PRIMUS TELECOMMUNICATIONS GROUP INC
Form 10-Q
November 15, 2010
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2010

OR

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

Commission File No. 0-29092

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

(Exact name of registrant as specified in its charter)

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

(703) 902-2800

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 31, 2010
Common Stock $0.001 par value	9,743,157

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Successor		Predecessor
	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	July 1, 2009
NET REVENUE	$ 188,199	$ 194,946	$
OPERATING EXPENSES			
Cost of revenue (exclusive of depreciation included below)	120,858	126,889	
Selling, general and administrative	51,576	47,132	
Depreciation and amortization	13,641	18,740	
(Gain) loss on sale or disposal of assets		36	
Total operating expenses	186,075	192,797	
INCOME (LOSS) FROM OPERATIONS	2,124	2,149	
INTEREST EXPENSE	(8,602)	(8,747)	
(ACCRETION) AMORTIZATION ON DEBT PREMIUM/DISCOUNT, net	(46)		
GAIN (LOSS) FROM EARLY EXTINGUISHMENT OF DEBT			
GAIN (LOSS) FROM CONTINGENT VALUE RIGHTS VALUATION	33	(4,229)	
INTEREST INCOME AND OTHER INCOME (EXPENSE), net	254	160	
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	14,006	13,448	
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE REORGANIZATION ITEMS AND INCOME TAXES	7,769	2,781	
REORGANIZATION ITEMS, net		(307)	431,797
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	7,769	2,474	431,797
INCOME TAX BENEFIT (EXPENSE)	3,238	2,121	
INCOME (LOSS) FROM CONTINUING OPERATIONS	11,007	4,595	431,797
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(5,464)	(2,110)	
GAIN (LOSS) FROM SALE OF DISCONTINUED OPERATIONS, net of tax	(389)	(110)	
NET INCOME (LOSS)	5,154	2,375	431,797
Less: Net (income) loss attributable to the noncontrolling interest	(74)	(210)	
NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ 5,080	$ 2,165	$ 431,797
BASIC INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	$ 1.12	$ 0.46	$ 3.03
Income (loss) from discontinued operations	(0.56)	(0.22)	
Gain (loss) from sale of discontinued operations	(0.04)	(0.01)	
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	$ 0.52	$ 0.23	$ 3.03

DILUTED INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	$ 1.12	$ 0.46	$ 2.49
Income (loss) from discontinued operations	(0.56)	(0.22)	
Gain (loss) from sale of discontinued operations	(0.04)	(0.01)	
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	$ 0.52	$ 0.23	$ 2.49
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	9,743	9,600	142,695
Diluted	9,743	9,600	173,117
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED			
Income (loss) from continuing operations, net of tax	$ 10,933	$ 4,385	$ 431,797
Income (loss) from discontinued operations	(5,464)	(2,110)	
Gain (loss) from sale of discontinued operations	(389)	(110)	
Net income (loss)	$ 5,080	$ 2,165	$ 431,797

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Successor		Predecessor
	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended July 1, 2009
NET REVENUE	$ 575,809	$ 194,946	$ 365,245
OPERATING EXPENSES			
Cost of revenue (exclusive of depreciation included below)	366,809	126,889	236,925
Selling, general and administrative	149,549	47,132	88,585
Depreciation and amortization	49,703	18,740	11,545
(Gain) loss on sale or disposal of assets	(179)	36	(43)
Total operating expenses	565,882	192,797	337,012
INCOME (LOSS) FROM OPERATIONS	9,927	2,149	28,233
INTEREST EXPENSE	(26,661)	(8,747)	(14,093)
(ACCRETION) AMORTIZATION ON DEBT PREMIUM/DISCOUNT, net	(135)		189
GAIN (LOSS) FROM EARLY EXTINGUISHMENT OF DEBT	164		
GAIN (LOSS) FROM CONTINGENT VALUE RIGHTS VALUATION	(2,392)	(4,229)	
INTEREST INCOME AND OTHER INCOME (EXPENSE), net	617	160	378
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	10,212	13,448	20,332
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE REORGANIZATION ITEMS AND INCOME TAXES	(8,268)	2,781	35,039
REORGANIZATION ITEMS, net	1	(307)	424,825
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(8,267)	2,474	459,864
INCOME TAX BENEFIT (EXPENSE)	7,291	2,121	(3,988)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(976)	4,595	455,876
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(7,681)	(2,110)	14,995
GAIN (LOSS) FROM SALE OF DISCONTINUED OPERATIONS, net of tax	(196)	(110)	251
NET INCOME (LOSS)	(8,853)	2,375	471,122
Less: Net (income) loss attributable to the noncontrolling interest	(104)	(210)	32
NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ (8,957)	$ 2,165	$ 471,154
BASIC INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	$ (0.11)	$ 0.46	$ 3.19
Income (loss) from discontinued operations	(0.79)	(0.22)	0.11
Gain (loss) from sale of discontinued operations	(0.02)	(0.01)	
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	$ (0.92)	$ 0.23	$ 3.30

