanding Series C Preferred shares) one (1) Preferred Director only. At such time as the foregoing five percent (5%) ownership threshold shall first cease to have been met, the Preferred Director shall resign from the Board, and all rights in favor of the Series C Holders arising solely on the basis of this *Section 6(b)* shall thereupon terminate and be of no further force or effect.

Section 7. *Protective Provisions.* For so long as the total issued and outstanding shares of Series C Preferred represents at least ten percent (10%) (excluding for purposes of such computation any shares of Common Stock or other securities of the Corporation then held by current or former Series C Holders) of the total outstanding voting securities or voting power of the Corporation

(determined on a Fully Diluted Basis), the following matters with respect to the Corporation shall require the approval of:

(a) Series C Holders holding a majority of the issued and outstanding shares of Series C Preferred, voting separately as a class:

(i) except for and in relation to any shares of new Preferred Stock issued or issuable pursuant to any Authorized Preferred Stock Issuance, any issuance, reservation for issuance or authorization for issuance (whether pursuant to or in accordance with any merger, consolidation or otherwise) of any equity security of the Corporation (or any right or option to acquire, or any security convertible into or exchangeable for, equity securities of the Corporation), in each case to the extent such equity security (or the equity securities issuable upon exercise, conversion or exchange of any of the foregoing rights, options or other securities) is, or upon issuance would become, *pari passu* or senior in rank to the Series C Preferred with respect to the payment of dividends, or distributions upon liquidation, winding-up or dissolution of the Corporation; or

(ii) except for the filing of a new or amended certificate of designation to give effect to the issuance of shares of new Preferred Stock issued or issuable pursuant to any Authorized Preferred Stock Issuance, any amendment, alteration, repeal or waiver (whether pursuant to or in accordance with any merger, consolidation or otherwise) of any provision of the Certificate (whether by filing with the Secretary of State of the State of Delaware of any new or amended certificate of designation with respect to any class or series of capital stock of the Corporation or otherwise) or the Bylaws of the Corporation, in each case if such amendment, alteration, repeal or waiver would materially and adversely alter or change any power, preference or right of the Series C Preferred; and

(b) a majority of the Non-Interested Directors, voting together as a group:

(i) any merger or consolidation of the Corporation or any Material Subsidiary with one or more other corporations or other entities in any transactions in which the stockholders of the Corporation or such Material Subsidiary, as applicable, immediately prior to such merger or consolidation hold stock or other equity ownership interests representing less than a majority of the voting power of the outstanding stock or other equity ownership interests of the surviving entity, or

(ii) any sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation as described in *Section 7(b)(i)* above), in one or a series of related transactions, of all or substantially all of the assets of the Corporation or of any Material Subsidiaries; or

(iii) any incurrence of, or assumption or creation of any obligation individually or in the aggregate to incur, any new indebtedness by the Corporation after the Initial Issue Date in excess of $50,000,000 over and above a Net Debt level of $485,000,000 (*i.e.*, such amount that would not cause the Corporation to exceed Net Debt of $535,000,000); or

(iv) any redemption, repurchase or other reacquisition of any debt securities or other evidences of indebtedness or any shares of Common Stock or other securities of the Corporation ranking senior to or *pari passu* with the Series C Preferred (other than required redemptions, repurchases or reacquisitions in accordance with their terms of debt or equity securities (x) issued and outstanding as of the Initial Issue Date, or (y) issued at any time after the Initial Issue Date in accordance with the provisions of *Section 7(a)(i)* above); or

(v) any increase (whether by additional issuance or grant, amendment to applicable terms or otherwise), to a level exceeding 9,000,000 shares of Common Stock (as adjusted for

stock splits and similar events), in the aggregate maximum number of shares of Common Stock issuable upon exercise of options (each, an "*Employee Option*") granted prior to, on or after the Initial Issue Date by the Corporation to its employees, agents, consultants and similar persons; *provided, however*, that upon the forfeiture of any Employee Options, the number of shares of Common Stock that would have been issuable upon exercise of such forfeited Employee Options shall be forever ignored for purposes of determining whether the foregoing aggregate maximum number of shares of Common Stock issuable upon exercise of Employee Options has been reached, and such forfeited Employee Options may thereafter be reissued subject to the remaining provisions of this Designation and Section 8.12 of the Purchase Agreement; or

(vi) except for any Excluded Issuances, any action taken by the Corporation to effect the issuance of shares of Common Stock or any Convertible Securities or Other Stock Rights for a consideration per share of Common Stock (or, in the case of any Convertible Securities or Other Stock Rights, for a Common Stock-equivalent consideration per share computed as the quotient of (x) the total consideration payable to the Corporation upon issuance or grant of such Convertible Securities or Other Stock Rights, together with the minimum additional consideration to be received by the Corporation upon conversion, exercise or exchange thereof, as applicable, for or into shares of Common Stock in accordance with their respective terms, *divided by* (y) the maximum number of shares of Common Stock issuable upon conversion, exercise or exchange, as applicable, of such Convertible Securities or Other Stock Rights as aforesaid) that is less than the average daily closing price for the Common Stock during the period of twenty (20) consecutive trading days (as adjusted for stock splits, stock dividends and similar events, if any, occurring during such twenty (20) day period) immediately preceding the date on which such action is to be taken by the Corporation with respect to any such issuance; or

(vii) any action taken by the Corporation to effect a Liquidation, declaration of bankruptcy, reorganization of the Corporation or similar event; or

(viii) the consent by the Corporation to the appointment of, or the taking of possession by, a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official with respect to the Corporation or any of its Material Subsidiaries or for all or substantially all of the property and assets of the Corporation or any of its Material Subsidiaries; or

(ix) any action taken by the Corporation to effect any general assignment for the benefit of creditors.

Section 8. *Preemptive Rights.* For so long as the total issued and outstanding shares of Series C Preferred represents at least five percent (5%) (excluding for purposes of such computation any shares of Common Stock or other securities of the Corporation then held by current or former Series C Holders) of the total outstanding voting securities or voting power of the Corporation (determined on a Fully Diluted Basis), each Series C Holder shall be entitled, except in the case of any (i) registered public offerings, (ii) Excluded Issuances, (iii) issuances of capital stock upon exercise, conversion or exchange of any Employee Options, Convertible Securities, Other Stock Rights or Common Stock Equivalents, (iv) issuances of capital stock in connection with any Accretive Debt Exchanges, (v) issuances of shares of new Preferred Stock issued or issuable pursuant to any Authorized Preferred Stock Issuance, or (vi) other issuances (not made in connection with any issuance described in the above clauses (i) through (v)) that are made in the context of a transaction(s) representing, in the aggregate with respect to such transaction(s) as described in this clause (vi), no more than two million seven hundred forty-eight thousand eight hundred ninety-four (2,748,894) shares (as shall be (x) adjusted to reflect, if and when occurring after the Initial Issue Date, any split(s) or subdivision(s) of, or the payment or distribution of any Common Stock Equivalents on or with respect to, the entire

class of Common Stock as described in *Section 5(d)(vii)* above, and (y) increased, if and when an Authorized Preferred Stock Issuance is effected pursuant to a firm purchase commitment entered into by the Corporation within forty-five (45) days after the Initial Issue Date as described in the second proviso to clause (ii) of the definition of "Authorized Preferred Stock Issuance" above, by a number of shares of Common Stock equal to the difference between (A) the total number of shares of Common Stock into which the new Preferred Stock issued pursuant to such Authorized Preferred Stock Issuance is convertible in accordance with its terms as of the date of issuance of such new Preferred Stock, *divided by* 0.97, *minus* (B) the total number of shares of Common Stock into which such new Preferred Stock is convertible in accordance with its terms as of the date of issuance of such new Preferred Stock) of Common Stock, to exercise the following rights to participate in subsequent equity issuances of the Corporation (any such issuance other than as excepted pursuant to the above clauses (i) through (vi), a "*Subject Issuance*"), which rights shall automatically and immediately terminate and be of no further force or effect as of the first date as of which the foregoing five percent (5%) threshold has not been satisfied:

(a) upon and prior to each Subject Issuance, the Corporation shall provide to each Series C Holder existing at the time of the relevant Subject Issuance (each such Series C Holder, a "*Preemptive Rightholder*") written notice (the "*Subject Issuance Notice*") offering all Preemptive Rightholders a proportionate right, based on the percentage ownership of the total capital stock of the Corporation (calculated on a Fully Diluted Basis) then represented by any and all shares of Series C Preferred at such time outstanding, to participate in the Subject Issuance (the portion of such Subject Issuance corresponding to the total Series C Preferred percentage ownership represented as aforesaid, the "*Preemptive Rightholders' Share*") on the same terms and conditions as are available to each other participant in the Subject Issuance (such other participant(s), the "*Subject Issuee(s)*");

(b) each Subject Issuance Notice shall state (x) the total number of the new securities of the Corporation (each such security, a "*Subject Security*") to be issued in connection with the relevant Subject Issuance and (y) the proposed purchase price per share for each Subject Security (the "*Subject Security Price*"), and the offer to the Preemptive Rightholders reflected in such Subject Issuance Notice shall be irrevocable unless and until the rights provided for in this *Section 8* shall have been waived or shall have expired;

(c) for a period of twenty (20) calendar days after the giving of the Subject Issuance Notice pursuant to the foregoing *Sections 8(a)* and *(b)*, each of the Preemptive Rightholders shall have the right to purchase, at a purchase price equal to the Subject Security Price and upon the same terms and conditions as are set forth in the Subject Issuance Notice and are otherwise available to the Subject Issuee(s), its proportionate percentage of the total Preemptive Rightholders' Share determined as the quotient of (x) the total number of shares of Series C Preferred then owned by such Preemptive Rightholder, *divided by* (y) the total number of shares of Series C Preferred then issued and outstanding;

(d) if the Preemptive Rightholders have not subscribed for the full amount of the Preemptive Rightholders' Share, the Corporation shall provide written notice (such notice, an "*Excess Subject Issuance Notice*") to each Preemptive Rightholder who has subscribed for its full proportionate number or amount of Subject Securities as provided in *Section 8(c)* above, offering each such Preemptive Rightholder the further right for an additional five (5) day period after delivery of the Excess Subject Issuance Notice to purchase that percentage of the remaining Preemptive Rightholders' Share not so subscribed for (for purposes of this *Section 8(d)*, the "*Excess Subject Securities*") determined by dividing (x) the total number of shares of Series C Preferred then owned by such subscribing Preemptive Rightholder, *divided by* (y) the total number of shares of Series C Preferred then owned by all Preemptive Rightholders who have elected to subscribe for

their full proportionate number or amount of Subject Securities in response to the original Subject Issuance Notice given in connection with the applicable Subject Issuance;

(e) the right of each Preemptive Rightholder to purchase Subject Securities or Excess Subject Securities, as the case may be, under *Sections 8(c)* or *(d)* above shall be exercisable by each Preemptive Rightholder (or, with the Corporation's consent (not to be unreasonably withheld or delayed), by any of its Affiliates (as defined in the Purchase Agreement) designated in the written notice of exercise described in this *Section 8(e)*) by delivering written notice of the exercise thereof, prior to the expiration of the 20-day period referred to in *Section 8(c)* above with respect to Subject Securities or prior to the expiration of the 5-day period referred to in *Section 8(d)* above with respect to Excess Subject Securities, to the Corporation, which notice shall state the amount of Subject Securities (or Excess Subject Securities, if applicable) that such Preemptive Rightholder elects to purchase pursuant to this *Section 8*; it being understood and agreed that the failure of a Preemptive Rightholder to respond within such 20-day or 5-day period, as applicable, shall constitute a permanent and irrevocable waiver of such Preemptive Rightholder's rights under this *Section 8*; *provided* that each Preemptive Rightholder may waive its rights under this *Section 8* prior to the expiration of such 20-day or 5-day period by giving written notice to such effect to the Corporation;

(f) the closing of the purchase of Subject Securities or Excess Subject Securities subscribed for by the Preemptive Rightholders under this *Section 8* shall be held concurrently with the closing of the sale of Subject Securities to the Subject Issuee(s) or at such later time as a majority of the Preemptive Rightholders may agree with the Corporation, and at such closing, (x) the Corporation shall deliver certificates representing the Subject Securities issuable to the subscribing Preemptive Rightholders, which Subject Securities shall be duly authorized, validly issued, fully paid and non-assessable, (y) each Preemptive Rightholder subscribing for Subject Securities shall deliver payment in full in immediately available funds of the total Subject Security Price for the Subject Securities purchased by it, and (z) all parties to the transactions relating to the Subject Issuance shall have executed and delivered such documentation as is customary for transactions of such type; and

(g) any and all Subject Securities not otherwise purchased by Preemptive Rightholders pursuant to this *Section 8* may be sold by the Corporation to the Subject Issuees on terms and conditions that are no more favorable than those set forth in the Subject Issuance Notice; *provided, however*, that such sale is bona fide and made pursuant to a contract entered into not later than ninety (90) days following the earlier to occur of (i) the waiver by all Preemptive Rightholders of their rights to purchase the applicable Subject Securities or Excess Subject Securities pursuant to this *Section 8*, or (ii) the expiration of the 20-day or 5-day period referred to in *Section 8(e)* above with respect to such Subject Securities or Excess Subject Securities, as applicable. If such sale is not consummated within such 90-day period for any reason, then the restrictions provided for herein shall again become effective, and no issuance and sale of Subject Securities may be made thereafter by the Corporation without again extending to the Preemptive Rightholders the rights provided for in this *Section 8*.

Section 9. *Amendment.* This Designation shall not hereafter be amended without the affirmative vote (or written consent) of Series C Holders holding a majority of the issued and then-outstanding shares of Series C Preferred, voting separately from any other class or series of the Corporation's capital stock.

[signature page follows]

IN WITNESS WHEREOF, Primus Telecommunications Group, Incorporated has caused this Designation to be signed by its Executive Vice President and attested by its Secretary this 30th day of December, 2002.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

By: _____

Name: John F. DePodesta
Title: Executive Vice President

Attest:

By: _____

Name: Danielle O. Saunders
Title: Secretary

QuickLinks

Exhibit 99.1

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

by and among

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED,

AIG GLOBAL SPORTS AND ENTERTAINMENT FUND, L.P.,

AIG GLOBAL EMERGING MARKETS FUND, L.L.C.,

GEM PARALLEL FUND, L.P

and

DUKE HOTELS LIMITED

Dated as of December 31, 2002

TABLE OF CONTENTS

EXHIBITS

SCHEDULES

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT, dated as of December 31, 2002 (together with the Schedules and Exhibits attached hereto and made a part hereof, this "*Agreement*"), by and among Primus Telecommunications Group, Incorporated, a Delaware corporation (the "*Company*"), AIG Global Sports and Entertainment Fund, L.P., a limited partnership organized under the laws of the Cayman Islands ("*AIG GSEF*"), AIG Global Emerging Markets Fund, L.L.C., a limited liability company organized under the laws of the State of Delaware ("*AIG Gem*"), GEM Parallel Fund, L.P., a limited partnership organized under the laws of the State of Delaware ("*AIG Gem Parallel*" and together with AIG Gem, the "*AIG Gem Investors*," and collectively with AIG GSEF and AIG Gem, the "*Lead Investors*") and Duke Hotels Limited, a limited company organized under the laws of the Bahamas (the "*Co-Investor*" and, together with the Lead Investors, the "*Investors*").

WHEREAS, upon the terms and conditions set forth in this Agreement, the Company desires to issue and sell to each of the Investors the number of shares of Series C Convertible Preferred Stock, par value $0.01 per share, of the Company (the "*Series C Preferred Stock*") set forth opposite the name of each such Investor on *Schedule 2.1* and *Schedule 2.2* hereto, for the aggregate purchase price set forth opposite each such Investor's name on *Schedule 2.1* and *Schedule 2.2* hereto; and

WHEREAS, each share of Series C Preferred Stock is initially convertible (subject to adjustment as provided in the Certificate of Designation) into forty (40) fully paid and non-assessable shares of the Company's common stock, par value $0.01 per share (the "*Common Stock*"); and

WHEREAS, the Company and the Investors are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Rule 506 of Regulation D as promulgated by the SEC (as defined herein) under the Securities Act (as defined herein).

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 *Definitions.* As used in this Agreement, the following terms have the meanings indicated:

"*2001 Form 10-K*" means the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

"*Additional Shares*" has the meaning set forth in Section 2.2 hereof.

"*Affiliate*" means any Person who is an "affiliate" as defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"*Agreement*" means this Agreement as the same may be amended, supplemented or modified in accordance with the terms hereof.

"*AIG Gem Investors*" has the meaning set forth in the preamble to this Agreement.

"*AIG Gem*" has the meaning set forth in the preamble to this Agreement.

"*AIG Gem Parallel*" has the meaning set forth in the preamble to this Agreement.

"*AIG GSEF*" has the meaning set forth in the preamble to this Agreement.

"*Authorized Preferred Stock Issuance*" has the meaning set forth in the Certificate of Designation.

"*Board of Directors*" means the Board of Directors of the Company.

"*Business Day*" means any day other than a Saturday, Sunday or other day on which commercial banks in the State of New York or the Commonwealth of Virginia are authorized or required by law or executive order to close.

"*By-laws*" means the by-laws of the Company in effect on the Initial Closing Date and attached hereto as *Exhibit B*.

"*Certificate of Designation*" means the Certificate of Designation with respect to the Series C Preferred Stock adopted by the Board of Directors and duly filed with the Secretary of State of the State of Delaware on or before the Initial Closing Date substantially in the form attached hereto as *Exhibit C*.

"*Certificate of Incorporation*" means the Certificate of Incorporation of the Company in effect on the Initial Closing Date and attached hereto as *Exhibit A* (except that the Certificate of Incorporation shall be amended on or before the Initial Closing Date by the filing of the Certificate of Designation).

"*Closings*" has the meaning set forth in Section 2.3 hereof.

"*Closing Dates*" has the meaning set forth in Section 2.3 hereof.

"*Code*" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

"*Co-Investor*" has the meaning set forth in the preamble to this Agreement.

"*Common Stock*" has the meaning set forth in the recitals to this Agreement.

"*Commonly Controlled Entity*" means any entity which is under common control with the Company within the meaning of Code section 414(b), (c), (m), (o) or (t).

"*Company*" has the meaning set forth in the preamble to this Agreement.

"*Condition of the Company*" means the assets, business, properties, prospects (for the period of the first twelve (12) months following the Initial Closing Date as reflected in the 2003 business plan of the Company dated December 30, 2002 and delivered to the Investors on December 30, 2002), operations or financial condition of the Company and its Subsidiaries, taken as a whole.

"*Contingent Obligation*" means, as applied to any Person, any direct or indirect liability of that Person with respect to any Indebtedness, lease, dividend, guaranty, letter of credit or other obligation, contractual or otherwise (the "*primary obligation*") of another Person (the "*primary obligor*"), whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligations or any property constituting direct or indirect security therefor, (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation, or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss or failure or inability to perform in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof.

"*Conversion Ratio*" has the meaning set forth in the Certificate of Designation.

"*Conversion Shares*" has the meaning set forth in Section 3.20 hereof.

"*Convertible Debentures*" means the Company's 5 3/4% Convertible Subordinated Debentures due 2007 as may be outstanding from time to time.

"*Employee Stock Option Plan*" has the meaning set forth in Section 8.10 hereof.

"*Employee Options*" has the meaning set forth in the Certificate of Designation.

"*Environmental Laws*" has the meaning set forth in Section 3.15 hereof.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

"*Form 8-K*" has the meaning set forth in Section 8.16 hereof.

"*GAAP*" means United States generally accepted accounting principles in effect from time to time.

"*Governmental Authority*" means the government of any nation, state, city, locality or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing and specifically including Nasdaq and any other self-regulatory organization.

"*Hazardous Materials*" has the meaning set forth in Section 3.15 hereof.

"*Indebtedness*" means, as to any Person, (a) all obligations of such Person for borrowed money (including, without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), (b) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and accrued commercial or trade liabilities arising in the ordinary course of business, (c) all interest rate and currency swaps, caps, collars and similar agreements or hedging devices under which payments are obligated to be made by such Person, whether periodically or upon the happening of a contingency, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person under leases which have been or should be, in accordance with GAAP, recorded as capital leases, (f) all indebtedness secured by any Lien (other than Liens in favor of lessors under leases other than leases included in clause (e)) on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person, and (g) any Contingent Obligation of such Person.