DILUTED INCOME (LOSS) PER COMMON SHARE:						
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	$	(0.11)	$	0.46	$	2.63
Income (loss) from discontinued operations		(0.79)		(0.22)		0.09
Gain (loss) from sale of discontinued operations		(0.02)		(0.01)		
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	$	(0.92)	$	0.23	$	2.72
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING						
Basic		9,711		9,600		142,695
Diluted		9,711		9,600		173,117
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED						
Income (loss) from continuing operations, net of tax	$	(1,080)	$	4,385	$	455,908
Income (loss) from discontinued operations		(7,681)		(2,110)		14,995
Gain (loss) from sale of discontinued operations		(196)		(110)		251
Net income (loss)	$	(8,957)	$	2,165	$	471,154

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands, except share amounts)

(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 49,599	$ 42,538
Accounts receivable (net of allowance for doubtful accounts receivable of $5,350 and $8,163)	74,139	89,342
Prepaid expenses and other current assets	15,795	15,147
Current assets held for sale	7,799	
Total current assets	147,332	147,027
RESTRICTED CASH	10,947	10,438
PROPERTY AND EQUIPMENT Net	134,556	147,606
GOODWILL	62,740	64,220
OTHER INTANGIBLE ASSETS Net	150,748	178,807
OTHER ASSETS	9,425	10,816
NON-CURRENT ASSETS HELD FOR SALE	7,124	
TOTAL ASSETS	$ 522,872	$ 558,914
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 35,861	$ 45,819
Accrued interconnection costs	31,021	37,561
Deferred revenue	12,461	13,882
Accrued expenses and other current liabilities	45,562	49,704
Accrued income taxes	9,751	10,629
Accrued interest	10,458	1,985
Current portion of long-term obligations	1,162	4,274
Current liabilities held for sale	10,420	
Total current liabilities	156,696	163,854
LONG-TERM OBLIGATIONS	242,947	253,242
DEFERRED TAX LIABILITY	25,715	36,052
OTHER LIABILITIES	8,257	5,857
NON-CURRENT LIABILITIES HELD FOR SALE	11	
Total liabilities	433,626	459,005
COMMITMENTS AND CONTINGENCIES **(See Note 6.)**		
STOCKHOLDERS EQUITY:		
Preferred stock, $0.001 par value 20,000,000 shares authorized; none issued or outstanding		
Common stock, $0.001 par value 80,000,000 shares authorized; 9,743,157 and 9,600,000 shares issued and outstanding	10	10
Additional paid-in capital	85,381	85,533

Accumulated earnings (deficit)	(2,225)	6,732
Accumulated other comprehensive income (loss)	2,336	4,064
Total stockholders equity before noncontrolling interest	85,502	96,339
Noncontrolling interest	3,744	3,570
Total stockholders equity	89,246	99,909
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 522,872	$ 558,914