"*Indemnified Party*" has the meaning set forth in Section 7.1 hereof.

"*Indemnifying Party*" has the meaning set forth in Section 7.1 hereof.

"*Initial Closing*" has the meaning set forth in Section 2.3 hereof.

"*Initial Closing Date*" has the meaning set forth in Section 2.3 hereof.

"*Investment Amount*" means forty-two million United States dollars (US$42,000,000.00).

"*Investors*" has the meaning set forth in the preamble to this Agreement.

"*Knowledge of the Company*" means the actual knowledge of any individual identified on Schedule I attached hereto.

"*Lead Investors*" has the meaning set forth in the preamble to this Agreement.

"*Lien*" means any mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, lien (statutory or other) or preference, priority, right or other security interest or preferential arrangement of any kind or nature whatsoever (excluding preferred stock and equity related preferences).

"*Losses*" has the meaning set forth in Section 7.1 hereof.

"*Material Adverse Effect*" means any material adverse effect on the Condition of the Company or on the transactions contemplated by the Transaction Documents, or on the authority or ability of the Company to perform its obligations under the Transaction Documents.

"*Nasdaq*" means The Nasdaq Stock Market, Inc.

"*Nasdaq Application Letter*" means that certain letter dated December 22, 2002 from Brian Lynch of Cooley Godward LLP, as counsel to the Company, to The Nasdaq Stock Market, Inc.

"*Nasdaq Authorization Letter*" has the meaning set forth in Section 5.5 hereof.

"*Net Debt*" means and includes, in each case after giving effect to the use, application or commitment of the Investment Amount as has, as of the applicable Net Debt determination date, been used in, applied to or committed for purposes of one or more of the transactions or other matters described in Section 2.6 hereof, all Indebtedness of the Company with a maturity of one (1) year or more ("Long-Term Debt") (including Long-Term Debt amounts classified in applicable SEC Documents as current maturities of Vendor Debt and the Notes, as well as any Long-Term Debt issued to achieve the Restructuring Criteria, but excluding any Indebtedness incurred by the Company or its Subsidiaries in connection with its acquisition of assets from Cable & Wireless USA, Inc. pursuant to that certain Customer Transfer Agreement dated as of September 13, 2002), *minus* unrestricted cash as reported in the Company's quarterly report on Form 10-Q as most recently filed with the SEC prior to the applicable Net Debt determination date. For this purpose, "unrestricted cash" shall mean that amount specified in the Company's Form 10-Q as "Cash and Cash Equivalents" as of the last day of the quarterly reporting period reflected therein (without giving effect to subsequent cash expenditures or commitments or similar events), excluding for such purposes any amount specified in such Form 10-Q as "Restricted Cash" for such reporting period; *provided* that the portion of the total Investment Amount not used to achieve the Restructuring Criteria or pay reasonable expenses, including any brokerage commission or similar cost, incurred in connection therewith shall be included in and added to "unrestricted cash" for each applicable reporting period (regardless of whether the total Investment Amount has yet to be delivered to the Company as a result of any Additional Shares not yet being issued). For example, assuming that the Initial Closing were to occur in December 2002 and that, as of such Initial Closing Date, $10,000,000 in Investment Amount proceeds remained unused for purposes of achieving the Restructuring Criteria as aforesaid, unrestricted cash would be $82,050,000, representing Cash and Cash Equivalents of $72,050,000 (excluding for this purpose the reported Restricted Cash amount of $6,932,000), as defined and reported in the Company's Form 10-Q filed for the quarterly period ended September 30, 2002, *plus* $10,000,000 in Investment Amount proceeds. Further, for clarity purposes, as of the Initial Closing Date, any Company debt retired in connection with implementing the Restructuring Criteria shall not be included in the Company's Long-Term Debt.

"*Non-Operating Subsidiary*" means each direct or indirect Subsidiary of the Company identified on Schedule II attached hereto and each other direct or indirect Subsidiary of the Company other than the Operating Subsidiaries.

"*Notes*" means, as of any date, the Company's then issued and outstanding Senior Notes and Convertible Debentures as of such date. For the avoidance of doubt, Senior Notes and Convertible Debentures redeemed, repurchased or otherwise reacquired by exchange by the Company but not yet retired shall be deemed not to be outstanding.

"*Operating Subsidiary*" means each of the direct or indirect Subsidiaries of the Company identified on Schedule III attached hereto.

"*Order*" means any judgment, injunction, writ, award, decree or order of any nature of any Governmental Authority.

"*Person*" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, Governmental Authority or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

"*Plan*" means any employee benefit plan, arrangement, policy, program, agreement or commitment (whether or not an employee plan within the meaning of section 3(3) of ERISA), including, without limitation, any employment, consulting or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit-sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability or accident insurance plan, whether oral or written, whether or not subject to ERISA, as to which the Company or any Commonly Controlled Entity has or in the future could have any direct or indirect, actual or contingent liability.

"*Per Share Issue Price*" shall mean seventy-five dollars and sixty-seven ten-thousandths of one cent (US$75.0067).

"*Performance Adjustment Amount*" has the meaning set forth in the Certificate of Designation.

"*Permits*" has the meaning set forth in Section 3.17 hereof.

"*Preferred Director*" has the meaning set forth in the Certificate of Designation.

"*Proxy Statement*" has the meaning set forth in Section 8.7 hereof.

"*Purchased Shares*" has the meaning set forth in Section 2.2 hereof.

"*Registration Rights Agreement*" has the meaning set forth in Section 5.6 hereof.

"*Reimbursable Expenses*" has the meaning set forth in Section 8.9 hereof.

"*Required Stockholder Approval*" means the affirmative vote of stockholders of the Company (other than the holders of Series C Preferred Stock) holding securities representing a majority of the total voting power of the capital stock of the Company of the sale and issuance to the Lead Investors of all of the Additional Shares that have not been issued to the Lead Investors as of the applicable date of the Proxy Statement.

"*Requirements of Law*" means, as to any Person, any law (including Environmental Laws), statute, ordinance, treaty, rule, regulation, right, privilege, qualification, license or franchise or determination of an arbitrator or a court or other Governmental Authority or stock exchange, in each case applicable or binding upon such Person or any of its property or to which such Person or any of its property is subject or pertaining to any or all of the transactions contemplated or referred to herein.

"*Restructuring Criteria*" has the meaning set forth in Section 5.15 hereof.

"*Retiree Welfare Plan*" means any welfare plan (as defined in Section 3(1) of ERISA) that provides benefits to current or former employees beyond their retirement or other termination of service (other than coverage mandated by Section 4980A of the Code, commonly referred to as "*COBRA*," the cost of which is fully paid by the current or former employee or his or her dependents).

"*Rule 144*" has the meaning set forth in Section 4.10 hereof.

"*SEC*" means the United States Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act and Exchange Act.

"*SEC Documents*" has the meaning set forth in Section 3.7 hereof.

"*Securities*" has the meaning set forth in Section 3.20 hereof.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

"*Senior Notes*" means the Company's $11^{3}/_{4}$% Senior Notes due 2004, $9^{7}/_{8}$% Senior Notes due 2008, $11^{1}/_{4}$% Senior Notes due 2009 and $12^{3}/_{4}$% Senior Notes due 2009, each as may be outstanding from time to time.

"*Series C Preferred Stock*" has the meaning set forth in the recitals to this Agreement.

"*Shareholder Rights Plan*" means the Rights Agreement, dated as of December 23, 1998, between the Company and Stocktrans, Inc., as Rights Agent (as defined therein).

"*Specified Plans*" has the meaning set forth in Section 3.12 hereof.

"*Stock Equivalents*" means any security or obligation which is by its terms convertible into or exchangeable or exercisable for shares of Common Stock or other capital stock of the Company, and any option, warrant or other subscription or purchase right with respect to Common Stock or such other capital stock.

"*Stock Option Plans*" means the Company's and each of its Operating Subsidiaries' stock option plans, restricted stock plans and employee purchase plans, including, without limitation, (i) the Primus Telecommunications Group, Incorporated Stock Option Plan, (ii) the Primus Telecommunications Group, Incorporated Director Stock Option Plan, (iii) the Primus Telecommunications Group, Incorporated TresCom International Stock Option Plan, (iv) the Primus Telecommunications Group, Incorporated 1998 Restricted Stock Plan, and (v) the Primus Telecommunications Group, Incorporated 1997 Employee Stock Purchase Plan, in each case pursuant to which shares of restricted stock or stock options to purchase shares of Common Stock are reserved and available for grant to officers, directors, employees and consultants of the Company.

"*Subsequent Closing*" has the meaning set forth in Section 2.3 hereof.

"*Subsequent Closing Date*" has the meaning set forth in Section 2.3 hereof.

"*Subsidiaries*" means, as of the relevant date of determination, with respect to any Person, a corporation or other Person that is "controlled by" such Person within the meaning of Rule 12b-2 of the General Rules and Regulations under the Exchange Act or in which 50% or more of the voting power of the outstanding voting equity securities or 50% or more of the outstanding economic equity interest is held, directly or indirectly, by such Person. Unless otherwise qualified, or the context otherwise requires, all references to a "*Subsidiary*" or to "*Subsidiaries*" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company or its direct or indirect Subsidiaries.

"*Transaction Documents*" means, collectively, this Agreement and the Registration Rights Agreement.

"*Vendor Debt*" means any Indebtedness of the Company incurred in connection with or pursuant to agreements entered into between the Company and any of its suppliers.

ARTICLE 2

PURCHASE AND SALE OF SERIES C PREFERRED STOCK

2.1 *Purchase and Sale of Series C Preferred Stock at the Initial Closing.* Subject to the terms and conditions of this Agreement (including, without limitation, Articles 5 and 6 hereof), each Investor, severally and not jointly, agrees to purchase at the Initial Closing, and the Company agrees to issue and sell to the Investors at the Initial Closing, that number of shares of Series C Preferred Stock set forth opposite such Investor's name on *Schedule 2.1* hereto for the aggregate purchase price set forth opposite such Investor's name on *Schedule 2.1* hereto (all of the shares of Series C Preferred Stock being purchased pursuant to this Section 2.1 at the Initial Closing being referred to herein collectively as the "*Initial Shares*").

2.2 *Purchase and Sale of Series C Preferred Stock at Subsequent Closings.* Subject to the terms and conditions of this Agreement (including, without limitation, Articles 5 and 6 hereof), each Lead Investor, severally and not jointly, agrees to purchase at one or more Subsequent Closings, and the Company agrees to issue and sell to the Lead Investors at one or more Subsequent Closings, that number of shares of Series C Preferred Stock set forth opposite such Lead Investor's name on *Schedule 2.2* hereto for the aggregate purchase price set forth opposite such Lead Investor's name on *Schedule 2.2* hereto (all of the shares of Series C Preferred Stock being purchased pursuant to this Section 2.2 at the Subsequent Closings being referred to herein collectively as the "*Additional Shares*" and, together with the Initial Shares, the "*Purchased Shares*"). In the event that less than all of the Additional Shares are being issued and sold at any Subsequent Closing in accordance with Section 5.16 hereof, each Lead Investor shall purchase its proportionate percentage of the Additional Shares being issued and sold at such Subsequent Closing based on the total number of Additional Shares set forth opposite its name on *Schedule 2.2* hereto.

2.3 *Closings.* The closing of the purchase and sale of the Initial Shares pursuant to Section 2.1 hereof (the "*Initial Closing*") shall take place at the offices of the Company at 10:00 a.m., local time, on the Business Day following the date on which the last to be fulfilled or waived of the conditions set forth in Articles

5 and 6 hereof (other than those conditions that by their nature can only be fulfilled at the Initial Closing) shall have been fulfilled or waived, or such other place and time to be mutually agreed upon by the Company and the Investors (the "*Initial Closing Date*"). The closing of the purchase and sale of any of the Additional Shares pursuant to Section 2.2 hereof (each, a "*Subsequent Closing*" and collectively, the "*Subsequent Closings*" and, together with the Initial Closing, collectively, the "*Closings*" and each, a "*Closing*") shall take place at the offices of the Company at 10:00 a.m., local time, on the third Business Day following the date on which the last to be fulfilled or waived of the conditions set forth in Articles 5 and 6 hereof shall have been fulfilled or waived, or such other place and time to be mutually agreed upon by the Company and the Lead Investors (each, a "*Subsequent Closing Date*" and collectively, the "*Subsequent Closing Dates*" and, together with the Initial Closing Date, collectively, the "*Closing Dates*" and each, a "*Closing Date*").

2.4 *Form of Payment.* At the Initial Closing, each Investor shall pay the Company for the Initial Shares to be issued and sold to such Investor at the Initial Closing the aggregate purchase price amount set forth opposite such Investor's name on *Schedule 2.1* hereto by wire transfer of immediately available funds in accordance with the Company's wire transfer instructions delivered to the Investors prior to the date hereof. At each Subsequent Closing, each Lead Investor shall pay the Company by wire transfer of immediately available funds in accordance with the Company's wire transfer instructions delivered to the Investors prior to the date hereof the aggregate purchase price amount in respect of such Subsequent Closing as shall be obtained by multiplying the number of Additional Shares to be issued and sold to such Lead Investor at such Subsequent Closing by the then-effective Per Share Issue Price. The Per Share Issue Price shall be automatically adjusted from time to time after the date hereof so as to account for any stock splits, stock dividends or similar events with respect to

the Series C Preferred Stock occurring on or after the date hereof and on or before the date of the last to occur of the Subsequent Closings.

2.5 *Certificate of Designation.* The Purchased Shares shall have the preferences and rights set forth in the Certificate of Designation.

2.6 *Use of Proceeds.* The Company shall use the cash proceeds from the sale of the Purchased Shares for general corporate purposes and/or to satisfy, discharge, repurchase or otherwise retire Notes or other Company debt at less than face or stated value, as applicable, and otherwise to satisfy the Restructuring Criteria.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to each of the Investors as follows:

3.1 *Organization and Qualification.* Each of the Company and its Operating Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated or organized, and has the requisite corporate or other power and authorization to own its properties and to carry on its business as now being conducted. Each of the Company and its Operating Subsidiaries is duly qualified to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect. No jurisdiction has claimed, in writing or otherwise, that the Company or any of its Operating Subsidiaries is required to qualify to do business as a foreign corporation or other entity in such jurisdiction and has failed to become so qualified, and, except as set forth on *Schedule 3.1*, neither the Company nor any of its Operating Subsidiaries has filed or is required to file any franchise, income or other tax returns in any such jurisdiction based upon the ownership or use of property located therein or the derivation of income therefrom. *Schedule 3.1* attached hereto sets forth a true and complete list of all Operating Subsidiaries of the Company and, to the Knowledge of the Company, all Non-Operating Subsidiaries, in each case together with the percentage ownership (in the case of the Non-Operating Subsidiaries, to the Knowledge of the Company) of each such entity held by the Company, directly or indirectly. Except as set forth on *Schedule 3.1*, the Company owns or holds the capital stock or other economic equity or similar interests of each of its Operating Subsidiaries free and clear of any Lien.

3.2 *Authorization; Enforcement; Validity.* The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and the other Transaction Documents, and to issue the Purchased Shares in accordance with the terms hereof and thereof. The execution and delivery of this Agreement and the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Purchased Shares and the reservation for issuance of the Common Stock and the issuance of such Common Stock issuable upon conversion of the Purchased Shares, have been duly authorized by the Company's Board of Directors and no further consent or authorization is required by the Company or its Board of Directors other than the Required Stockholder Approval. This Agreement has been, and as of the Initial Closing Date each of the other Transaction Documents will have been, duly executed and delivered by the Company, and this Agreement constitutes, and as of the Initial Closing Date each of the other Transaction Documents will constitute, the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies (regardless of whether considered in a proceeding at law or in equity).

3.3 *Capitalization.* (a) As of the date hereof, the authorized capital stock of the Company consists of (x) 150,000,000 shares of common stock, par value $0.01 per share, of which 64,924,906 shares are issued and outstanding and 7,647,149 shares are reserved for issuance upon exchange, exercise or conversion, as applicable, of Stock Equivalents; (y) 455,000 shares of Series A Convertible Preferred Stock, par value $0.01 per share, none of which are issued and outstanding or reserved for issuance; and (z) 2,000,000 shares of preferred stock, par value $0.01 per share, none of which are issued and outstanding, but 30,000 shares of which have been designated Series B Junior Participating Preferred Stock and reserved for issuance pursuant to the Shareholder Rights Plan.

(b) On the Initial Closing Date, after giving effect to the transactions contemplated by this Agreement, the authorized capital stock of the Company will consist of (i) 150,000,000 shares of Common Stock, of which 64,924,906 shares (as subject to adjustment for issuances of Common Stock upon exercise or conversion, in each case in accordance with their respective terms, of Employee Options and other Stock Equivalents in existence as of the date of execution of this Agreement) will be issued and outstanding, (ii) 455,000 shares of Series A Convertible Preferred Stock, par value $0.01 per share, none of which will be issued and outstanding, and (iii) 2,000,000 shares of preferred stock, par value $0.01 per share, (x) 30,000 shares of which will have been designated Series B Junior Participating Preferred Stock and reserved for issuance pursuant to the Shareholder Rights Plan, but none of

such Series B Junior Participating Preferred Stock will be issued and outstanding, and (y) 559,950 shares of which will have been designated as Series C Preferred Stock having the rights and preferences as set forth in the Certificate of Designation, of which 438,853 shares of Series C Preferred Stock will be issued and outstanding. As of the date of this Agreement, the aggregate number of shares of restricted stock and options to purchase shares of Common Stock which are available for issuance under the Stock Option Plans are 9,795,000, of which 5,885,220 have been granted. On the Initial Closing Date, the Company shall have reserved an aggregate of 22,398,000 shares of Common Stock for issuance upon conversion of the Purchased Shares. Except for the Purchased Shares or as set forth on *Schedule 3.3*, there are no options, warrants, conversion privileges, subscription or purchase rights, preemptive rights or other rights presently outstanding to purchase or otherwise acquire, by conversion, exchange or otherwise, (i) any authorized but unissued or treasury shares of the Company's or any of its Operating Subsidiaries' capital stock, (ii) any Stock Equivalents of the Company or any of its Operating Subsidiaries or (iii) any other securities of the Company or any of its Operating Subsidiaries. Except for this Agreement or as set forth on *Schedule 3.3*, there are no commitments, contracts, agreements, arrangements or understandings to which the Company or any of its Operating Subsidiaries is a party pursuant to which any shares of the Company's or any of its Operating Subsidiaries' capital stock or any Stock Equivalents or other securities of the Company or any of its Operating Subsidiaries may become outstanding.

(c) Except as set forth on *Schedule 3.3*, (i) there are no outstanding debt securities, notes, credit agreements, credit facilities or other agreements, documents or instruments evidencing Indebtedness of the Company or any of its Operating Subsidiaries or by which the Company or any of its Operating Subsidiaries is or may become bound, in each case that are material to the Company and its Operating Subsidiaries taken as whole; (ii) there are no amounts outstanding under, and there will be no amounts due upon termination of, any credit agreement or credit facility of the Company or any of its Operating Subsidiaries; (iii) there are no agreements or arrangements under which the Company or any of its Operating Subsidiaries is obligated to register the sale of any of their securities under the Securities Act; (iv) there are no outstanding securities or instruments of the Company or any of its Operating Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its Operating Subsidiaries is or may become bound to redeem a security of the Company or any of its Operating Subsidiaries; (v) there are no securities or instruments containing anti-dilution or similar provisions related to the Common

Stock that will be triggered by the transaction contemplated hereby; (vi) the Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement; (vii) since December 31, 2001, to the Knowledge of the Company, no officer, director or beneficial owner of 5% or more of the Company's outstanding capital stock has pledged shares of the Company's capital stock in connection with a margin account or other loan secured by such capital stock; and (viii) neither the Company nor any of its Operating Subsidiaries has any liabilities or obligations required to be disclosed in the SEC Documents that have not been so disclosed in the SEC Documents, other than those incurred in the ordinary course of the Company's or its Operating Subsidiaries' respective businesses since December 31, 2001 and those which, individually or in the aggregate, do not or could not reasonably be expected to have a Material Adverse Effect.

3.4 *Issuance of Securities.* (a) The Purchased Shares are duly authorized, and when issued and delivered to the Investors after payment therefor, will be validly issued, fully paid and non-assessable and not subject to any preemptive rights or similar rights that have not been satisfied, and assuming the accuracy of the representations and warranties of the Investors set forth in Article 4 of this Agreement, will be issued in compliance with the registration and qualification requirements of all applicable federal, state and foreign securities laws and will be free and clear of all Liens (other than any Liens that may be imposed by action of any Investor). As of the Initial Closing, the shares of Common Stock issuable upon conversion of the Purchased Shares shall have been duly reserved for issuance and, when issued in compliance with the provisions of the Certificate of Designation, will be validly issued, fully paid and non-assessable and will be free and clear of all Liens (other than any Liens that may be imposed by action of any Investor). None of the issued and outstanding shares of Common Stock were issued in violation of any preemptive rights.

(b) The Company has made available to each Investor true and correct copies of the Company's Certificate of Incorporation, as amended and as in effect on the date hereof, and the Company's By-laws, as amended and as in effect on the date hereof, and the terms of all securities convertible into or exercisable or exchangeable for Common Stock and the material rights of the holders thereof in respect thereto except for stock options granted under any benefit plan or stock option plan of the Company approved by the Board of Directors of the Company.

3.5 *No Conflicts.* The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the reservation for issuance and issuance of the shares of Common Stock issuable upon conversion of the Purchased Shares) will not (i) result in a violation of the Certificate of Incorporation or the By-laws; (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument to which the Company or any of its Operating Subsidiaries is a party (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not result, either individually or in the aggregate, in a Material Adverse Effect); or (iii) result in a violation of any Requirements of Law or Order applicable to the Company or any of its Operating Subsidiaries or by which any property or asset of the Company or any of its Operating Subsidiaries is bound or affected (except for any such violation that would not result, either individually or in the aggregate, in a Material Adverse Effect). Neither the Company nor any of its Operating Subsidiaries is in violation of any term of or in default under its Certificate of Incorporation, By-laws or their organizational charter or other similar documents, respectively. Except as set forth on *Schedule 3.5*, neither the Company nor any of its Operating Subsidiaries is in violation of any term of or in default under any contract, agreement, mortgage, Indebtedness, indenture or instrument, except where such violations and defaults would not result, either individually or in the aggregate, in a Material Adverse Effect or are not otherwise the subject of a bone fide dispute thereunder for more than one million dollars ($1,000,000)

each. Except as specifically contemplated by this Agreement, as required under the Securities Act or as required by blue sky filings, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or Governmental Authority in order for it to execute, deliver or perform any of its obligations under or contemplated by the Transaction Documents. Except as set forth on *Schedule 3.5*, all consents, authorizations, orders, filings and registrations which the Company is required to obtain or make pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof.

3.6 *Compliance with Laws.* Taking into account Nasdaq's temporary relaxation of the minimum quantitative listing maintenance requirements, and other than the Company's failure to satisfy the requirements set forth in Nasdaq Marketplace Rules 4310(c)(2)(B) and 4310(c)(4), (i) neither the Company nor any of its Operating Subsidiaries is in violation of any Requirements of Law or Order applicable to the Company or its Operating Subsidiaries, except where such violations

would not result, either individually or in the aggregate, in a Material Adverse Effect, (ii) the business of the Company and each of its Operating Subsidiaries is not being conducted in violation of any Requirements of Law or Order, except where such violations would not result, either individually or in the aggregate, in a Material Adverse Effect and (iii) the Company is not in violation of the listing requirements of Nasdaq and, to the Knowledge of the Company, no facts exist which would reasonably lead to delisting or suspension of the Common Stock by Nasdaq in the foreseeable future.

3.7 *SEC Documents; Financial Statements.* (a) Except as set forth on *Schedule 3.7*, since January 1, 1998, the Company has filed all material reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "*SEC Documents*"). As of the respective dates of filing of such SEC Documents, such SEC Documents, as one or more may have been subsequently amended or restated by filings made by the Company with the SEC prior to the date hereof, complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents. None of the SEC Documents, as of the date filed and as they may have been subsequently amended or restated by filings made by the Company with the SEC prior to the date hereof, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with GAAP, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements or may exclude certain adjusting entries that are otherwise made at year-end) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). No other information provided to the Investors by (x) the Company concerning the Company or its direct or indirect Subsidiaries or their respective operations or (y) any Subsidiary of the Company concerning such Subsidiary or such Subsidiary's direct or indirect Subsidiaries or their respective operations, in each case which is not included in the SEC Documents, contains, to the Knowledge of the Company, any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are or were made, not misleading. Except as set forth on *Schedule 3.7*, the Company is not required to file and will not be required to file any agreement, note, lease, mortgage, deed or other instrument entered into prior to the date hereof and to which the Company is

a party or by which the Company is bound which has not been previously filed as an exhibit to its reports filed with the SEC under the Exchange Act. Except for the issuance of the Purchased Shares contemplated by this Agreement, no event, liability, development or circumstance has occurred or exists with respect to the Company or its Operating Subsidiaries or their respective business properties, operations or financial condition, that would be required to be disclosed by the Company under applicable securities laws and which has not been publicly disclosed. Except as set forth on *Schedule 3.7* or disclosed in the SEC Documents, to the Knowledge of the Company, no circumstance, condition, event or arrangement exists that could reasonably be expected to give rise hereafter to any direct or indirect obligation or liability of the Company or its Subsidiaries that, individually or in the aggregate, could have a Material Adverse Effect.

(b) The Company has (i) delivered to the Investors true and complete copies of, (x) all correspondence relating to the Company between the SEC and Nasdaq and the Company or, to the Knowledge of the Company, its legal counsel and accountants since January 1, 2001 (other than routine SEC filing package cover letters) and (y) to the Knowledge of the Company, all correspondence between the Company or its counsel and the Company's auditors since January 1, 2001, relating to any audit, financial review or preparation of financial statements of the Company (other than correspondence which the Company reasonably believes is subject to a privilege), (ii) disclosed to the Investors the content of all material discussions between the SEC and Nasdaq, on the one hand, and the Company or, to the Knowledge of the Company, its legal counsel, on the other hand, and (iii) delivered to the Investors true and complete copies of all material correspondence between the Company and its outside auditors concerning the adequacy or form of any SEC Document filed with the SEC since January 1, 2001. Except as set forth in that certain SEC comment letter dated January 18, 2002, the Company is not aware of any issues raised by the SEC with respect to any of the SEC Documents, other than those disclosed in the SEC Documents.

3.8 *Absence of Certain Changes.* Except as disclosed in the SEC Documents, since December 31, 2001, there has been no change or development that has had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. Except as set forth on *Schedule 3.8*, neither the Company nor any of its Operating Subsidiaries has taken any steps, nor currently expects to take any steps, to seek protection pursuant to any bankruptcy law nor, to the Knowledge of the Company, have any reason to believe that its respective creditors intend to initiate involuntary bankruptcy proceedings. The Company has not declared or paid any dividends, and, as of the date hereof, except as disclosed in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002 or as set forth on *Schedule 3.8*, the Company has not, since December 31, 2001, sold any assets, individually or in the aggregate, in excess of two million five hundred thousand dollars ($2,500,000) outside of the ordinary course of business or had capital expenditures, individually or in the aggregate, in excess of thirty million dollars ($30,000,000).

3.9 *Absence of Litigation.* Except as set forth on *Schedule 3.9*, to the Knowledge of the Company, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, Governmental Authority or body pending or threatened against or affecting the Company, the Common Stock or any of the Operating Subsidiaries or any of the Company's or the Operating Subsidiaries' officers or directors in their capacities as such that could result in claims or charges individually in excess of one million dollars ($1,000,000), or in the aggregate in excess of five million dollars ($5,000,000). To the Knowledge of the Company, none of the directors or officers of the Company have been a party to any securities related litigation during the past five years other than as set forth in the 2001 Form 10-K under Item 3—Legal Proceedings.

3.10 *Offering; No Integration.* Subject to the accuracy of each Investor's representations set forth in this Agreement, the offer, sale and issuance of the Purchased Shares as contemplated by this Agreement are exempt from the registration requirements of the Securities Act and all applicable state

securities laws, and neither the Company nor any of its Affiliates nor any other Person engaged by the Company or acting with express authority on its or their behalf will knowingly take any action hereafter that would cause the loss of such exemption. Neither the Company nor, to the Knowledge of the Company, any of its Affiliates nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would violate applicable state securities or "blue sky" laws or require registration of the issuance by the Company of any of the Purchased Shares under the Securities Act or cause the offering of the Purchased Shares to be integrated with prior offerings by the Company for purposes of the

Securities Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of any exchange or automated quotation system, including Nasdaq, on which any of the securities of the Company are listed or designated, nor will the Company or any of its Subsidiaries take any action or steps that would require registration of the issuance of any of the Purchased Shares by the Company under the Securities Act or cause the offering of the Purchased Shares to be integrated with other offerings.

3.11 *Employment Matters.* (a) Except as set forth on *Schedule 3.11*, neither the Company nor any of its Operating Subsidiaries is involved in any labor dispute (except any such dispute(s) as would not, either individually or in the aggregate, have a Material Adverse Effect) nor, to the Knowledge of the Company, is any such labor dispute threatened. Except as set forth on *Schedule 3.11*, neither the Company nor, to the Knowledge of the Company, any of its Operating Subsidiaries has received any notification that any employee is a member of or represented by a labor union which relates to such employee's relationship with the Company and none of the Company's or, to the Knowledge of the Company, its Operating Subsidiaries' employees is a member of or represented by any such labor union. Neither the Company nor any of its Operating Subsidiaries is a party to a collective bargaining agreement. No executive officer (as defined in Rule 501(f) of the Securities Act) has notified the Company that such officer intends to leave the Company or otherwise terminate such officer's employment with the Company.

(b) The Company and its Operating Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours and benefits, except where failure to be in compliance would not, either individually or in the aggregate, have a Material Adverse Effect.

3.12 *Employee Benefit Plans.* (a) *Schedule 3.12* lists or describes each Plan with respect to which the Company reasonably expects to incur in the ordinary course of business an annual obligation of more than five hundred thousand dollars ($500,000) that the Company or any of its Operating Subsidiaries maintains or to which the Company or any of its Operating Subsidiaries contributes (the "*Specified Plans*"). Other than as set forth on *Schedule 3.12*, neither the Company nor any of its Operating Subsidiaries has any annual liability with respect to any Plan in an amount greater than or equal to $500,000. Neither the Company nor any Commonly Controlled Entity maintains or contributes to, or has within the preceding six years maintained or contributed to, or has any liability with respect to (x) any Specified Plan that is subject to Title IV of ERISA or Section 412 of the Code or (y) any "*multiple employer plan*" within the meaning of the Code or ERISA. Each Specified Plan (and related trust, insurance contract or funding instrument) has been established and administered in accordance with its terms, and complies in all material respects in form and in operation with the applicable requirements of ERISA and the Code and other applicable Requirements of Law. Each Plan (and related trust, insurance contract or funding instrument) other than the Specified Plans that is subject to the requirements of ERISA or the Code or other applicable Requirements of Law of any federal or state jurisdiction of the United States of America complies in all material respects in form and in operation with the applicable requirements of ERISA and the Code and other applicable Requirements of Law of United States federal or state jurisdictions; provided that, in the case of any such Plans as described in this sentence that are or have been established or administered by or on behalf of any

Non-Operating Subsidiary, such representations and warranties are provided to the Knowledge of the Company only. No event, circumstance, condition or liability (or series of related events, circumstances, conditions or liabilities) with respect to any Plan or Plans has occurred or exists or has been incurred, in each case except as has not had, individually or in the aggregate, a Material Adverse Effect. All contributions (including all employer contributions and employee salary reduction contributions) which are due have been paid to each Specified Plan.

(b) Except as set forth on *Schedule 3.12*, to the Knowledge of the Company, no claim with respect to the administration or the investment of the assets of any Specified Plan or on any other grounds with respect to any Specified Plan (other than routine claims for benefits) is pending and no such claim has been threatened.

(c) Except as set forth on *Schedule 3.12*, each Specified Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period since its adoption and each trust created under any such Plan is exempt from tax under Section 501(a) of the Code and has been so exempt since its creation.

(d) No Specified Plan is a Retiree Welfare Plan.

(e) Except as set forth on *Schedule 3.12*, neither the consummation of the transactions contemplated by this Agreement nor any termination of employment following such transactions will accelerate the time of the payment or vesting of, or increase the amount of, compensation due to any employee or former employee whether or not such payment would constitute an "*excess parachute payment*" under section 280G of the Code.

(f) There are no material unfunded obligations under any Plan which would be required under applicable Requirements of Law or GAAP to be reflected in the financial statements contained in the SEC Documents that are not so reflected therein.

(g) Except as has not had a Material Adverse Effect, the Company has no liability, whether absolute or contingent, including any obligations under any Specified Plan, with respect to any misclassification of any person as an independent contractor rather than as an employee, and, to the Knowledge of the Company, there are no facts that could give rise to such liability.

(h) No party, including the Company and each Commonly Controlled Entity, has engaged in a non-exempt prohibited transaction, as such term is defined in Section 4975 of the Code, with respect to any Specified Plan.

(i) No event has occurred and no condition exists that would subject the Company or any Operating Subsidiary to any tax under Chapter 43 of the Code or to a fine under Section 502(c) of ERISA, except where such tax or fine would not result, either individually or in the aggregate, in a Material Adverse Effect.

3.13 *Intellectual Property Rights.* Except as set forth on *Schedule 3.13*, to the Knowledge of the Company, the Company and its Operating Subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights necessary to conduct their respective businesses as now conducted, except where the failure to own or possess such rights would not result, either individually or in the aggregate, in a Material Adverse Effect. To the Knowledge of the Company, neither the Company nor any of its Operating Subsidiaries is in default under any intellectual property license and the transactions contemplated hereby will not materially adversely affect the rights of the Company or any of its Operating Subsidiaries under any such licenses. To the Knowledge of the Company, none of the Company's or its Operating Subsidiaries' trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals,

governmental authorizations, trade secrets or other intellectual property rights have expired or terminated, or are expected to expire or terminate (without being renewed) within two years from the date of this Agreement, except where such expiration or termination would not result, either individually or in the aggregate, in a Material Adverse Effect. Except as would not have a Material Adverse Effect, to the Knowledge of the Company, neither the Company nor its Operating Subsidiaries have infringed upon the trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, trade secrets or other intellectual property rights of others. Except as would not have a Material Adverse Effect or as set forth on *Schedule 3.9*, to the Knowledge of the Company, there is no claim, action or proceeding being made or brought against or being threatened against the Company or its Operating Subsidiaries regarding its trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, trade secrets, or infringement of other intellectual property rights of others. To the Knowledge of the Company, there is no pending United States or foreign patent application or trademark or copyright registration that would limit or prohibit the Company's or its Operating Subsidiaries' business as now conducted if such application or registration is granted. The Company and, to the Knowledge of the Company, its Operating Subsidiaries have taken commercially reasonable security measures to protect the secrecy, confidentiality and value of all of their material intellectual properties.

3.14 *Title.* The Company and its Operating Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them in either case which is material to the business of the Company and its Operating Subsidiaries, in each case free and clear of all Liens, except such as are set forth on *Schedule 3.14* or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and any of its Operating Subsidiaries. To the Knowledge of the Company, any real property and facilities held under lease by the Company and any of its Operating Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and facilities by the Company and its Operating Subsidiaries.

3.15 *Environmental Laws.* (a) Except in each case where the failure of the Company and its Operating Subsidiaries would not, either individually or in the aggregate, have a Material Adverse Effect, the Company and its Operating Subsidiaries (i) are in compliance with any and all Environmental Laws, (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval. Except as would not have a Material Adverse Effect, to the Knowledge of the Company, with respect to the Company and/or its Operating Subsidiaries (x) there are no past or present releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under any Environmental Law and (y) neither the Company nor any of its Operating Subsidiaries has received any notice with respect to the foregoing, nor is any action pending or threatened in connection with the foregoing. The term "*Environmental Laws*" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "*Hazardous Materials*") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, injunctions, judgments, orders, permits or regulations issued, entered, promulgated or approved thereunder.

(b) Other than those that are or were stored, used or disposed of in compliance in all material respects with applicable law, to the Knowledge of the Company, (i) no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Operating Subsidiaries, and (ii) no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Operating Subsidiaries during the period the property was owned, leased or used by the Company or any of its Operating Subsidiaries.

(c) To the Knowledge of the Company, there are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Operating Subsidiaries that are not in compliance in all material respects with applicable law.

3.16 *Insurance.* The Company and each of its Operating Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Company believes to be prudent and customary in the businesses in which the Company and its Operating Subsidiaries are engaged. Except as set forth on *Schedule 3.16*, neither the Company nor, to the Knowledge of the Company, any of its Operating Subsidiaries has been refused any insurance coverage sought or applied for and neither the Company nor, to the Knowledge of the Company, any of its Operating Subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business in all material respects as presently conducted.

3.17 *Regulatory Permits.* Except for Permits (as defined below) the absence of which would not result, either individually or in the aggregate, in a Material Adverse Effect, (i) the Company and its Operating Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses (the "*Permits*"), and (ii) neither the Company nor any such Operating Subsidiary has received any notice of proceedings relating to the revocation or modification of any such Permit.

3.18 *Tax Status.* Except as set forth on *Schedule 3.18*, each of the Company and, to the Knowledge of the Company, each of its Operating Subsidiaries (i) has made or filed all federal, state, local and foreign tax returns, reports, statements and declarations required by any jurisdiction to which it is subject, and each such return, report, statement and declaration is true, correct and complete in all material respects, (ii) has paid all material taxes, penalties, interest, additions to tax and other governmental assessments and charges to the extent due and payable, whether or not shown to be due on any such return, report, statement or declaration, except to the extent such amounts are being contested in good faith and for which the Company or such Operating Subsidiary has made appropriate reserves on its books, (iii) has withheld or deducted all material taxes or other amounts from payments to employees or other persons required to be deducted or withheld, and has timely paid over such taxes or other amounts to the appropriate taxing authorities to the extent due and payable, except to the extent such amounts are being contested in good faith and for which the Company or such Operating Subsidiary has made appropriate reserves on its books, and (iv) has set aside on its books provisions reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports, statements or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and, to the Knowledge of the Company, there is no basis for any such claim.

3.19 *Transactions With Affiliates.* Except as set forth on *Schedule 3.19* or in the SEC Documents, and other than grants of stock options set forth on *Schedule 3.3*, none of the officers, directors or employees of the Company is presently a party to any transaction with the Company or any of its Operating

Subsidiaries (other than for services as employees, officers or directors) that would be required to be reported by Regulation S-K, Item 404, promulgated under the Securities Act, including any contract, agreement or other arrangement providing for the furnishing of services to or by,

providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such officer, director or employee or, to the Knowledge of the Company, any corporation, partnership, trust or other entity in which any such officer, director, or employee has a substantial interest or is an officer, director, trustee or partner.

3.20 *Application of Takeover Protections.* The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under the Shareholder Rights Plan or other rights agreement) or other similar anti-takeover provision under the Certificate of Incorporation, the laws of the State of Delaware or the laws of any other state which is or could become applicable to the Investors as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Purchased Shares and the shares of Common Stock issuable upon conversion thereof (the "*Conversion Shares*" and, together with the Purchased Shares, the "*Securities*") and the Investors' ownership of such Securities. The Company specifically represents, warrants and agrees that, regardless of the number of Purchased Shares or Conversion Shares of which each Investor is deemed the Beneficial Owner (as defined in the Shareholder Rights Plan), none of the Investors are intended to be or will be deemed to be an Acquiring Person within the meaning of the Shareholder Rights Plan because of the acquisition of any of the Securities pursuant to this Agreement, and the acquisition of any of the Securities pursuant to this Agreement, shall not, under any circumstances, trigger a Section 11(a)(ii) Event or Section 13 Event within the meaning of the Shareholder Rights Plan; *provided*, *however*, that only Securities acquired pursuant to or contemplated by this Agreement (including the Conversion Shares) shall be deemed excluded from the number of shares of Common Stock deemed Beneficially Owned by each Investor in determining whether such Investor is an Acquiring Person within the meaning of the Shareholder Rights Plan.