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Successor		Predecessor
	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended July 1, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (8,853)	$ 2,375	$ 471,122
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Reorganization items, net	(1)	307	(440,094)
Provision for doubtful accounts receivable	5,722	2,593	5,140
Stock compensation expense	192	308	27
Depreciation and amortization	52,714	20,029	12,346
Impairment of goodwill and long-lived assets	6,161		
(Gain) loss on sale or disposal of assets	16	193	(294)
Accretion (amortization) of debt premium/discount, net	135		(189)
Change in fair value of Contingent Value Rights	2,392		
Deferred income taxes	(7,183)		
(Gain) loss on early extinguishment of debt	(164)		
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	(9,843)	(14,130)	(20,702)
Changes in assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable	3,785	2,634	7,798
(Increase) decrease in prepaid expenses and other current assets	(650)	2,150	461
(Increase) decrease in other assets	626	(3,339)	2,454
Increase (decrease) in accounts payable	(6,872)	(9,949)	(12,794)
Increase (decrease) in accrued interconnection costs	(5,768)	3,719	(5,361)
Increase (decrease) in accrued expenses, deferred revenue, other current liabilities and other liabilities, net	(2,379)	5,426	1,313
Increase (decrease) in accrued income taxes	(1,037)	(3,734)	2,113
Increase (decrease) in accrued interest	8,466	4,410	(1,600)
Net cash provided by operating activities before cash reorganization items	37,459	12,992	21,740
Cash effect of reorganization items	(137)	(6,121)	(4,595)
Net cash provided by operating activities	37,322	6,871	17,145
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(17,147)	(3,886)	(5,660)
Sale of property and equipment and intangible assets	716	12	179
Cash from disposition of business, net of cash disposed	275	(110)	232
Cash used in business acquisitions, net of cash acquired			(199)
(Increase) decrease in restricted cash	(86)	17	(146)
Net cash used in investing activities	(16,242)	(3,967)	(5,594)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term obligations	(13,577)	(4,598)	(8,292)
Net cash used in financing activities	(13,577)	(4,598)	(8,292)

EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(442)	2,083	1,202
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,061	389	4,461
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	42,538	41,461	37,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 49,599	$ 41,850	$ 41,461
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	$ 18,378	$ 3,977	$ 14,909
Cash paid for taxes	$ 2,428	$ 2,810	$ 962
Non-cash investing and financing activities:			
Capital lease additions	$ 51	$ 321	$ 1,882

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Successor		Predecessor
	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	July 1, 2009
NET INCOME (LOSS)	$ 5,154	$ 2,375	$ 431,797
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	(581)	3,341	
Fresh-start adjustment			89,216
COMPREHENSIVE INCOME (LOSS)	4,573	5,716	521,013
Less: Comprehensive (income) loss attributable to the noncontrolling interest	(141)	(399)	
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ 4,432	$ 5,317	$ 521,013

See notes to consolidated financial statements.

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Successor Nine Months Ended September 30, 2010	Successor Three Months Ended September 30, 2009	Predecessor Six Months Ended July 1, 2009
NET INCOME (LOSS)	$ (8,853)	$ 2,375	$ 471,122
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	(1,658)	3,341	(6,954)
Fresh-start adjustment			89,216
COMPREHENSIVE INCOME (LOSS)	(10,511)	5,716	553,384
Less: Comprehensive (income) loss attributable to the noncontrolling interest	(174)	(399)	(117)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ (10,685)	$ 5,317	$ 553,267

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements of Primus Telecommunications Group, Incorporated and subsidiaries (the Company or Primus or Group) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission (SEC) regulations. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such principles and regulations. In the opinion of management, the financial statements reflect all adjustments (all of which are of a normal and recurring nature), which are necessary to present fairly the financial position, results of operations, cash flows and comprehensive income (loss) for the interim periods. The results for the Company s three months and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

As of July 1, 2009, the Company adopted fresh-start accounting in accordance with Accounting Standards Codification (ASC) No. 852, Reorganizations . The adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements on or prior to July 1, 2009 are not comparable with the financial statements for periods after July 1, 2009. The consolidated condensed statements of operations, cash flows, comprehensive income (loss) and any references to Successor or Successor Company for the three months ended September 30, 2009 and for the three months and nine months ended September 30, 2010, show the operations of the reorganized Company. References to Predecessor or Predecessor Company refer to the operations of the Company prior to July 1, 2009, except for Predecessor s July 1, 2009 statement of operations and comprehensive income (loss), which reflect only the effect of the plan adjustments and fresh-start accounting as of such date and do not reflect any operating results. See Note 3 Fresh Start Accounting in the notes to these Consolidated Condensed Financial Statements for further details.

The results for all periods presented in this quarterly Form 10-Q reflect the activities of certain operations as discontinued operations (see Note 11 Discontinued Operations).

The financial statements should be read in conjunction with the Company s audited consolidated financial statements included in the Company s most recently filed Form 10-K.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the Company s accounts, its wholly-owned subsidiaries and all other subsidiaries over which the Company exerts control. The Company owns 45.6% of Globility Communications Corporations (GCC) through direct and indirect ownership structures. The results of GCC and its subsidiary are consolidated with the Company s results based on guidance from ASC 810, Consolidation. All intercompany profits, transactions and balances have been eliminated in consolidation.

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Effective January 1, 2009, the Company adopted ASC No. 810, Consolidation. This statement changed the presentation of outstanding noncontrolling interests in one or more subsidiaries. Reconciliations at the beginning and the end of the period of the total equity, equity attributable to the Company and equity attributable to the noncontrolling interest for Successor s nine months ended September 30, 2010 and three months ended September 30, 2009 and Predecessor s six months ended July 1, 2009 are as follows (in thousands):

	Successor As of September 30, 2010						
		Primus Telecommunications Group, Incorporated Shareholders					
		Common Stock				Accumulated	
				Additional	Accumulated	Other	
				Paid-In	Earnings	Comprehensive	Noncontrolling
	Total	Shares	Amount	Capital	(Deficit)	Loss	Interest
Balance as of January 1, 2010	$ 99,909	9,600	$ 10	$ 85,533	$ 6,732	$ 4,064	$ 3,570
Stock Option Compensation Expense	192			192			
Common shares issued for restricted stock units	(344)	143		(344)			
Comprehensive Income							
Net income (loss)	(8,853)				(8,957)		104
Other comprehensive income (loss)	(1,658)					(1,728)	70
Comprehensive Income	(10,511)						
Balance as of September 30, 2010	$ 89,246	9,743	$ 10	$ 85,381	$ (2,225)	$ 2,336	$ 3,744

	Predecessor As of July 1, 2009						
		Primus Telecommunications Group, Incorporated Shareholders					
		Common Stock				Accumulated	
				Additional	Accumulated	Other	
				Paid-In	Earnings	Comprehensive	Noncontrolling
	Total	Shares	Amount	Capital	(Deficit)	Loss	Interest
Balance as of January 1, 2009	$ (458,725)	142,695	$ 1,427	$ 718,956	$ (1,099,809)	$ (82,113)	$ 2,814
Stock Option Compensation Expense	27			27			
Comprehensive Income							
Net income (loss)	39,325				39,357		(32)
Other comprehensive income (loss)	(6,954)					(7,103)	149
Comprehensive Income	32,371						
Balance as of June 30, 2009	$ (426,327)	142,695	$ 1,427	$ 718,983	$ (1,060,452)	$ (89,216)	$ 2,931
Plan and fresh-start adjustments	513,650	(133,095)	(1,417)	(634,601)	1,060,452	89,216	
Balance as of July 1, 2009	$ (87,323)	9,600	$ 10	$ 84,382	$	$	$ 2,931

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	Successor As of September 30, 2009 Primus Telecommunications Group, Incorporated Shareholders						
		Common Stock					
	Total	Shares	Amount	Additional Paid-In Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest
Balance as of July 1, 2009	$ 87,323	9,600	$ 10	$ 84,382	$	$	$ 2,931
Stock Option Compensation Expense	308			308			
Comprehensive Income							
Net income (loss)	2,375				2,165		210
Other comprehensive income (loss)	3,341					3,152	189
Comprehensive Income	5,716						
Balance as of September 30, 2009	$ 93,347	9,600	$ 10	$ 84,690	$ 2,165	$ 3,152	$ 3,330

Discontinued Operations During the first quarter 2010, the Company initiated the sale of certain assets of its Spain and European agent serviced retail operations; and, therefore, has reported such operations as discontinued operations. In the second quarter of 2010 the Company completed the sale of certain assets of its Spanish operations. In the third quarter of 2010 the company completed the sale of its Belgian operations and classified its entire European retail segment as discontinued operations.