3.21 *Rights Plans.* Except for the Shareholder Rights Plan, the Company has not adopted any other shareholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Common Stock or a change in control of the Company.

3.22 *No Other Agreements.* The Company has not, directly or indirectly, made any agreements with any Investors relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

3.23 *Investment Company Status.* The Company is not, and upon consummation of the sale of the Purchased Shares will not be, an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

3.24 *Foreign Corrupt Practices.* To the Knowledge of the Company, neither the Company nor any of its Operating Subsidiaries, nor any director, executive officer, authorized agent, employee or other person acting on behalf of the Company or any Operating Subsidiary has, in the course of his actions for, or on behalf of, the Company or any Operating Subsidiary used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

3.25 *Indentures.* The Company has delivered to the Investors true and complete copies of all material notices, certificates, communications and other instruments that have been delivered by the Company, its Affiliates or any of their respective officers or employees pursuant to all indentures with respect to the Notes and other material Indebtedness of the Company. The conversion price of the Convertible Debentures in effect as of the date hereof is $49.7913. Except for (i) that certain Supplemental Indenture, dated as of January 20, 1999, between the Company and First Union National

Bank in respect of the Company's $11^{3}/_{4}$% Senior Notes due 2004 and (ii) that certain First Supplemental Indenture, dated as of June 30, 1999, between the Company and First Union National Bank in respect of the Company's $11^{1}/_{4}$% Senior Notes due 2009, none of the indentures in respect of the Notes and none of the Notes have been amended or modified in any material manner since the original issuance of such Notes. Except as described in the SEC Documents, and except as set forth on *Schedule 3.25* or as undertaken to achieve the Restructuring Criteria, no redemption, repurchase or defeasance of any of the Notes has occurred since the original issuance thereof.

3.26 *Potential Conflicts of Interest.* Except as set forth on *Schedule 3.26* or disclosed in the SEC Documents, to the Knowledge of the Company, no officer, director or stockholder beneficially owning more than 5% of the outstanding shares of Common Stock, no spouse of any such officer, director or stockholder, and no Affiliate of any of the foregoing (a) owns, directly or indirectly, any interest in (excepting less than one percent (1%) stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor of the Company or any of its Operating Subsidiaries; (b) owns, directly or indirectly, any interest in any Person which interest is required to be reported in the SEC Documents pursuant to Regulation S-K; (c) owns, directly or indirectly, in whole or in part, any tangible or intangible property that the Company or any of its Operating Subsidiaries use, in the conduct of business; or (d) has any cause of action or other claim whatsoever against, or owes or has advanced any amount to, the Company or any of its Operating Subsidiaries, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under employee benefit plans, and similar matters and agreements existing on the date hereof.

3.27 *Trade Relations.* There exists no actual or, to the Knowledge of the Company, threatened termination, cancellation or limitation of, or any material adverse modification or change in, the business relationship of the Company or any of its Operating Subsidiaries with, or any contract or arrangement with, any customer or supplier or any group of customers or suppliers, which, if such termination, cancellation or limitation, or material modification or change, occurred, would have a Material Adverse Effect.

3.28 *Broker's, Finder's or Similar Fees.* There are no brokerage commissions, finder's fees or similar fees or commissions payable by the Company or any of its Operating Subsidiaries in connection with the transactions contemplated hereby based on any agreement, arrangement or understanding with the Company or any of its Operating Subsidiaries or any action taken by any such Person.

3.29 *Nasdaq Compliance.* The Common Stock is listed on Nasdaq, and the Company has taken no action designed to or, to the Knowledge of the Company, likely to have the effect of suspension of or delisting the Common Stock from Nasdaq.

3.30 *Miscellaneous Transactions.* Except as set forth on *Schedule 3.30*, neither the Company nor any of its Operating Subsidiaries has engaged in any transaction (or series of related transactions) in the past three (3) fiscal years, or any transaction (or series of related transactions) that is ongoing, that involves (i) any swap of revenue streams (including, without limitation, any swap of indefeasible rights of use or other similar right); (ii) any off-balance sheet financing of any asset (including, without limitation, any synthetic lease for real property); (iii) any payments to or credit arrangements with any customers or potential customers in an amount individually in excess of ten thousand dollars ($10,000) in connection with entering into any sales contract involving the Company's or any of its Operating Subsidiaries' products or services (a "*Company Sales Contract*"); (iv) any long- or short-term commitment by the Company to purchase goods or services of any other company in exchange for or in connection with entering into any Company Sales Contract; (v) any grant of any right to acquire any securities of the Company in connection with entering into any Company Sales Contract; or (vi) any other arrangement, understanding or agreement with any third party that would have the effect of artificially reducing the Company's expenses, increasing the Company's net revenues or otherwise

distorting the Company's results of operations and financial condition such that the financial statements of the Company do not or will not fairly present in all material respects the financial position of the Company as the date of such financial statements and the results of the Company's operations and cash flows for the periods therein indicated (subject, in the case of unaudited statements, to normal year-end audit adjustments) in accordance with GAAP, consistently applied during the periods therein indicated (except (x) as may be otherwise indicated in such financial statements or the notes thereto, or (y) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements or may exclude certain adjusting entries that are otherwise made at year-end).

3.31 *Non-Operating Subsidiaries.* None of the Non-Operating Subsidiaries conducts any business or other operations. No event, circumstance, condition or liability (or series of related events, circumstances, conditions or liabilities) with respect to any one or more of the Non-Operating Subsidiaries has occurred or exists or has been incurred that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF EACH OF THE INVESTORS

Each of the Investors hereby represents and warrants, severally and not jointly, to the Company as follows:

4.1 *Organization.* Such Investor is a limited partnership, corporation, partnership or limited liability company duly organized and validly existing under the laws of the jurisdiction of its formation.

4.2 *Authorization; Enforcement; Validity.* Such Investor has the requisite partnership, corporate or limited liability company, as the case may be, power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Transaction Documents to which it is a party. The execution, delivery and performance by such Investor of this Agreement and each of the other Transaction Documents to which it is a party and the transactions contemplated hereby and thereby have been duly authorized by all necessary partnership, corporate or limited liability company, as the case may be, action. This Agreement has been, and as of the Initial Closing Date each of the other Transaction Documents will have been, duly executed and delivered by such Investor, and no further consent or authorization is required by such Investor or its governing body, and this Agreement constitutes and, as of the Initial Closing Date each of the other Transaction Documents will constitute, the legal, valid and binding obligations of such Investor, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

4.3 *No Conflicts.* The execution, delivery and performance by such Investor of this Agreement and each of the other Transaction Documents to which it is a party and the transactions contemplated hereby and thereby (i) do not contravene the terms of such Investor's organizational documents, or any amendment thereof, (ii) do not violate, conflict with or result in any breach or contravention of, or the creation of any Lien under, any contractual obligation of such Investor or any Requirement of Law applicable to such Investor, and (iii) do not violate any Orders against, or binding upon, such Investor.

4.4 *Purchase for Own Account.* The Purchased Shares to be acquired by such Investor pursuant to this Agreement are being or will be acquired for its own account and with no intention of distributing or reselling such Purchased Shares or any part thereof in any transaction that would be in violation of the securities laws of the United States of America, any state of the United States or any foreign jurisdiction, without prejudice, however, to the rights of such Investor at all times to sell or

otherwise dispose of all or any part of such Purchased Shares or the Conversion Shares, subject to the terms and conditions of the Registration Rights Agreement, under an effective registration statement under the Securities Act, or under an exemption from such registration available under the Securities Act, and subject, nevertheless, to the disposition of such Investor's property being at all times within its control.

4.5 *Accredited Investor.* Such Investor is an "Accredited Investor" within the meaning of Rule 501 of Regulation D under the Securities Act, as presently in effect.

4.6 *Experience.* Such Investor, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in its Purchased Shares. Such Investor is able to bear the economic risk of an investment in the Purchased Shares.

4.7 *Access to Information.* Such Investor acknowledges that it has reviewed the SEC Documents and has been afforded: (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the

Purchased Shares and the merits and risks of investing in the Purchased Shares; (ii) access to publicly available information about the Company, the Condition of the Company and, to the extent there is publicly available information about the Company's Subsidiaries, the Company's Subsidiaries sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. Neither such inquiries nor any other investigation conducted by or on behalf of such Investor or its representatives or counsel shall modify, amend or affect such Investor's right to rely on the truth and accuracy of the Company's representations and warranties contained in the Transaction Documents.

4.8 *General Solicitation.* Such Investor is not purchasing the Purchased Shares as a result of any advertisement, article, notice or other communication regarding the Purchased Shares published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

4.9 *Reliance.* Such Investor understands and acknowledges that: (i) the Purchased Shares are being offered and sold to it without registration under the Securities Act in a private placement that is exempt from the registration provisions of the Securities Act and (ii) the availability of such exemption depends in part on, and the Company will rely upon the accuracy and truthfulness of, the foregoing representations and such Investor hereby acknowledges and consents to such reliance.

4.10 *Transfer or Resale.* Such Investor understands and acknowledges that (i) the Securities have not been and are not being registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder or (B) such Investor provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 promulgated under the Securities Act (or a successor rule thereto) ("*Rule 144*"); (ii) any sale of Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and (iii) except as set forth in the Registration Rights Agreement, neither the Company nor any other person is under any obligation to register the Securities under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

4.11 *Legend.* Such Investor understands and acknowledges that the stock certificates representing the Securities, except as set forth below, shall bear a restrictive legend in substantially the following form:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR (B) AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

The legend set forth above shall be removed upon a written request to the Company's transfer agent for removal and the Company shall issue the relevant securities without such legend to the holder of the Securities requesting such removal if (i) such Securities are registered for resale under the Securities Act, (ii) in connection with a sale transaction, a public sale, assignment or transfer of the Securities may be made without registration under the Securities Act, or (iii) such holder provides the Company with reasonable assurances that the Securities can be sold pursuant to Rule 144. Notwithstanding anything to the contrary in the foregoing, the Company shall have no obligation to register the Securities except in accordance with the Registration Rights Agreement.

4.12 *Governmental Authority Consents.* The Investors are not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or Governmental Authority in order for them to execute, deliver or perform any of their obligations under or contemplated by the Transaction Documents.

4.13 *Broker's, Finder's or Similar Fees.* There are no brokerage commissions, finder's fees or similar fees or commissions payable by the Investors in connection with the transactions contemplated hereby based on any agreement, arrangement or understanding with the Investors or any action taken by any such Person.

4.14 *Statements to Nasdaq.* The statements set forth in the third paragraph of the Nasdaq Application Letter under the heading "Rule 4350(i)(1)(B)" describing the Investors and their relationship among one another are true and correct as of the date of the Nasdaq Application Letter.

ARTICLE 5

CONDITIONS TO THE INVESTORS' OBLIGATIONS AT EACH CLOSING

The obligations of each Investor to purchase and pay for the Initial Shares at the Initial Closing and each Lead Investor to purchase and pay for the Additional Shares at each Subsequent Closing, in each case as provided in Article 2 hereof, are subject to the satisfaction by the Company or waiver by such Investor of each of the following conditions, the waiver of which shall not be effective against any Investor who does not consent thereto:

5.1 *Representations and Warranties.* The representations and warranties of the Company contained in Article 3 shall be true and correct on and as of the Initial Closing Date, with the same effect as though such representations and warranties had been made on and as of the Initial Closing Date (except for representations and warranties that speak as of a specific date, in which case such representations and warranties shall be true and correct on and as of such specific date).

5.2 *Performance.* The Company shall have performed and complied with all agreements and obligations contained in this Agreement or the other Transaction Documents that are required to be performed or complied with by it on or before each Closing Date.

5.3 *Officer's Certificate.* With respect to the Initial Closing only, the Company shall have delivered to the Investors a certificate of an executive officer of the Company, dated the Initial Closing Date, certifying to the effect that the conditions contained in Sections 5.1 and 5.2 have been fulfilled.

5.4 *Approvals.* Subject only to obtaining the Required Stockholder Approval, if any, with respect to the Additional Shares, all authorizations, approvals or permits, if any, of any Governmental Authority that are required in connection with the issuance and sale of the Purchased Shares pursuant to this Agreement shall be obtained and effective as of the Initial Closing Date. The Company shall have obtained all necessary "blue sky" permits and qualifications, or have the availability of exemptions therefrom, required by any state for the offer and sale of the Purchased Shares.

5.5 *Nasdaq Authorization Letter.* With respect to the Initial Closing only, the Company shall have obtained and delivered to the Investors a copy of an express and unqualified written authorization from Nasdaq (the "*Nasdaq Authorization Letter*") authorizing the consummation of the transactions contemplated hereby in accordance with the terms hereof and the other Transaction Documents without first obtaining the approval of the stockholders of the Company as might otherwise be required pursuant to the Nasdaq Marketplace Rules.

5.6 *Registration Rights Agreement.* With respect to the Initial Closing only, the Company and the Investors shall have entered into a registration rights agreement substantially in the form attached hereto as *Exhibit E* (the "*Registration Rights Agreement*").

5.7 *Opinion of Counsel.* The Investors shall have received the opinion of Kelley Drye & Warren LLP, counsel to the Company, dated the Initial Closing Date, in the form set forth as *Exhibit F* attached hereto.

5.8 *Organizational Documents.* With respect to the Initial Closing only, the Company shall have delivered to the Investors (a) a certificate evidencing the good standing of the Company in the State of Delaware issued by the Secretary of State of the State of Delaware and dated no earlier than three (3) Business Days prior to the Initial Closing Date, (b) a certificate of the Secretary of the Company, dated as of the Initial Closing Date, certifying as to (i) the resolutions of the Board of Directors approving this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby and the appointment of Mr. Paul Pizzani to the Board of Directors to serve in the capacity as a director of the Company (and certifying that such resolutions have not been modified, amended or revoked and remain in full force and effect), (ii) the Certificate of Incorporation, as in effect as of the Initial Closing Date, and (iii) the By-laws, as in effect as of the Initial Closing Date, and (c) a certified copy (or copy thereof) of the Certificate of Incorporation as certified by the Secretary of State of the State of Delaware as of a date within five (5) Business Days of the Initial Closing Date.

5.9 *Filings.* The Company shall have made all filings, if any, under all applicable federal and state securities laws necessary to consummate the issuance of the Purchased Shares pursuant to this Agreement in compliance with such laws.

5.10 *Nasdaq Listing.* With respect to the Initial Closing only, the Common Stock shall not have been suspended by the SEC from trading on Nasdaq nor have been delisted by Nasdaq nor shall suspension by the SEC or Nasdaq or delisting by Nasdaq have been threatened (for any reason other than the failure to satisfy the minimum quantitative listing maintenance requirements set forth in Nasdaq Marketplace Rules 4310(c)(2)(B) and 4310(c)(4)) either (A) in writing by the SEC or Nasdaq or (B) as a result of a failure to maintain the other minimum listing maintenance requirements of Nasdaq. With respect to the Initial Closing only, the Company shall be in full compliance with the

Nasdaq Marketplace Rules (except for the minimum quantitative listing maintenance requirements set forth in Nasdaq Marketplace Rules 4310(c)(2)(B) and 4310(c)(4)), including, without limitation, having filed such forms as are necessary to comply with Nasdaq Marketplace Rule 4310(c)(17).

5.11 *Reimbursement of Expenses.* With respect to the Initial Closing only, the Reimbursable Expenses shall have been paid by the Company to the Investors by wire transfer of immediately available funds in accordance with the Investors' written wire transfer instructions delivered to the Company prior to the date hereof.

5.12 *Purchased Shares.* The Company shall have delivered to each Investor valid certificates in the form attached hereto as *Exhibit G* representing, in the case of the Initial Closing, the number of Initial Shares set forth opposite such Investor's name on *Schedule 2.1* hereto or, in the case of any Subsequent Closing, the number of Additional Shares to be issued and sold to such Investor at such Subsequent Closing, in each case registered in the name of such Investor.

5.13 *Amendment of Shareholder Rights Plan.* With respect to the Initial Closing only, the Company shall have delivered to the Investors evidence that the Shareholder Rights Plan has been amended, in form and substance satisfactory to the Investors, establishing that each Investor is an Exempt Person (as defined in the Shareholder Rights Plan) and to permit each Investor to consummate the transactions contemplated by this Agreement (including the purchase by the Lead Investors of the full number of Additional Shares) and each of the other Transaction Documents without triggering a Section 11(a)(ii) Event (as defined in the Shareholder Rights Plan) or a Section 13 Event (as defined in the Shareholder Rights Plan).

5.14 *Transfer Agent Letter.* The Company shall have delivered to such Investor (a) a letter from the Company's transfer agent certifying the number of shares of Common Stock outstanding as of a date no earlier than three (3) Business Days prior to the Initial Closing Date and (b) a copy of the irrevocable transfer agent instructions delivered by the Company to, and acknowledged as received by, such transfer agent prior to each Closing Date in the form attached hereto as *Exhibit D*.

5.15 *Restructuring Criteria.* With respect to the Initial Closing only, the Company shall have effectuated such transactions and otherwise have taken such measures with respect to its Indebtedness as appropriate to cause or result in, after giving pro forma effect to application of Investment Amount proceeds as contemplated by Section 2.6 hereof, (A) Net Debt of the Company immediately following the Initial Closing being no more than four hundred eighty-five million dollars ($485,000,000), (B) a weighted-average annual interest rate attributable to the Company's Net Debt outstanding immediately following the Initial Closing of less than thirteen percent (13%) per annum for the two year period following the Initial Closing Date, and (C) aggregate underwriting, exchange agent and/or similar investment advisory fees incurred in connection with the implementation of the foregoing being reasonable and customary (the foregoing items (A), (B) and (C), the "*Restructuring Criteria*").

5.16 *Subsequent Closing Specified Condition.* With respect to each Subsequent Closing only, the Company shall have delivered to the Lead Investors a certificate of an executive officer of the Company, dated the applicable Subsequent Closing Date, certifying to the effect that (i) the Required Stockholder Approval has been obtained as of such Subsequent Closing Date, in which case all of the remaining Additional Shares not theretofore sold and issued to the Lead Investors shall be sold and issued to the Lead Investors at such Subsequent Closing, or (ii) each of AIG GSEF's and the AIG Gem Investors' respective fully

diluted ownership interest in the Company on an "as converted" basis as of the applicable Subsequent Closing Date has been diluted since the Initial Closing Date (taking into account the effect of adjustments to the Conversion Ratio in accordance with the terms of the Certificate of Designation) as a result of additional issuances of equity securities of the Company, or Stock Equivalents, in accordance with the terms of the Certificate of Designation, such that each of AIG GSEF's and the AIG Gem Investors' respective fully diluted ownership interest in the Company on an "as converted" basis, after giving effect to the sale and issuance to the Lead Investors on such

Subsequent Closing Date of the maximum number of Additional Shares as may be sold and issued to the Lead Investors without either of AIG GSEF's or the AIG Gem Investors' respective fully diluted ownership interest in the Company on an "as converted" basis exceeding nineteen and ninety-nine one-hundredths of one percent (19.99%), is less than nineteen and ninety-nine one-hundredths of one percent (19.99%); *provided*, *however*, that in no event shall the number of Additional Shares issued at any Subsequent Closing to the Lead Investors in the aggregate be less than that number of Additional Shares as shall be obtained by dividing one million dollars ($1,000,000.00) by the Per Share Issue Price in effect as of the applicable Subsequent Closing Date, or (iii) a third party has acquired equity securities of the Company, or securities convertible into or exercisable or exchangeable for equity securities of the Company, resulting in such third party, directly or indirectly through one or more affiliates, holding a fully diluted ownership interest in the Company on an "as converted" basis that is greater than that of the Lead Investors in the aggregate, in which case all of the remaining Additional Shares not theretofore sold and issued to the Lead Investors shall be sold and issued to the Lead Investors at such Subsequent Closing.

5.17 *Miscellaneous.* With respect to the Initial Closing only, the Company shall have delivered to the Investors such other documents relating to the transactions contemplated by the Transaction Documents as the Investors or their counsel may reasonably request.

ARTICLE 6

CONDITIONS TO THE COMPANY'S OBLIGATIONS AT EACH CLOSING

The obligations of the Company to sell, issue and deliver the Purchased Shares to each Investor at the Closings, as provided in Article 2 hereof, are subject to the satisfaction by such Investor or waiver by the Company of each of the following conditions:

6.1 *Representations and Warranties.* The representations and warranties of such Investor contained in Article 4 shall be true and correct on and as of the Initial Closing Date with the same effect as though such representations and warranties had been made on and as of the Initial Closing Date (except for representations and warranties that speak as of a specific date, in which case such representations and warranties shall be true and correct on and as of such specific date).

6.2 *Performance.* Such Investor shall have performed and complied with all agreements and obligations contained in this Agreement or the other Transaction Documents that are required to be performed or complied with by it on or before each Closing Date.

6.3 *Nasdaq Authorization Letter.* With respect to the Initial Closing only, the Company shall have received the Nasdaq Authorization Letter.

6.4 *Purchase Price.* Such Investor shall have paid its respective purchase price for such Investor's Purchased Shares in the manner described in Article 2 hereof, which purchase price shall be, in the case of the Initial Closing, as indicated on *Schedule 2.1* hereto or, in the case of any Subsequent Closing, as calculated in accordance with Sections 2.2 and 2.4 hereof.

6.5 *Miscellaneous.* With respect to the Initial Closing only, each Investor shall have delivered to the Company such other documents relating to the transactions contemplated by the Transaction Documents as the Company or its counsel may reasonably request.

ARTICLE 7

INDEMNIFICATION; SURVIVAL

7.1 *Indemnification.* Except as otherwise provided in this Article 7, the Company, on the one hand, and each of the Investors severally and not jointly, on the other hand (each of the Company, on the one hand, and each of the Investors severally and not jointly, on the other hand, an "*Indemnifying*

Party") agrees to indemnify, defend and hold harmless the other and their Affiliates and their respective officers, directors, agents, advisors, employees, subsidiaries, partners, members and controlling persons (each, an "*Indemnified Party*") to the fullest extent permitted by law from and against any and all claims, damages, liabilities, losses and expenses (but excluding incidental, consequential or punitive damages), or written threats thereof (including, without limitation, any claim by a third party and including reasonable fees, disbursements and other charges of counsel incurred by the Indemnified Party in any action between the Indemnifying Party and the Indemnified Party or between the Indemnified Party and any third party) (collectively, "*Losses*") resulting from or arising out of any breach of any representation or warranty, covenant or agreement by the Indemnifying Party in this Agreement or the other Transaction Documents or any document, instrument or certificate contemplated hereby or thereby. In connection with the obligation of the Indemnifying Party to indemnify for expenses as set forth above, the Indemnifying Party shall, upon presentation of appropriate invoices containing reasonable detail, reimburse each Indemnified Party for all such expenses (including reasonable fees, disbursements and other charges of counsel incurred by the Indemnified Party in any action between the Indemnifying Party and the Indemnified Party or between the Indemnified Party and any third party) as they are incurred by such Indemnified Party. To the extent that the undertaking by the Indemnifying Party to indemnify the Indemnified Parties under this Article 7 may be unenforceable for any reason, the Indemnifying Party shall make the maximum contribution to the payment and satisfaction of each of the Losses that is permissible under applicable law.

7.2 *Notification.* Each Indemnified Party under this Article 7 shall, promptly after the receipt of notice of the commencement of any proceeding against such Indemnified Party or receipt of a written threat thereof in respect of which indemnity may be sought from the Indemnifying Party under this Article 7, notify the Indemnifying Party in writing of the commencement or threat thereof, which notice shall include the basis of all claims asserted in such proceeding or threat, reasonable detail concerning such facts giving rise to such claims of which the Indemnified Party has knowledge and the Losses for which the Indemnified Party is seeking indemnification (or a reasonable and good faith estimate thereof). The failure of any Indemnified Party to deliver to the Indemnifying Party the notice

required by this Section 7.2 shall not relieve the Indemnifying Party from any liability which it may have to such Indemnified Party (a) other than pursuant to this Article 7 or (b) under this Article 7 unless, and only to the extent that, such omission results in the Indemnifying Party's forfeiture of substantive rights or defenses, it being understood that the failure of any Indemnified Party to give notice to the Indemnifying Party of any threat shall in all events be deemed not to result in any such forfeiture of substantive rights or defenses. In case any such proceeding shall be brought against any Indemnified Party, and it shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment; *provided*, *however*, that any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense at its own expense. Notwithstanding the foregoing, in any proceeding in which both the Indemnifying Party, on the one hand, and an Indemnified Party, on the other hand, are, or are reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel and to control its own defense of such proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists under the applicable legal canons of ethics or bar association rules between the Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable; *provided*, *however*, that in such circumstances the Indemnifying Party (i) shall not be liable for the fees and expenses of more than one counsel to all Indemnified Parties and (ii) shall reimburse the Indemnified Parties for all of such fees and expenses of such counsel incurred in any action between the Indemnifying Party and the Indemnified Parties or between the Indemnified Parties and any third party, as such expenses are incurred. The Indemnifying Party agrees that it will not, without the prior written consent of the Indemnified Party, settle, compromise or

consent to the entry of any judgment in any pending or threatened proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising or that may arise out of such proceeding. The Indemnifying Party shall not be liable for any settlement of any proceeding effected against an Indemnified Party without the Indemnifying Party's written consent, which consent shall not be unreasonably withheld. The rights accorded to an Indemnified Party hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise; *provided*, *however*, that notwithstanding the foregoing or anything to the contrary contained in this Agreement, nothing in this Article 7 shall restrict or limit any rights that any Indemnified Party may have to seek equitable relief.

7.3 *Survival.* All of the representations and warranties of the Company (except for the representations and warranties of the Company set forth in Section 3.31 hereof) and the Investors made herein shall survive the execution and delivery of this Agreement and the Initial Closing for a period of twelve (12) months from the later of the date hereof and the Initial Closing Date. The representations and warranties of the Company set forth in Section 3.31 hereof shall survive the execution and delivery of this Agreement and the Initial Closing until the later of (i) the first date upon which the issued and outstanding shares of Series C Preferred Stock held by the Investors, as a group, represent less than five percent (5%) of the total voting power of the Company determined on a fully diluted and "as converted" basis or (ii) the twenty-four (24) month anniversary of the Initial Closing Date. Subject to Section 9.1 hereof, all agreements and covenants of the Company and the Investors made herein shall survive the execution and delivery of this Agreement and the Initial Closing indefinitely except to the extent otherwise specifically provided herein. Notwithstanding anything to the contrary contained herein, each Investor shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

ARTICLE 8
COVENANTS

The Company and the Investors hereby covenant and agree as follows:

8.1 *Commercially Reasonable Efforts.* Each party shall use its commercially reasonable efforts to timely satisfy each of the conditions to be satisfied by it as provided in Articles 5 and 6 of this Agreement.

8.2 *Form D and Blue Sky Laws.* The Company agrees to file a Form D with respect to the Purchased Shares following each Closing Date as required under Regulation D of the Securities Act and to provide a copy thereof to each Investor promptly after such filing. The Company shall make all filings and reports relating to the offer and sale of the Purchased Shares required under applicable securities or "blue sky" laws of the states of the United States following each Closing Date.

8.3 *Financial Statements and Other Information.* Until such time as the Investors shall no longer hold, as a group, shares of Series C Preferred Stock representing at least five percent (5%) of the total voting power or voting securities of the Company on a fully diluted and as converted basis, the Company shall, unless such information is contained in SEC Documents and has been filed with the SEC through and is available to the Investors via EDGAR, deliver to each Investor:

(a) not later than ninety (90) days after the end of each fiscal year of the Company or such earlier period as required by SEC rules and regulations applicable to the Company, a copy of the audited consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related statements of operations and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous year, all certified by an appropriate officer of the Company as presenting fairly the consolidated financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis and all in reasonable detail and accompanied by a management summary and analysis of the operations of the Company for such fiscal year and by the opinion of a nationally recognized independent certified public accounting firm; and

(b) not later than forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year or such earlier periods as required by SEC rules and regulations applicable to the Company, the unaudited consolidated balance sheet of the Company and its Subsidiaries, and the related statements of operations and cash flows for such quarter and for the period commencing on the first day of the fiscal year and ending on the last day of such quarter, all certified by an appropriate officer of the Company as presenting fairly the consolidated financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes required by GAAP; and

(c) not later than twenty-five (25) days after the end of each month of each fiscal year, the unaudited consolidated balance sheet of the Company and its Subsidiaries, and, not later than thirty (30) days after the end of each month of each fiscal year, the related statements of operations and cash flows for such month and for the period commencing on the first day of the fiscal year and ending on the last day of such month, all certified by an appropriate officer of the Company as presenting fairly the consolidated financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes required by GAAP; provided that any failure by the Company to deliver any balance sheet or financial statement as provided in this Section 8.3(c) on or prior to the date(s) herein specified shall not constitute a breach of or default under this Agreement by the Company; and

(d) copies of any notices and other information made available or given to the stockholders of the Company generally, contemporaneously with the making available or giving thereof to the stockholders.

8.4 *FIRPTA Certificate.* If requested by any of the Investors, as promptly as practicable, but not later than five (5) days after the end of each fiscal year of the Company, the Company shall deliver to each Investor, in form and substance satisfactory to such Investor, a certificate signed by an executive officer of the Company in customary form certifying that the Company is not a "foreign person" within the meaning of Section 1445 of the Code.

8.5 *Reservation of Common Stock.* The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issue or delivery upon conversion of the Purchased Shares, as provided in the Certificate of Designation, the maximum number of shares of Common Stock that may be issuable or deliverable upon such conversion. Such

shares of Common Stock shall at all times remain duly authorized and, when issued or delivered in accordance with the Certificate of Designation, shall be validly issued, fully paid and non-assessable.

8.6 *Inspection.* Except as otherwise limited by applicable Requirements of Law, and subject to any confidentiality-related restrictions, limitations and obligations that the Company may reasonably request from the Investors, the Company shall permit representatives of the Investors to visit and inspect any of its properties, to examine its corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with their respective directors, officers and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested upon reasonable advance notice to the Company.

8.7 *Required Stockholder Approval.* After the date hereof, the Company shall prepare and file with the SEC a proxy statement to be distributed to the Company's stockholders in connection with a special or annual meeting of the Company's stockholders to be held as promptly as practicable and in any event no later than June 30, 2003, which proxy statement, including any amendments or supplements thereto, shall solicit votes in favor of the Required Stockholder Approval (the "*Proxy Statement*"). Unless and until the condition set forth in Section 5.16 hereof has otherwise been satisfied such that all of the Additional Shares have been sold and issued to the Lead Investors in accordance with the terms hereof, the Company shall use all reasonable commercial efforts to have or cause the Proxy Statement to be cleared by the SEC as promptly as practicable. The Company agrees to provide the Lead Investors and their counsel with drafts of the Proxy Statement prior to filing it with the SEC and any written comments the Company or its counsel may receive from the SEC with respect to the Proxy Statement promptly after the receipt of such comments. The Company will cause the Proxy Statement (i) not to contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading and (ii) to comply as to form with the applicable provisions of the Exchange Act and the rules and regulations thereunder. Following clearance by the SEC of the Proxy Statement, the Company shall, unless the condition set forth in Section 5.16 hereof has otherwise been satisfied such that all of the Additional Shares have been sold and issued to the Lead Investors in accordance with the terms hereof, promptly distribute the Proxy Statement to its stockholders and call and arrange for a special or annual meeting of its stockholders and take such other actions as are required or necessary in order to obtain the Required Stockholder Approval as promptly as practicable. In connection with the solicitation of the Company's stockholders in order to obtain the Required Stockholder Approval, the Board of Directors shall recommend that the Company's stockholders vote in favor of the proposal submitted for their consideration such that, should the requisite number of votes voting in favor of the proposal be obtained, the Required Stockholder Approval shall be obtained.

8.8 *Board Representation & Board Observer.* The Investors shall be entitled to representation on the Board of Directors of the Company and the board observer rights as and in the manner provided in the Certificate of Designation. The Company shall take such steps as are necessary to permit the appointment of the Preferred Director (as defined in the Certificate of Designation) by the holders of the Purchased Shares in accordance with applicable law, the Certificate of Incorporation (including the Certificate of Designation) and the Bylaws of the Company. The Company shall pay the costs and expenses, including reasonable travel, hotel and meal expenses, incurred by the Preferred Director in connection with the execution of his responsibilities in his capacity as a director of the Company. The Company shall in no manner be required to reimburse or make payment for any costs or expenses incurred by or on behalf of the board observer (whether or not relating to attendance at or observation of any Board of Directors meeting), and the Investor (or, as applicable, the holders from time to time of the Purchased Shares) shall bear sole and exclusive responsibility for such costs and expenses of the board observer.

8.9 *Reimbursable Expenses.* At the Initial Closing, the Company shall reimburse the Investors for the reasonable fees and expenses of their counsel incurred in connection with the transactions contemplated by this Agreement on presentation by the Investors of such reasonable documentation evidencing such fees and expenses; *provided, however*, that the aggregate amount payable by the Company for all such fees and expenses shall not exceed $300,000 (collectively, the "*Reimbursable Expenses*"); and *provided further, however*, that, in the event that the Initial Closing does not occur on or before December 31, 2002 (as such date may be extended pursuant to Section 9.1) for any reason other than the Investors' breach of this Agreement, the Company shall pay to the Investors, no later than five (5) Business Days following the Company's receipt of the Investors' request for such payment, which request shall include reasonable documentation evidencing such fees and expenses, an aggregate amount equal to the Reimbursable Expenses by wire transfer of immediately available funds.

8.10 *Stock Option Plans.* From and after the Initial Closing Date, the Company shall maintain an employee stock option plan (the "*Employee Stock Option Plan*") pursuant to which an aggregate maximum (as subject to increase in accordance with the provisions of the Certificate of Designation) of 9,000,000 shares of Common Stock (as adjusted for stock splits and similar events) may be issued from and after the Initial Closing Date upon exercise of Employee Options; *provided, however*, that upon the forfeiture of any Employee Options, the number of shares of Common Stock that would have been issuable upon exercise of such forfeited Employee Options shall be forever ignored and not counted for purposes of determining whether the aggregate maximum number of

shares of Common Stock issuable upon exercise of Employee Options has been reached, and such forfeited Employee Options may thereafter be reissued subject to the terms herein and in the Certificate of Designation. Additional Employee Options may from time to time be granted after the Initial Closing Date pursuant to the Employee Stock Option Plan as determined by the Board of Directors; *provided*, *however*, that, subject to any increase in the aggregate maximum number of shares of Common Stock issuable upon exercise of Employee Options as aforesaid, no additional Employee Options shall be granted if, as of the date such additional Employee Options are to be granted, taking into account the number of shares of Common Stock issuable upon exercise thereof, the number of shares of Common Stock issued after the Initial Closing Date upon exercise of Employee Options plus the number of shares of Common Stock issuable upon exercise of unexercised and unforfeited Employee Options granted or to be granted is greater than 9,000,000 shares (as adjusted for stock splits and similar events).

8.11 *Preemptive Rights.* The Investors shall be entitled to exercise preemptive rights as and in the manner provided in the Certificate of Designation.

8.12 *Protective Provisions.* The Investors shall be entitled to the protective provisions and rights as and in the manner provided in the Certificate of Designation.

8.13 *Payment of Excess Performance Adjustment Amounts.* To the extent, and only to the extent, that the Company does not pay any Performance Adjustment Amount in cash pursuant to Section 5(e)(v) of the Certificate of Designation and any Conversion Ratio adjustment pursuant to Section 5(e) of the Certificate of Designation is not made in full by reason of Section 5(f)(i) of the Certificate of Designation, the Company shall, within fifteen (15) days after the date such Conversion Ratio adjustment would have otherwise been made pursuant to Section 5(e)(i) of the Certificate of Designation, remit to each Investor, in satisfaction and discharge of any and all rights of such Investor with respect to such adjustment except as otherwise provided in this Section 8.13, an amount in cash as shall be determined by multiplying the Performance Adjustment Amount (or such proportionate percentage thereof if a portion of the adjustment provided for in Section 5(e)(i) has been made) by the number of shares of Series C Preferred Stock then held by such Investor. In the case of any shares of Series C Preferred Stock that are issued as Additional Shares after the date(s) on which any cash payments were made or required to be made by the Company to the Investors pursuant to this Section 8.13, the Company shall, within fifteen (15) days after the date such Additional Shares are issued, pay to the Investors holding such Additional Shares a cash amount equal to the cash amount(s)

as would have been paid to the holder(s) of such Additional Shares had the same been issued and outstanding on the date(s) of any cash payment(s) made by the Company or required to be made by the Company pursuant to this Section 8.13 prior to the date of issuance of such Additional Shares.

8.14 *Insurance.* The Company shall use its commercially reasonable efforts to maintain (or, in the Company's discretion, to make self-insurance provision as to such matters on terms reasonably acceptable to the Investors) directors' and officers' liability insurance for each of the Company's directors and officers with coverage amounts of not less than ten million dollars ($10,000,000) on an aggregate basis naming the Company as the sole beneficiary under such policies.

8.15 *Break-Up Fee.* In the event that each of the conditions to the Initial Closing set forth in Articles 5 and 6 above (other than the condition described in Section 6.4) has been satisfied or waived and the Investors are ready, willing and able to proceed with the Initial Closing on or before December 31, 2002, and the Company elects not to proceed with the Initial Closing on or before the scheduled Initial Closing Date (which scheduled Initial Closing Date shall be on or before December 31, 2002), the Company shall pay to the Investors an amount equal to $500,000 plus reasonable fees and expenses of Investors' counsel in the aggregate not to exceed $300,000 (such fees and expenses to be verified by the Investors' presentation of reasonable documentation evidencing such fees and expenses), and neither party shall have any further liability to the other except as set forth in Article 7 hereof.

8.16 *Publicity; Confidentiality.* Within fifteen (15) calendar days of the date hereof, the Company shall prepare and file a Current Report on Form 8-K (the "*Form 8-K*") with the SEC disclosing the transactions contemplated hereby and filing this Agreement as an exhibit thereto. Prior to filing the Form 8-K with the SEC, the Company shall provide a draft of the Form 8-K to the Investors for their review and comment. Except for the Form 8-K and as may be required by applicable Requirements of Law, none of the parties hereto shall issue a press release or make any public announcement or otherwise make any disclosure concerning this Agreement, the transactions contemplated hereby, the Investors or the business, technology and financial affairs of the Company, without prior approval by the other parties hereto; *provided*, *however*, that nothing in this Agreement shall restrict any of the parties from disclosing information (a) that is already publicly available, (b) that was known to such party on a non-confidential basis prior to its disclosure by the other party, (c) that may be required or appropriate in response to any summons or subpoena or in connection with any litigation, or any Requirement of Law, provided that such party will use reasonable efforts to notify the other party(ies) in advance of such disclosure so as to permit the other party(ies) to seek a protective order or otherwise contest such disclosure, and such party will use reasonable efforts to cooperate, at the expense of the other party(ies), with the other party(ies) in pursuing any such protective order, (d) to the other party's officers, directors, shareholders, advisors, employees, members, partners, controlling persons, auditors or counsel or (e) to Persons from whom releases, consents or approvals are required, or to whom notice is required to be provided, pursuant to the transactions contemplated by the Transaction Documents. If any announcement is required by any Requirement of Law to be made by any party hereto, prior to making such announcement such party will deliver a draft of such announcement to the other parties and shall give the other parties reasonable opportunity to comment thereon.

8.17 *Net Debt Level.* The Company shall use its commercially reasonable efforts to reduce its Net Debt to less than four hundred sixty-five million dollars ($465,000,000) as soon as practicable following the Initial Closing Date.

8.18 *Further Assurances.* Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations or other actions by, or giving any notices to, or making any filings with, any Governmental Authority or any

other Person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.

8.19 *Approval of Authorized Preferred Stock Issuance.* In the event that any firm commitment to purchase any preferred stock of the Company pursuant to an Authorized Preferred Stock Issuance is entered into between the Company and any third-party purchaser(s) (such commitment to be subject only to such shareholder approval of the issuance of such new preferred stock as may be required by applicable law or regulation) within forty-five (45) days of the date hereof, each of the Investors agrees to affirmatively vote in favor of the issuance of such new preferred stock to such third-party purchaser(s) with respect to all

shares of Series C Preferred Stock and all shares of Common Stock then held by such Investor at any special or annual meeting of stockholders at which stockholder approval is sought by the Company for such issuance so long as such issuance satisfies the criteria of an Authorized Preferred Stock Issuance.

ARTICLE 9

TERMINATION OF AGREEMENT

9.1 *Termination.* This Agreement shall be terminated and be null and void and of no further force or effect, and the Company's and the Investors' obligation to complete the purchase and sale of the Purchased Shares to be issued and sold at the Initial Closing and any Subsequent Closing shall be rescinded, if the Initial Closing shall not have occurred on or prior to December 31, 2002 unless extended by mutual written agreement, and the Lead Investors' obligation to complete the purchase and sale of any theretofore unissued Additional Shares shall terminate if all of the Additional Shares shall not have been issued to the Lead Investors on or before June 30, 2003 or if the Company's stockholders shall have voted against the sale and issuance of the Additional Shares to the Lead Investors; *provided, however*, that, notwithstanding the foregoing, the provisions of Article 7 and Sections 8.9, 8.15, 8.16, 10.1, 10.4, 10.5, 10.6, 10.8, 10.9 and 10.11 shall survive the termination of this Agreement.

ARTICLE 10

MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement, together with the Schedules and Exhibits hereto, and the other Transaction Documents are intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, representations, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement, together with the Schedules and Exhibits hereto, and the other Transaction Documents supersede all prior agreements and understandings between the parties with respect to such subject matter.

10.2 *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

10.3 *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

10.4 ***GOVERNING LAW*. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF**.

10.5 *Consent to Jurisdiction.* To the extent permitted by applicable law, any judicial proceeding brought in connection with this Agreement must be brought in the United States District Court for the Southern District of New York, and, by execution and delivery of this Agreement, each party (i) accepts, generally and unconditionally, the exclusive jurisdiction of such court and any related appellate court, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, (ii) irrevocably waives any objection it may now or hereafter have as to the venue of any such suit, action or proceeding brought in such a court or that such court is an inconvenient forum and (iii) waives personal service of process and consents to service of process upon it by certified or registered mail, return receipt requested, at its address specified or determined in accordance with Section 10.8 hereof, and service so made shall be deemed completed on the fifth Business Day after such service is deposited in the mail. Nothing in this Section 10.5 shall affect the right of any party hereto to serve process in any other manner permitted by applicable law.

10.6 *Severability.* If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

10.7 *Rules of Construction.* Unless the context otherwise requires, references to sections or subsections refer to sections or subsections of this Agreement.

10.8 *Notices.* All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be delivered by registered or certified first-class mail, return receipt requested, facsimile transmission, courier service or personal delivery as follows:

(i) if to the Company, to:

Primus Telecommunications Group, Incorporated
1700 Old Meadow Road
McLean, VA 22102
Facsimile: (703) 902-2814
Attention: John F. DePodesta, Executive Vice President

with copies to:

Primus Telecommunications Group, Incorporated
1700 Old Meadow Road
McLean, VA 22102
Facsimile: (703) 902-2814
Attention: Danielle O. Saunders, General Counsel

and

Kelley Drye & Warren LLP
8000 Towers Crescent Drive
Suite 1200
Vienna, VA 22182
Facsimile: (703) 918-2450
Attention: Joseph B. Hoffman, Esq.

(ii) if to any of the Lead Investors, to:

AIG Global Sports and Entertainment Fund, L.P.
AIG Global Emerging Markets Fund, L.L.C.
GEM Parallel Fund, L.P.
c/o AIG Capital Partners, Inc.
175 Water St., 23rd Floor
New York, NY 10038
Facsimile: (212) 458-2153
Attention: Corporate Counsel

with copies to:

PH Capital, LLC
1266 East Main Street
4th Floor
Stamford, CT 06902
Facsimile: (203) 921-2448
Attention: Geoff Hamlin and Paul Pizzani

and

Pillsbury Winthrop LLP
Financial Centre
695 East Main Street
Stamford, CT 06901
Facsimile: (203) 965-8226
Attention: Robert J. Rawn, Esq.

(iii) if to the Co-Investor, to:

Duke Hotels Limited
c/o Greenaap Consultants Ltd.
66 Merrion Square
Dublin 2, Ireland
Facsimile: +353 (1) 662-0506
Attention: Ian Buchanan

with copies to:

AIG Capital Partners, Inc.
175 Water St., 23rd Floor
New York, NY 10038
Facsimile: (212) 458-2153
Attention: Corporate Counsel

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service by 5:00 pm EST on a Business Day, otherwise, on the next succeeding Business Day; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged by 5:00 pm EST on a Business Day, if sent via facsimile, otherwise, on the next succeeding Business Day. Any party may by notice given in accordance with this Section 10.8 designate another address or Person for receipt of notices hereunder.

10.9 *Successors and Assigns; Third Party Beneficiaries.* This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto. Subject to applicable

securities laws and the terms and conditions thereof, the Investors may assign any of their rights under this Agreement to any of their respective Affiliates; *provided*, *however*, that in such circumstances, such assigning Investor(s) shall remain primarily liable for such Investor's obligations hereunder. The Company may not assign any of its rights under this Agreement without the written consent of the Investors. Except as provided in Article 7 with respect to the limited class of other Persons identified specifically therein, no Person other than the parties hereto and their successors and permitted assigns shall be a beneficiary of this Agreement.

10.10 *Amendment and Waiver.* (a) No failure or delay on the part of the Company or the Investors in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Company or the Investors at law, in equity or otherwise.

(b) Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by the Company or the Investors from the terms of any provision of this Agreement, shall be effective (i) only if it is made or given in writing and signed by the Company and the Investors holding at least two-thirds ($^2/_3$) of the Purchased Shares, and (ii) only in the specific instance and for the specific purpose for which made or given; *provided*; *however*, that to the extent any amendment or waiver adversely affects only a specific Investor or group of Investors but not all of the Investors as a class, such amendment or waiver shall require the prior written consent of each Investor so adversely affected.

10.11 *Expenses.* Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, the Investors, on the one hand, and the Company, on the other hand, shall pay the fees and expenses of their respective legal counsel, accountants, investment bankers and other experts, agents and representatives incident to the negotiation and preparation of this Agreement, and the consummation of the transactions contemplated by this Agreement.

10.12 *No Recourse to Specified Individuals.* Except in cases constituting actionable fraud by any such individual, in no event shall the Investors have any recourse against any individual named on Schedule I to this Agreement personally under, relating to or arising out of this Agreement or any other Transaction Document, including with respect to any representation or warranty made by the Company herein or therein.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Stock Purchase Agreement as of the date first written above.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED

By: _____

Name:
Title:

AIG GLOBAL SPORTS AND
ENTERTAINMENT FUND, L.P.

By: AIG GSEF, L.P.,
its General Partner

By: AIG GSEF INVESTMENT, LTD.,
its General Partner

By: _____

Name:
Title:

AIG GLOBAL EMERGING MARKETS FUND, L.L.C.

By: AIG Capital Management Corp.,
its Managing Member

By: _____

Name:
Title:

GEM PARALLEL FUND, L.P.

By: AIG Capital Management Corp.,
its General Partner

By: _____

Name:
Title:

DUKE HOTELS LIMITED

By: _____

Name:
Title:

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STOCK PURCHASE AGREEMENT by and among PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, AIG GLOBAL SPORTS AND ENTERTAINMENT FUND, L.P., AIG GLOBAL EMERGING MARKETS FUND, L.L.C., GEM PARALLEL FUND, L.P and DUKE HOTELS LIMITED
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Exhibit 99.2

EXECUTION VERSION

REGISTRATION RIGHTS AGREEMENT

by and among

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED,
AIG GLOBAL SPORTS AND ENTERTAINMENT FUND, L.P.,
AIG GLOBAL EMERGING MARKETS FUND, L.L.C.,
GEM PARALLEL FUND, L.P.
and
DUKE HOTELS LIMITED

Dated as of December 31, 2002

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REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT, dated as of December 31, 2002 (this "*Agreement*"), is made and entered into by and among Primus Telecommunications Group, Incorporated, a Delaware corporation (the "*Company*"), AIG Global Sports and Entertainment Fund, L.P., a limited partnership organized under the laws of the Cayman Islands ("*AIG GSEF*"), AIG Global Emerging Markets Fund, L.L.C., a limited liability company organized under the laws of the State of Delaware ("*AIG Gem*"), GEM Parallel Fund, L.P., a limited partnership organized under the laws of the State of Delaware ("*AIG Gem Parallel*," and collectively with AIG GSEF and AIG Gem, the "*Lead Investors*") and Duke Hotels Limited, a limited company organized under the laws of the Bahamas (the "*Co-Investor*," and together with the Lead Investors, the "*Investors*").

WHEREAS, pursuant to the Stock Purchase Agreement, dated as of December 31, 2002 (the "*Stock Purchase Agreement*"), by and among the Company and the Investors, the Company has agreed to issue and sell to the Investors, on the terms and conditions set forth therein, an aggregate of 559,950 shares of Series C Convertible Preferred Stock, par value $0.01 per share (the "*Series C Preferred Stock*"), of the Company; and

WHEREAS, in order to induce each of the Investors to purchase shares of Series C Preferred Stock, the Company has agreed to grant registration rights with respect to the Registrable Securities (as hereinafter defined) as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. *Definitions.* As used in this Agreement, the following terms have the meanings indicated:

"*Affiliate*" shall mean any Person who is an "affiliate" as defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"*Agreement*" mean this Agreement as the same may be amended, supplemented or modified in accordance with the terms hereof.

"*Approved Underwriter*" has the meaning set forth in Section 3(f) of this Agreement.

"*Authorized Preferred Stock Issuance*" has the meaning set forth in the Certificate of Designation.

"*Board of Directors*" means the Board of Directors of the Company.

"*Business Day*" means any day other than a Saturday, Sunday or other day on which commercial banks in the State of New York or the Commonwealth of Virginia are authorized or required by law or executive order to close.

"*Certificate of Designation*" means the Certificate of Designation in respect of the Series C Preferred Stock as on file with the Secretary of State of the State of Delaware as of the date hereof.

"*Common Stock*" means the Common Stock, par value $0.01 per share, of the Company or any other capital stock of the Company into which such stock is reclassified or reconstituted and any other common stock of the Company.

"*Company*" has the meaning set forth in the preamble to this Agreement.

"*Company Underwriter*" has the meaning set forth in Section 4(a) of this Agreement.

"*Demand Registration*" has the meaning set forth in Section 3(a) of this Agreement.

"*Designated Holder*" means each of the Investor Stockholders and any transferee of any of them to whom Registrable Securities have been transferred in accordance with Section 10(f) of this

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Agreement, other than a transferee to whom Registrable Securities have been transferred pursuant to a Registration Statement under the Securities Act or Rule 144 (or any successor rule thereto).

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder as promulgated by the SEC.

"*Form S-3 Registration*" has the meaning set forth in Section 5 of this Agreement.

"*Holders' Counsel*" has the meaning set forth in Section 7(a)(i) of this Agreement.

"*Incidental Registration*" has the meaning set forth in Section 4(a) of this Agreement.

"*Indemnified Party*" has the meaning set forth in Section 8(c) of this Agreement.

"*Indemnifying Party*" has the meaning set forth in Section 8(c) of this Agreement.

"*Initiating Holders*" has the meaning set forth in Section 3(a) of this Agreement.

"*Inspector*" has the meaning set forth in Section 7(a)(vii) of this Agreement.

"*Investor Stockholders*" means the Investors and any Affiliates thereof that, on or after the date hereof, acquire Registrable Securities.

"*Liability*" has the meaning set forth in Section 8(a) of this Agreement.

"*NASD*" means the National Association of Securities Dealers, Inc.

"*New Investor*" has the meaning set forth in Section 3(e)(i) of this Agreement.

"*Person*" means any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, government (or an agency or political subdivision thereof) or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

"*Public Offering*" means any public offering of the shares of Common Stock of the Company pursuant to an effective Registration Statement filed under the Securities Act.

"*Records*" has the meaning set forth in Section 7(a)(vii) of this Agreement.

"*Registrable Securities*" means each of the following: (a) any and all shares of Common Stock issued or issuable upon conversion of any shares of Series C Preferred Stock held by any Designated Holder, (b) any shares of Common Stock issued or issuable to any of the Designated Holders by way of stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, other reorganization or otherwise, in each case with respect to shares of Series C Preferred Stock or shares of Common Stock referred to in clause (a) above or (c) below and (c) any shares of Common Stock or voting common stock issuable upon conversion, exercise or exchange of shares of Series C Preferred Stock or shares of Common Stock referred to in (a) or (b) above.

"*Registration Expenses*" has the meaning set forth in Section 7(d) of this Agreement.

"*Registration Statement*" means a registration statement filed pursuant to the Securities Act.

"*SEC*" means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Series C Preferred Stock*" has the meaning set forth in the recitals to this Agreement.

"*Stock Purchase Agreement*" has the meaning set forth in the recitals to this Agreement.

"*Valid Business Reason*" has the meaning set forth in Section 3(a) of this Agreement.

2. *General; Securities Subject to this Agreement.* (a) *Grant of Rights*. The Company hereby grants registration rights to the Designated Holders upon the terms and conditions set forth in this Agreement.

(b) *Registrable Securities.* For the purposes of this Agreement, Registrable Securities will cease to be Registrable Securities, when (i) a Registration Statement covering such Registrable Securities has been declared effective under the Securities Act by the SEC and such Registrable Securities have been disposed of pursuant to such effective Registration Statement, (ii) the entire amount of the Registrable Securities owned by a Designated Holder may be sold in a single sale, in the opinion of counsel satisfactory to the Company and such Designated Holder, each in their reasonable judgment, without any limitation as to volume pursuant to Rule 144 (or any successor provision then in effect) under the Securities Act, or (iii) the Registrable Securities are held by a Person not entitled to the registration rights granted by this Agreement.

(c) *Holders of Registrable Securities.* A Person is deemed to be a holder of Registrable Securities whenever such Person owns of record Registrable Securities, or holds an option to purchase, or a security convertible into or exercisable or exchangeable for, Registrable Securities whether or not such acquisition or conversion has actually been effected. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company may act upon the basis of the instructions, notice or election received from the registered owner of such Registrable Securities. Registrable Securities issuable upon exercise of an option or upon conversion of another security shall be deemed outstanding for the purposes of this Agreement.

3. *Demand Registration.* (a) *Request for Demand Registration*. At any time from and after the date hereof, the Designated Holders holding at least two-thirds ($^2/_3$) of the Registrable Securities (the "*Initiating Holders*"), may make a written request to the Company to register, and the Company shall register, under the Securities Act and on an appropriate registration statement form as reasonably determined by the Company and approved by the Initiating Holders, such approval not to be unreasonably withheld, conditioned or delayed (a "*Demand Registration*"), the number of Registrable Securities stated in such request; *provided*, *however*, that the Company shall not be obligated to effect (x) more than two (2) such Demand Registrations (subject to Section 3(e)(ii) below) or (y) any Demand Registration in which the aggregate proceeds to the Initiating Holders are expected to be less than ten million dollars ($10,000,000). If following receipt of a written request for a Demand Registration the Board of Directors, in its reasonable and good faith judgment, determines that any registration of Registrable Securities should not be made or continued because it would materially interfere with any material financing, acquisition, corporate reorganization or merger or other material transaction involving the Company (a "*Valid Business Reason*"), the Company may (x) postpone filing a Registration Statement relating to a Demand Registration until such Valid Business Reason no longer exists, but in no event for more than one hundred fifty (150) days, and (y) in case a Registration Statement has been filed relating to a Demand Registration, if the Valid Business Reason has not resulted from actions taken by the Company, the Company, upon the approval of a majority of the Board of Directors, may cause such Registration Statement to be withdrawn and its effectiveness terminated or may postpone amending or supplementing such Registration Statement. The Company shall give written notice of its determination to postpone or withdraw a Registration Statement and of the fact that the Valid Business Reason for such postponement or withdrawal no longer exists, in each case, promptly after the occurrence thereof. Notwithstanding anything to the contrary contained herein, the Company may not postpone or withdraw a filing under this Section 3(a) more than once in any twelve (12) month period. Each request for a Demand Registration by the Initiating Holders shall state the amount of the Registrable Securities proposed to be sold and the intended method of disposition thereof.

(b) *Incidental or "Piggy-Back" Rights with Respect to a Demand Registration.* Each of the Designated Holders (other than Initiating Holders which have requested a registration under Section 3(a)) may offer its Registrable Securities under any Demand Registration pursuant to this Section 3(b). Within five (5) days after the receipt of a request for a Demand Registration from an Initiating Holder, the Company shall (i) give written notice thereof to all of the Designated Holders (other than Initiating Holders which have requested a registration under Section 3(a)) and (ii) subject to Section 3(e), include in such registration all of the Registrable Securities held by such Designated Holders from whom the Company has received a written request for inclusion therein within ten (10) days of the receipt by such Designated Holders of such written notice referred to in clause (i) above. Each such request by such Designated Holders shall specify the number of Registrable Securities proposed to be registered. Any Designated Holder may waive its rights under this Section 3 prior to the expiration of such 10-day period by giving written notice to the Company, with a copy to the Initiating Holders.

(c) *Effective Demand Registration.* The Company shall use all commercially reasonable efforts to cause any such Demand Registration to be filed not later than sixty (60) days after it receives a request under Section 3(a) hereof and to become and remain effective as soon as practicable thereafter but, in any event, not later than ninety (90) days after such filing. A registration shall not constitute a Demand Registration until it has become effective and remains continuously effective for the lesser of (i) the period during which all Registrable Securities registered in the Demand Registration are sold and (ii) one hundred fifty (150) days; *provided, however*, that a registration shall not constitute a Demand Registration if (x) after such Demand Registration has become effective, such registration or the related offer, sale or distribution of Registrable Securities thereunder is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court for any reason not attributable to the Initiating Holders and such interference is not thereafter eliminated or (y) the conditions specified in the underwriting agreement, if any, entered into in connection with such Demand Registration are not satisfied or waived, other than by reason of a failure by the Initiating Holder.

(d) *Expenses.* The Company shall pay all Registration Expenses in connection with a Demand Registration, whether or not such Demand Registration becomes effective.

(e) *Underwriting Procedures.* (i) If the Company or the Initiating Holders holding a majority of the Registrable Securities held by all of the Initiating Holders so elect, the Company shall use all commercially reasonable efforts to cause such Demand Registration to be in the form of a firm commitment underwritten offering and the managing underwriter or underwriters selected for such offering shall be the Approved Underwriter selected in accordance with Section 3(f). In connection with any Demand Registration under this Section 3 involving an underwritten offering, none of the Registrable Securities held by any Designated Holder making a request for inclusion of such Registrable Securities pursuant to Section 3(b) hereof shall be included in such underwritten offering unless such Designated Holder accepts the terms of the offering as agreed upon by the Company, the Initiating Holders and the Approved Underwriter, and then only in such quantity as will not, in the opinion of the Approved Underwriter, jeopardize the success of such offering by the Initiating Holders. If the Approved Underwriter advises the Company in its reasonable opinion that the aggregate amount of such Registrable Securities requested to be included in such offering is sufficiently large to have a material adverse effect on the success of such offering, then the Company shall include in such registration only the aggregate amount of Registrable Securities that the Approved Underwriter believes may be sold without any such material adverse effect and shall reduce the amount of Registrable Securities to be included in such registration by removing from such registration securities owned, *first* by the Company, *second* by the Designated Holders other than the Initiating Holders (pro rata based on the number of Registrable Securities owned by each such Designated Holder) and *third* by the Initiating

Holders (pro rata based on the number of Registrable Securities owned by each such Initiating Holder); *provided, however*, that in the event that any firm commitment to purchase any preferred stock of the Company pursuant to an Authorized Preferred Stock Issuance is entered into between the Company and any third-party purchaser(s) (each, a "*New Investor*") (such commitment to be subject only to such shareholder approval of the issuance of such new preferred stock as may be required by applicable law or regulation) within forty-five (45) days of the date hereof and, in connection with such issuance, any New Investor is granted registration rights in accordance with Section 10(b) hereof permitting such New Investor to exercise piggyback registration rights with respect to any Demand Registration initiated pursuant to Section 3(a) above and any such New Investor exercises such piggyback registration rights such that the Approved Underwriter advises the Company in its reasonable opinion that the aggregate amount of securities requested to be included in such offering is sufficiently large to have a material adverse effect on the success of such offering, then the Company shall include in such Demand Registration only the aggregate amount of Registrable Securities plus registrable securities of the New Investors that the Approved Underwriter believes may be sold without any such material adverse effect and shall reduce the amount of Registrable Securities to be included in such Demand Registration by removing from such registration securities owned, *first* by the Company and *second* by the New Investors, the Initiating Holders and the Designated Holders other than the Initiating Holders (pro rata based on the amount of securities requested to be included in such registration by such New Investors, Initiating Holders and Designated Holders).

(ii) If any Initiating Holders make a request for a Demand Registration and, pursuant to Section 3(e)(i) above, the Approved Underwriter advises the Company to reduce the aggregate amount of Registrable Securities requested to be included in such offering such that less than sixty-seven percent (67%) of the Registrable Securities requested to be included by such Initiating Holders are ultimately included in such Demand Registration, such Initiating Holders shall have the right to require the Company to effect an additional Demand Registration provided that such additional Demand Registration satisfies the requirements, and is subject to the terms and conditions, of Section 3(a) above.

(f) *Selection of Approved Underwriter.* If any Demand Registration pursuant to Section 3(a) or Form S-3 Registration pursuant to Section 5 of Registrable Securities is in the form of an underwritten offering, the Company shall select and obtain an investment banking firm of national reputation to act as the managing underwriter of the offering (the "*Approved Underwriter*"); *provided, however*, that the Approved Underwriter shall, in any case, also be approved by the Initiating Holders, such approval not to be unreasonably withheld, conditioned or delayed.

4. *Incidental or "Piggy-Back" Registration.* (a) *Request for Incidental Registration*. If at any time the Company proposes to file a Registration Statement under the Securities Act with respect to an offering by the Company for its own account (other than a Registration Statement on Form S-4 or S-8 or any successor thereto) or for the account of any stockholder of the Company other than the Designated Holders, then the Company shall give written notice of such proposed filing to each of the Designated Holders at least twenty (20) days before the anticipated filing date, and such notice shall describe the proposed registration and distribution and offer such Designated Holders the opportunity to register the number of Registrable Securities as each such Designated Holder may request (an "*Incidental Registration*"). The Company shall use all commercially reasonable efforts (within twenty (20) days of the notice provided for in the preceding sentence) to cause the managing underwriter or underwriters in the case of a proposed underwritten offering (the "*Company Underwriter*") to permit each of the

Designated Holders who have requested in writing to participate in the Incidental Registration to include its or his Registrable Securities in such offering on the same terms and conditions as the securities of the Company or the account of such other stockholder, as the case may be, included therein. In connection with any Incidental Registration under this Section 4(a) involving an

underwritten offering, the Company shall not be required to include any Registrable Securities in such underwritten offering unless the Designated Holders thereof accept the terms of the underwritten offering as agreed upon between the Company, such other stockholders, if any, and the Company Underwriter, and then only in such quantity as the Company Underwriter believes will not jeopardize the success of the offering by the Company. If the Company Underwriter determines that the registration of all or part of the Registrable Securities which the Designated Holders have requested to be included would materially adversely affect the success of such offering, then the Company shall be required to include in such Incidental Registration, to the extent of the amount that the Company Underwriter believes may be sold without causing such adverse effect, *first*, all of the securities to be offered for the account of the Company or on the account of the selling stockholder that caused the registration statement that has triggered the Incidental Registration to be filed, as the case may be; *second*, the Registrable Securities to be offered for the account of the Designated Holders pursuant to this Section 4, pro rata based on the number of Registrable Securities owned by each such Designated Holder; and *third*, any other securities requested to be included in such offering; *provided*, *however*, that in the event that any firm commitment to purchase any preferred stock of the Company pursuant to an Authorized Preferred Stock Issuance is entered into between the Company and any New Investor (such commitment to be subject only to such shareholder approval of the issuance of such new preferred stock as may be required by applicable law or regulation) within forty-five (45) days of the date hereof and, in connection with such issuance, any New Investor is granted registration rights in accordance with Section 10(b) hereof permitting such New Investor to exercise demand registration rights or piggyback registration rights with respect to any registration described in this Section 4(a) and any such New Investor exercises such demand or piggyback registration rights and, in connection therewith, any Designated Holder requests to participate in such registration pursuant to this Section 4(a) such that the Company Underwriter advises the Company in its reasonable opinion that the aggregate amount of securities requested to be included in such offering is sufficiently large to have a material adverse effect on the success of such offering, then the Company shall be required to include in such Incidental Registration, to the extent of the amount that the Company Underwriter believes may be sold without any such material adverse effect, *first*, all of the securities to be offered on the account of the Company or on the account of the selling stockholder that caused the registration statement that has triggered the Incidental Registration to be filed, as the case may be, provided such selling stockholder is not a New Investor; *second*, the Registrable Securities to be offered for the account of the Designated Holders pursuant to this Section 4 and the securities to be offered for the account of any New Investor (pro rata based on the amount of securities requested to be included in such registration by such Designated Holders and New Investors); and *third*, any other securities requested to be included in such offering.

(b) *Expenses*. The Company shall bear all Registration Expenses in connection with any Incidental Registration pursuant to this Section 4, whether or not such Incidental Registration becomes effective.

5. *Registration on Form S-3.* For so long as the Company is qualified to the use Form S-3 or any successor form, in addition to the rights contained in the forgoing provisions of this Agreement, the Initiating Holders shall have the right at any time and from time to time to request registrations on Form S-3 (such requests shall be in writing and shall state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition of such shares by such Initiating Holder or Initiating Holders, as the case may be) and the Company shall use its commercially reasonable efforts to cause such shares to be registered for the offering as soon as practicable on Form S-3 (or any successor form to Form S-3), but in any event within sixty (60) days; *provided*, *however*, that the aggregate proceeds for any such requested registration shall be expected to exceed $1,000,000; and *provided further*, *however*, that the Company shall not be obligated to file more than one Form S-3 requested by the Initiating Holders in any six (6) month period. Any request for registration pursuant to this Section 5 (a "*Form S-3 Registration*") shall not be counted as a Demand

Registration pursuant to Section 3(a) hereof. If, following receipt of a written request for a Form S-3 Registration, the Board of Directors, in its reasonable and good faith judgment, determines that any registration of Registrable Securities should not be made or continued because of a Valid Business Reason, the Company may (x) postpone filing a Registration Statement relating to such Form S-3 Registration until such Valid Business Reason no longer exists, but in no event for more than one hundred fifty (150) days, and (y) in case a Registration Statement has been filed relating to a Form S-3 Registration, if the Valid Business Reason has not resulted from actions taken by the Company, the Company, upon the approval of a majority of the Board of Directors, may cause such Registration Statement to be withdrawn and its effectiveness terminated or may postpone amending or supplementing such Registration Statement. The Company shall give written notice of its determination to postpone or withdraw a Registration Statement and of the fact that the Valid Business Reason for such postponement or withdrawal no longer exists, in each case, promptly after the occurrence thereof. Notwithstanding anything to the contrary contained herein, the Company may not postpone or withdraw a filing under this Section 5 more than once in any twelve (12) month period. The Company shall give written notice to all other Designated Holders of the receipt of a request for registration pursuant to this Section 5 and shall provide a reasonable opportunity for such other Designated Holders to participate in the registration, provided that if the registration is for an underwritten offering, the terms of Section 3(e), including, without limitation, the provisions relating to the exclusion of other securities prior to any reduction of Registrable Securities included in any such underwriting, shall apply to all participants in such offering. Notwithstanding the foregoing, the Company shall not be required to effect registration under this Section 5 if nationally recognized counsel for the Company, which counsel shall be reasonably acceptable to the Initiating Holders requesting registration under this Section 5, shall deliver an opinion addressed to such Initiating Holders that, pursuant to Rule 144 under the Securities Act or otherwise, such Initiating Holders can publicly sell the Registrable Securities as to which registration has been requested in a three-month period without registration under the Securities Act and without any limitation with respect to offerees, manner of offering or the size of the transaction.

6. *Holdback Agreements.* (a) *Restrictions on Public Sale by Designated Holders*. To the extent (i) requested (A) by the Company or the Initiating Holders, as the case may be, in the case of a non-underwritten Public Offering and (B) by the Approved Underwriter or the Company Underwriter, as the case may be, in the case of an underwritten Public Offering and (ii) all of the Company's officers and directors execute agreements identical to those referred to in this Section 6(a), each Designated Holder agrees (x) not to effect any public sale or distribution of any Registrable Securities or of any securities convertible into or exchangeable or exercisable for such Registrable Securities, including a sale pursuant to Rule 144 under the Securities Act, or offer to sell, contract to sell (including without limitation any short sale), grant any option to purchase or enter into any hedging or similar transaction with the same economic effect as a public sale with respect to any Registrable Securities and (y) not to make any request for a Demand Registration or Form S-3 Registration under this Agreement, during the one hundred eighty (180) day period or such shorter period, if any, mutually agreed upon by such Designated Holder and the requesting party beginning on the effective date of the Registration Statement (except as part of such registration) for such Public Offering. No Designated Holder of Registrable Securities subject to this Section 6(a) shall be released from any obligation under any agreement, arrangement or understanding entered into pursuant to this Section 6(a) unless all other Designated Holders of Registrable Securities subject to the same obligation are also released. All Designated Holders of Registrable Securities shall be automatically released from any obligations under any agreement, arrangement or understanding entered into pursuant to this Section 6(a) immediately upon the expiration of the 180-day period.

(b) *Restrictions on Public Sale by the Company.* The Company agrees not to effect any public sale or distribution of any of its securities, or any securities convertible into or exchangeable or exercisable for such securities (except pursuant to registrations on Form S-4 or S-8 or any

successor thereto), during the period beginning on the effective date of any Registration Statement in which the Designated Holders of Registrable Securities are participating and ending on the earlier of (i) the date on which all Registrable Securities registered on such Registration Statement are sold and (ii) one hundred eighty (180) days after the effective date of such Registration Statement (except as part of such registration).

7. *Registration Procedures.* (a) *Obligations of the Company*. Whenever registration of Registrable Securities has been requested pursuant to Section 3, 4 or 5 of this Agreement, the Company shall use all commercially reasonable efforts to effect the registration and sale of such Registrable Securities in accordance with the intended method of distribution thereof as quickly as reasonably practicable, and in connection with any such request, the Company shall, as expeditiously as reasonably practicable:

(i) prepare and file with the SEC a Registration Statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of such Registrable Securities in accordance with the intended method of distribution thereof, and use its commercially reasonable efforts to cause such Registration Statement to become effective; *provided*, *however*, that (x) before filing a Registration Statement or prospectus or any amendments or supplements thereto, the Company shall provide counsel selected by the Designated Holders holding a majority of the Registrable Securities being registered in such registration ("*Holders' Counsel*") with an adequate opportunity to review and comment on such Registration Statement and each prospectus included therein (and each amendment or supplement thereto) to be filed with the SEC, subject to such documents being under the Company's control, and (y) the Company shall notify the Holders' Counsel and each seller of Registrable Securities of any stop order issued or threatened by the SEC and take all action required to prevent the entry of such stop order or to remove it if entered;

(ii) prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for the lesser of (x) one hundred fifty (150) days and (y) such shorter period which will terminate when all Registrable Securities covered by such Registration Statement have been sold, and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement;

(iii) furnish to each seller of Registrable Securities, prior to filing a Registration Statement, at least one copy of such Registration Statement as is proposed to be filed, and thereafter such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), and the prospectus included in such Registration Statement (including each preliminary prospectus) and any prospectus filed under Rule 424 under the Securities Act as each such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(iv) use its commercially reasonable efforts to register or qualify such Registrable Securities under such other securities or "blue sky" laws of such jurisdictions as any seller of Registrable Securities may reasonably request, and to continue such qualification in effect in such jurisdiction for as long as permissible pursuant to the laws of such jurisdiction, or for as long as any such seller requests or until all of such Registrable Securities are sold, whichever is shortest, and do any and all other acts and things which may be reasonably necessary or advisable to enable any such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller; *provided*, *however*, that the Company shall not be required to (x) qualify generally to do business in any jurisdiction where it would not

otherwise be required to qualify but for this Section 7(a)(iv), (y) subject itself to taxation in any such jurisdiction or (z) consent to general service of process in any such jurisdiction;

(v) notify each seller of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such Registration Statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and the Company shall promptly prepare a supplement or amendment to such prospectus and furnish to each seller of Registrable Securities a reasonable number of copies of such supplement to or an amendment of such prospectus as may be necessary so that, after delivery to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vi) enter into and perform customary agreements (including an underwriting agreement containing representations, warranties, covenants and indemnities for securities law matters and otherwise in customary form with the Approved Underwriter or Company Underwriter, if any, selected as provided in Section 3(f) or Section 4(a), as the case may be) and take such other actions as are customary, prudent and reasonably necessary in order to expedite or facilitate the disposition of such Registrable Securities on a basis consistent with the terms and conditions of this Agreement, including, to the extent reasonably requested by any Approved Underwriter or Company Underwriter, causing its officers to participate in "road shows" and other information meetings organized by such Approved Underwriter or Company Underwriter, as the case may be;

(vii) make available at reasonable times for inspection by any seller of Registrable Securities, any managing underwriter participating in any disposition of such Registrable Securities pursuant to a Registration Statement, Holders' Counsel and any attorney, accountant or other agent retained by any such seller or any managing underwriter (each, an "*Inspector*" and collectively, the "*Inspectors*"), all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries (collectively, the "*Records*") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's and its subsidiaries' officers, directors and employees, and the independent public accountants of the Company, to supply all information reasonably requested by any such Inspector in connection with such Registration Statement. Records that the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential

shall not be disclosed by the Inspectors (and the Inspectors shall confirm their agreement in writing in advance to the Company if the Company shall so request) unless (x) the disclosure of such Records is necessary, in the Company's judgment, to avoid or correct a misstatement or omission in the Registration Statement, (y) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after exhaustion of all appeals therefrom or (z) the information in such Records was known to the Inspectors on a non-confidential basis prior to its disclosure by the Company or has been made generally available to the public. Each seller of Registrable Securities agrees that it shall, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(viii) if such sale is pursuant to an underwritten offering, obtain "cold comfort" letters dated the effective date of the Registration Statement and the date of the closing under the

underwriting agreement from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by "cold comfort" letters as the managing underwriter reasonably requests;

(ix) furnish, at the request of any seller of Registrable Securities on the date such securities are delivered to the underwriters for sale pursuant to such registration or, if such securities are not being sold through underwriters, on the date the Registration Statement with respect to such securities becomes effective, an opinion, if reasonably available, dated such date, of counsel representing the Company for the purposes of such registration, addressed to the underwriters, if any, and to the seller making such request, covering such legal matters with respect to the registration in respect of which such opinion is being given as the underwriters, if any, and such seller may reasonably request and are customarily included in such opinions;

(x) comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable but no later than fifteen (15) months after the effective date of the Registration Statement, an earnings statement covering a period of twelve (12) months beginning after the effective date of the Registration Statement, in a manner which satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(xi) use its commercially reasonable efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(xii) reasonably cooperate with each seller of Registrable Securities and each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD; and

(xiii) take all other steps reasonably necessary to effect the registration of the Registrable Securities contemplated hereby in accordance with the terms and conditions hereof.

(b) *Seller Information.* The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish, and such seller shall furnish, to the Company such information regarding the distribution of such securities as the Company may from time to time reasonably request in writing.

(c) *Notice to Discontinue.* Each Designated Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 7(a)(v), such Designated Holder shall forthwith discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Designated Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 7(a)(v) and, if so directed by the Company, such Designated Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Designated Holder's possession, of the prospectus covering such Registrable Securities which is current at the time of receipt of such notice. If the Company shall give any such notice, the Company shall extend the period during which such Registration Statement shall be maintained effective pursuant to this Agreement (including, without limitation, the period referred to in Section 7(a)(ii)) by the number of days during the period from and including the date of the giving of such notice pursuant to Section 7(a)(v) to and including the date when sellers of such Registrable Securities under such Registration Statement shall have received the copies of the supplemented or amended prospectus contemplated by and meeting the requirements of Section 7(a)(v).

(d) *Registration Expenses.* The Company shall pay all expenses arising from or incident to its performance of, or compliance with, this Agreement, including, without limitation, (i) SEC, stock

exchange and NASD registration and filing fees, (ii) all fees and expenses incurred in complying with securities or "blue sky" laws (including reasonable fees, charges and disbursements of counsel to any underwriter incurred in connection with "blue sky" qualifications of the Registrable Securities as may be set forth in any underwriting agreement), (iii) all printing, messenger and delivery expenses and (iv) the fees, charges and expenses of counsel to the Company and of its independent public accountants and any other accounting fees, charges and expenses incurred by the Company (including, without limitation, any expenses arising from any "cold comfort" letters or any special audits incident to or required by any registration or qualification) and any reasonable legal fees, charges and expenses incurred by one counsel for the Investor Stockholders (on submission to the Company of reasonable documentation evidencing such fees, charges and expenses). All of the expenses described in the preceding sentence of this Section 7(d) are referred to herein as "*Registration Expenses*." The Designated Holders of Registrable Securities sold pursuant to a Registration Statement shall bear the expense of any underwriter's discount or commission relating to registration and sale of such Designated Holders' Registrable Securities.

8. *Indemnification; Contribution.* (a) *Indemnification by the Company*. The Company agrees to indemnify and hold harmless each Designated Holder, its partners, directors, officers, affiliates and each Person who controls (within the meaning of Section 15 of the Securities Act) such Designated Holder from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) (each, a "*Liability*" and collectively,

"*Liabilities*"), arising out of or based upon any untrue, or allegedly untrue, statement of a material fact contained in any Registration Statement, prospectus or preliminary prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which such statements were made, except insofar as such Liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission contained in such Registration Statement, preliminary prospectus or final prospectus in reliance and in conformity with information concerning such Designated Holder furnished in writing to the Company by such Designated Holder expressly for use therein, including, without limitation, the information furnished to the Company pursuant to Section 7(b). The Company shall also provide customary indemnities to any underwriters of the Registrable Securities, their officers, directors and employees and each Person who controls such underwriters (within the meaning of Section 15 of the Securities Act) to the same extent as provided above with respect to the indemnification of the Designated Holders of Registrable Securities.

(b) *Indemnification by Designated Holders.* In connection with any Registration Statement in which a Designated Holder is participating pursuant to Section 3, 4 or 5 hereof, each such Designated Holder shall promptly furnish to the Company in writing such information with respect to such Designated Holder as the Company may reasonably request or as may be required by law for use in connection with any such Registration Statement or prospectus and all information required to be disclosed in order to make the information previously furnished to the Company by such Designated Holder not materially misleading or necessary to cause such Registration Statement not to omit a material fact with respect to such Designated Holder necessary in order to make the statements therein not misleading. Each Designated Holder agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the Registration Statement, any underwriter retained by the Company and each Person who controls the Company or such underwriter (within the meaning of Section 15 of the Securities Act) to the same extent as the foregoing indemnity from the Company to the Designated Holders, but only if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with information with respect to such Designated Holder furnished in writing to the Company by such Designated Holder expressly for use in such Registration Statement or prospectus, including, without limitation, the information furnished to the Company pursuant to

this Section 8(b); *provided*, *however*, that the total amount to be indemnified by such Designated Holder pursuant to this Section 8(b) shall be limited to the net proceeds (after deducting the underwriters' discounts and commissions) received by such Designated Holder in the offering to which the Registration Statement or prospectus relates *plus* any actual out-of-pocket costs and expenses incurred by the Company as Liabilities that are directly attributable to such statement or alleged statement or omission that was made in reliance upon and in conformity with information with respect to such Designated Holder furnished in writing to the Company by such Designated Holder expressly for use in such Registration Statement or prospectus.

(c) *Conduct of Indemnification Proceedings.* Any Person entitled to indemnification hereunder (the "*Indemnified Party*") agrees to give prompt written notice to the indemnifying party (the "*Indemnifying Party*"), which notice shall include the basis of such claim, in reasonable detail concerning the facts giving rise to such claim and the Liabilities for which the Indemnified Party is seeking indemnification (or a reasonable good faith estimate thereof), after the receipt by the Indemnified Party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which the Indemnified Party intends to claim indemnification or contribution pursuant to this Agreement; *provided*, *however*, that the failure so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any Liability that it may have to the Indemnified Party hereunder (except to the extent that the Indemnifying Party is materially prejudiced or otherwise forfeits substantive rights or defenses by reason of such failure). If notice of any such matter is given to the Indemnifying Party as above provided, the Indemnifying Party shall be entitled to participate in and, to the extent it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense of such action at its own expense, with counsel chosen by it and reasonably satisfactory to such Indemnified Party. The Indemnified Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the Indemnified Party unless (i) the Indemnifying Party agrees to pay the same, (ii) the Indemnifying Party fails to assume the defense of such action with counsel reasonably satisfactory to the Indemnified Party or (iii) the named parties to any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and such parties have been advised by such counsel that representation of such Indemnified Party and the Indemnifying Party by the same counsel would be inappropriate under applicable standards of professional conduct. In any of such cases, the Indemnifying Party shall not have the right to assume the defense of such action on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all Indemnified Parties. No Indemnifying Party shall be liable for any settlement entered into without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the consent of such Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which such Indemnified Party is a party and indemnity has been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability for claims that are the subject matter of such proceeding.

(d) *Contribution.* If the indemnification provided for in this Section 8 from the Indemnifying Party is unavailable to an Indemnified Party hereunder in respect of any Liabilities referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions which resulted in such Liabilities, as well as any other relevant equitable considerations. The relative faults of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission

or alleged omission to state a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the Liabilities referred to above shall be deemed to include, subject to the limitations set forth in Sections 8(a), 8(b) and 8(c), any legal or other fees, charges or expenses reasonably incurred by such party in connection with any investigation or proceeding; *provided* that the total amount to be contributed by such Designated Holder shall be limited to the net proceeds (after deducting the underwriters' discounts and commissions) received by such Designated Holder in the offering *plus* any actual out-of-pocket costs and expenses incurred by the Company as Liabilities that are directly attributable to the statement or alleged statement or omission that was made in reliance upon and in conformity with information with respect to such Designated Holder furnished in writing to the Company by such Designated Holder expressly for use in the Registration Statement or prospectus.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No

Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

9. *Rule 144.* The Company covenants that it shall (a) file any reports required to be filed by it under the Exchange Act and (b) take such further action as each Designated Holder may reasonably request (including providing any information necessary to comply with Rule 144 under the Securities Act), all to the extent required from time to time to enable such Designated Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such rule may be amended from time to time or (ii) any similar rules or regulations hereafter adopted by the SEC. The Company shall, upon the request of any Designated Holder, deliver to such Designated Holder a written statement as to whether it has complied with such requirements.

10. *Miscellaneous.* (a) *Recapitalizations, Exchanges, etc*. The provisions of this Agreement shall apply to the full extent set forth herein with respect to (i) the shares of Series C Preferred Stock, (ii) any and all shares of Common Stock into which the shares of Series C Preferred Stock are converted, exchanged or substituted in any recapitalization or other capital reorganization by the Company and (iii) any and all equity securities of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in conversion of, in exchange for or in substitution of, the shares of Series C Preferred Stock and shall be appropriately adjusted for any stock dividends, splits, reverse splits, combinations, recapitalizations and the like occurring after the date hereof. The Company shall use all commercially reasonable efforts to cause any successor or assign (whether by merger, consolidation, sale of assets or otherwise) to enter into a new registration rights agreement with the Designated Holders on terms substantially the same as this Agreement as a condition of any such transaction.

(b) *No Inconsistent Agreements.* For so long as the Investor Stockholders hold at least ten percent (10%) of the total outstanding voting securities or voting power of the Company as determined on an as converted and fully diluted basis, no registration rights for the registration of securities under the Securities Act or otherwise shall be granted by the Company after the date hereof without the prior consent of a majority of the non-employee directors of the Company, voting together as a group, unless such registration rights are subordinate to the rights granted herein or such registration rights relate to the securities of a subsidiary of the Company; *provided*, *however*, that in the event that any firm commitment to purchase any preferred stock of the Company pursuant to an Authorized Preferred Stock Issuance is entered into between the

Company and any New Investor (such commitment to be subject only to such shareholder approval of the issuance of such new preferred stock as may be required by applicable law or regulation) and, in connection with such issuance, registration rights for the registration of securities of the Company under the Securities Act are granted by the Company to such New Investor on terms that are consistent with clause (v) of the definition of Authorized Preferred Stock Issuance in the Certificate of Designation and Sections 3(e) and 4(a) hereof, then this Section 10(b) shall not apply to the granting of such registration rights and the Investor Stockholders agree to amend this Agreement concurrently with such issuance of preferred stock to such New Investor to the extent necessary to ensure that the registration rights granted to such New Investor and the registration rights granted hereunder will be consistent with one another and that the registration rights granted to such New Investor will be no more favorable than the registration rights of the Investor Stockholders.

(c) *Remedies.* The Designated Holders, in addition to being entitled to exercise all rights granted by law, including recovery of damages (excluding incidental, consequential or punitive damages), shall be entitled to specific performance of their rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive in any action for specific performance the defense that a remedy at law would be adequate.

(d) *Amendments and Waivers.* Except as otherwise provided herein, the provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless consented to in writing by (i) the Company and (ii) the Investor Stockholders holding Registrable Securities representing (after giving effect to any adjustments) at least a majority of the aggregate number of Registrable Securities owned by all of the Investor Stockholders; *provided*, *however*, that to the extent any amendment or waiver shall adversely affect any specific Investor Stockholder or group of Investor Stockholders but not all of the Investor Stockholders as a class, such amendment or waiver shall require the prior written consent of each Investor Stockholder so adversely affected. Any such written consent shall be binding upon the Company and all of the Designated Holders.

(e) *Notices.* All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be made by registered or certified first-class mail, return receipt requested, facsimile, courier service or personal delivery:

(i) if to the Company, to:

Primus Telecommunications Group, Incorporated
1700 Old Meadow Road
McLean, VA 22102
Facsimile: (703) 902-2814
Attention: John F. DePodesta, Executive Vice President

with copies to:

Primus Telecommunications Group, Incorporated
1700 Old Meadow Road
McLean, VA 22102
Facsimile: (703) 902-2814
Attention: Danielle O. Saunders, General Counsel

and

Kelley Drye & Warren LLP
8000 Towers Crescent Drive
Suite 1200 Vienna, VA 22182
Facsimile: (703) 918-2450
Attention: Joseph B. Hoffman, Esq.

(ii) if to any of the Lead Investors, to:

AIG Global Sports and Entertainment Fund, L.P.
AIG Global Emerging Markets Fund, L.L.C.
GEM Parallel Fund, L.P.
c/o AIG Capital Partners, Inc.
175 Water St., 23rd Floor
New York, NY 10038
Facsimile: (212) 458-2153
Attention: Corporate Counsel

with copies to:

PH Capital, LLC
1266 East Main Street
4th Floor
Stamford, CT 06902
Facsimile: (203) 921-2448
Attention: Geoff Hamlin

and

Pillsbury Winthrop LLP
Financial Centre
695 East Main Street
Stamford, CT 06901
Facsimile: (203) 965-8226
Attention: Robert J. Rawn, Esq.

(iii) if to the Co-Investor, to:

Duke Hotels Limited
c/o Greenaap Consultants Ltd.
66 Merrion Square
Dublin 2, Ireland
Facsimile: +353 (1) 662-0506
Attention: Ian Buchanan

with copies to:

c/o AIG Capital Partners, Inc.
175 Water St., 23rd Floor
New York, NY 10038
Facsimile: (212) 458-2153
Attention: Corporate Counsel

(iv) if to any other Designated Holder, at its address as it appears on the record books of the Company.

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by

commercial courier service by 5:00 pm EST on a Business Day, otherwise, on the next succeeding Business Day; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, by 5:00 pm EST on a Business Day, if sent via facsimile, otherwise, on the next succeeding Business Day. Any party may by notice given in accordance with this Section 10(e) designate another address or Person for receipt of notices hereunder.

(f) *Successors and Assigns; Third Party Beneficiaries.* This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto as hereinafter provided. The registration rights and other related rights of the Investor Stockholders and the Designated Holders as set forth herein shall be, with respect to any Registrable Security, automatically transferred to any Person who is the transferee of such Registrable Security so long as such transferee agrees to be bound by this Agreement. All of the obligations of the Company hereunder shall survive any such transfer. Except as provided in Section 8, with respect to the limited class of other Persons identified specifically therein, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of this Agreement.

(g) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) ***GOVERNING LAW.*** **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF**.

(j) *Consent to Jurisdiction.* To the extent permitted by applicable law, any judicial proceeding brought in connection with this Agreement must be brought in the United States District Court for the Southern District of New York, and, by execution and delivery of this Agreement, each party (i) accepts, generally and unconditionally, the exclusive jurisdiction of such court and any related appellate court, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, (ii) irrevocably waives any objection it may now or hereafter have as to the venue of any such suit, action or proceeding brought in such a court or that such court is an inconvenient forum and (iii) waives personal service of process and consents to service of process upon it by certified or registered mail, return receipt requested, at its address specified or determined in accordance with Section 10(e) hereof, and service so made shall be deemed completed on the fifth Business Day after such service is deposited in the mail. Nothing in this Section 10(j) shall affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(k) *Severability.* If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

(l) *Rules of Construction.* Unless the context otherwise requires, references to sections or subsections refer to sections or subsections of this Agreement.

(m) *Entire Agreement.* This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto with respect to the subject matter contained herein. There are

no restrictions, promises, representations, warranties or undertakings with respect to the subject matter contained herein, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and understandings among the parties with respect to such subject matter.

(n) *Further Assurances.* Each of the parties shall execute such documents and perform such further acts as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.

(o) *Other Agreements.* Nothing contained in this Agreement shall be deemed to be a waiver of, or release from, any obligations any party hereto may have under, or any restrictions on the transfer of Registrable Securities or other securities of the Company imposed by, any other agreement including, but not limited to, the Stock Purchase Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Registration Rights Agreement on the date first written above.

PRIMUS TELECOMMUNICATIONS GROUP,
INCORPORATED

By: _____

Name:
Title:

AIG GLOBAL SPORTS AND
ENTERTAINMENT FUND, L.P.

By: AIG GSEF, L.P.,
its General Partner

By: AIG GSEF INVESTMENTS, LTD.,
its General Partner

By: _____

Name:
Title:

AIG GLOBAL EMERGING MARKETS FUND, L.L.C.

By: AIG Capital Management Corp.,

its Managing Member

By: _____

Name:
Title:

GEM PARALLEL FUND, L.P.

By: AIG Capital Management Corp.,
its General Partner

By: _____

Name:
Title:

DUKE HOTELS LIMITED

By: _____

Name:
Title:

QuickLinks

REGISTRATION RIGHTS AGREEMENT by and among PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, AIG GLOBAL SPORTS AND ENTERTAINMENT FUND, L.P., AIG GLOBAL EMERGING MARKETS FUND, L.L.C., GEM PARALLEL FUND, L.P. and DUKE HOTELS LIMITED
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Exhibit 99.3

[primus LOGO]

FOR IMMEDIATE RELEASE

Contact:
Jordan Darrow, VP, Investor Relations
& Corporate Communications
PRIMUS Telecommunications Group
(212) 703-0116
jdarrow@primustel.com

PRIMUS TELECOMMUNICATIONS RAISES $42 MILLION IN CONVERTIBLE PREFERRED STOCK FINANCING

McLean, Virginia—December 31, 2002—PRIMUS Telecommunications Group, Incorporated ("PRIMUS" or the "Company") (Nasdaq: PRTL), a global facilities-based Total Service Provider offering an integrated portfolio of voice, data, Internet and web hosting services, today announced it has signed an agreement to sell newly-issued shares of its Series C Convertible Preferred Stock (the "Series C Preferred") for an aggregate purchase price of $42 million in a private offering to two private equity funds sponsored by the American International Group, Inc. (collectively, "AIG") and an additional institutional investor that is a limited partner of one of the funds. The new Series C Preferred will be convertible into shares of the Company's Common Stock at a conversion price of $1.876 per share, subject to certain adjustments, which today represents approximately a 25.2% fully-diluted ownership interest in PRIMUS.

The first phase of the transaction closed today with PRIMUS receiving approximately $33 million from AIG and the additional investor, with AIG obtaining a 19.99% ownership interest in PRIMUS' issued and outstanding capital stock. It is expected that the balance of the transaction will close upon the earlier to occur of either approval by PRIMUS' shareholders for AIG to own in excess of 19.99% of PRIMUS' issued and outstanding capital stock, or subsequent issuances of PRIMUS capital stock to third parties which would bring AIG's ownership of the Series C Preferred (including the remaining Series C Preferred) below the 20% threshold.

PRIMUS intends to use the proceeds from the financing for general corporate purposes, including working capital, debt reduction and potential acquisitions involving industry consolidation opportunities. As part of this transaction, PRIMUS has the right to issue up to $75 million of additional principal amount of Convertible Preferred Stock on similar terms through June 1, 2004, and, if such issuances are contractually committed within the next 45 days, such additional Convertible Preferred Stock can be issued on the same terms, including pricing, as those offered to AIG, subject only to obtaining requisite shareholder approval. The proceeds from any such additional issuances of Convertible Preferred Stock would be used for similar purposes.

"The investment announced today marks a significant milestone in PRIMUS' execution of the three-pronged strategy we announced two years ago," stated K. Paul Singh, Chairman and Chief Executive Officer of PRIMUS. "In late 2000, as we surveyed a bleak economic landscape and uncertain future for the telecommunications sector, we resolved to become an industry survivor through implementing a bold strategy to dramatically reduce our debt, aggressively grow our EBITDA (earnings before interest, taxes, depreciation and amortization) and, when substantial progress was made on both those fronts, to access additional capital. Since that time, we have reduced our debt by over 50% and we have grown our EBITDA from slightly positive to a projected level approaching $100 million for 2002. With today's announcement, we can record substantial progress on the third prong of our strategy."

"The AIG investment, which brings to PRIMUS a sophisticated and resourceful partner, is a tangible validation of the progress we have made and their belief in our future potential. The transaction improves our liquidity, strengthens our balance sheet, provides resources to permit us to resume a growth strategy, and also sets the platform for potential future equity investments in PRIMUS," Mr. Singh commented. "As a consequence, we are now able to address 2003 with enhanced vitality and a refreshed commitment to growth. We believe that, given the turmoil that exists in the telecommunications sector generally, consolidation opportunities are becoming increasingly available at attractive valuations and terms. Clearly, now is the time to accumulate cash resources to enable us to seize opportunities as a potential consolidator to build greater long term value for our shareholders. The new funding and the flexibility to raise additional Convertible Preferred equity position us to target accretive acquisition opportunities."

The Series C Preferred has an initial conversion price of $1.876 per share, subject from time-to-time to weighted-average antidilution adjustments, provided that such adjustments do not result in an adjusted conversion price of less than $1.754 per share. The Series C Preferred will be subject to mandatory conversion when the Company's Common Stock trades for a defined period above three times the then applicable conversion price. The Series C Preferred will be subject to certain performance adjustments, payable as an adjustment to the conversion price or in cash at the Company's option, which feature will be extinguished upon the Company's attaining any one of certain specified performance targets (including a reduction in total net debt to $405 million or less, an average daily closing price for the Company's Common Stock during any thirty day period that equals or exceeds the then applicable conversion price, or reduction to a level of 3.625 or less in the Company's net debt/EBITDA ratio). Each share of Series C Preferred is entitled to a liquidation preference payment ahead of the Company's Common Stock equal to the then applicable conversion price multiplied by the number of shares of Common Stock into which such share is convertible plus an amount representing a 15% internal rate of return (less dividends and distributions previously made). So long as holders of the Series C Preferred maintain certain minimum ownership percentage interests in PRIMUS, they will be entitled to nominate one member (at greater than 5% levels) and one observer (at greater than 10% levels) to PRIMUS' Board of Directors.

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PRIMUS Telecommunications Group, Incorporated (NASDAQ: PRTL) is a global facilities-based Total Service Provider offering bundled voice, data, Internet, digital subscriber line (DSL), Web hosting, enhanced application, virtual private network (VPN), and other value-added services. PRIMUS owns and operates an extensive global backbone network of owned and leased transmission facilities, including over 300 IP points-of-presence (POPs) throughout the world, ownership interests in over 23 undersea fiber optic cable systems, 19 international gateway and domestic switches, a satellite earth station and a variety of operating

relationships that allow it to deliver traffic worldwide. PRIMUS has been expanding its e-commerce and Internet capabilities with the deployment of a global state-of-the-art broadband fiber optic ATM+IP network. Founded in 1994 and based in McLean, VA, PRIMUS serves corporate, small- and medium-sized businesses, residential and data, ISP and telecommunication carrier customers primarily located in the North America, Europe and Asia Pacific regions of the world. News and information are available at PRIMUS's Web site at *www.primustel.com*.

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Statements in this press release constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on current expectations, and are not strictly historical statements. Forward-looking statements include without limitation statements set forth in this document and elsewhere regarding, among other things: the Company's expectations of future liquidity, earnings before interest, taxes, depreciation and amortization ("EBITDA"), sales, net revenue, gross profit, operating profit, net income, cash flow, network development, Internet services development, traffic development, capital expenditures, selling, general and administrative expenses, goodwill impairment charges, service introductions and cash requirements; the Company's financing and/or debt repurchase, restructuring or exchange plans or initiatives; liquidity and debt service forecasts; management's plans, goals, expectations, guidance, objectives, strategy, and timing for future operations, product plans and performance, predictions or expectations of future growth, results or cash flow; and management's assessment of market factors and future financial performance. Factors and risks, including certain of those described in greater detail in the captions below, that could cause actual results or circumstances to differ materially from those set forth or contemplated in forward-looking statements include: changes in business conditions, prevailing trade credit terms or revenues arising from, among other reasons, further telecommunications carrier bankruptcies or adverse bankruptcy related developments affecting the Company's large carrier customers; the failure of certain vendors to make adequate concessions concerning the deferral of principal payments and the reduction of interest rates; the possible inability to raise capital when needed, or at all; the inability to reduce, exchange or restructure debt significantly, or in amounts sufficient to conduct regular ongoing operations; changes in the telecommunications or Internet industry or the general economy or capital markets; adverse tax rulings from applicable taxing authorities; DSL, Internet and telecommunication competition; changes in financial, capital market and economic conditions; changes in service offerings or business strategies; inability to lease space for data centers at commercially reasonable rates; difficulty in migrating customers or integrating other assets; difficulty in provisioning VoIP services; changes in the regulatory schemes and regulatory enforcement in the markets in which the Company operates; restrictions on the Company's ability to follow certain strategies or complete certain transactions as a result of its capital structure or debt covenants; the inability to reduce debt significantly; risks associated with the Company's limited DSL, Internet and Web hosting experience and expertise; entry into developing markets; the possible inability to hire and/or retain qualified sales, technical and other personnel, particularly as we continue to attempt to grow our data-centric services, and manage growth; and risks associated with international operations (including foreign currency translation risks); dependence on effective information systems; dependence on third parties to enable us to expand and manage our global network and operations; and dependence on the implementation and performance of the Company's global ATM+IP communications network; and the inability to obtain requisite shareholder approval to consummate proposed transactions. As such, actual results or circumstances may vary materially from such forward-looking statements or expectations. Readers are also cautioned not to place undue reliance on these forward-looking statements which speak only as of the date these statements were made. Primus is not necessarily obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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