In October 2010 the Company completed the sale of its Italian and United Kingdom retail operations. See Note 15, Subsequent Events .

In the first quarter 2009, the Company sold certain assets of its Japan retail operations. Therefore, the Company reported Japan retail operations as a discontinued operation. During the second quarter of 2008, the Company intended and had the authority to sell certain assets of its German retail operations, and therefore, reported this unit as a discontinued operation. However, buyers were not found; therefore the Company decided it would cease operations of the German retail business effective the first quarter of 2009.

Reorganization Costs In accordance with ASC No. 852, Reorganizations, for periods including and subsequent to the filing of the Chapter 11 petition through the bankruptcy emergence date of July 1, 2009, all revenues, expenses, realized gains and losses, and provisions for losses that result from the reorganization are reported separately as reorganization items, net, in the Consolidated Statements of Operations. Net cash used for reorganization items is disclosed separately in the Consolidated Statements of Cash Flows.

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

Stock-Based Compensation The Company uses a Black-Scholes option valuation model to determine the fair value of stock-based compensation under ASC No. 718, Compensation Stock Compensation . The Black-Scholes model incorporates various assumptions including the expected term of awards, volatility of stock price, risk-free rates of return and dividend yield. The expected term of an award is no less than the option vesting period and is based on the Company s historical experience. Expected volatility is based upon the historical volatility of the Company s stock price. Because of the short trading history of the Successor Company s common stock, the Company calculates the expected volatility by averaging the historical volatility of the stock price of the Successor Company s common stock and historical volatility of a peer group in the telecommunication industry with similar market capitalization. The risk-free interest rate is approximated using rates available on U.S. Treasury securities with a remaining term similar to the option s expected life. The Company uses a dividend yield of zero in the Black-Scholes option valuation model as it does not anticipate paying cash dividends in the foreseeable future.

Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of net revenue and expenses during the reporting period. Actual results may differ from these estimates. Significant estimates include allowance for doubtful accounts receivable, accrued interconnection cost disputes, the fair value of derivatives, market assumptions used in estimating the fair values of certain assets and liabilities, the calculation used in determining the fair value of the Company s stock options required by ASC No. 718 and various tax contingencies.

Under fresh-start accounting as of July 1, 2009, the Company s asset values were remeasured and allocated in conformity with ASC No. 805, Business Combinations. Deferred taxes are reported in conformity with ASC No. 740, Income Taxes.

Upon emergence from bankruptcy on July 1, 2009, the Company entered into an arrangement for issuing Contingent Value Rights (CVRs) that contained derivative features. The Company accounted for the arrangement in accordance with ASC No. 815, Derivatives and Hedging. The Company determined these CVRs to be derivative instruments to be accounted for as liabilities and marked to fair value at each balance sheet date. Upon issuance, the Company recorded CVRs as a liability in its balance sheet at their estimated fair value. Changes in their estimated fair value are recognized in earnings during the period of change.

Estimates of fair value represent the Company s best estimates developed with the assistance of independent appraisals or various valuation techniques including Black-Scholes and, where the foregoing have not yet been completed or are not available, industry data and trends and by reference to relevant market rates and transactions. The estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially. Any adjustments to the recorded fair values of these assets and liabilities may impact the amount of recorded goodwill.

Property, Plant and Equipment Property and equipment is recorded at cost less accumulated depreciation, which was provided on the straight-line method over the estimated useful lives of the assets. Cost includes major expenditures for improvements and replacements which extend useful lives or increase capacity of the assets as well as expenditures necessary to place assets into readiness for use. Expenditures for maintenance and repairs are expensed as incurred. The estimated useful lives of property and equipment are as follows: network equipment 5 to 8 years, fiber optic and submarine cable 8 to 25 years, furniture and equipment 5 years, leasehold improvements and leased equipment shorter of lease or useful life. In accordance with ASC No. 350, Intangible Goodwill and Other, costs for internal use software that were incurred in the preliminary project stage and in the post-implementation stage are expensed as incurred. Costs incurred during the application development stage were capitalized and amortized over the estimated useful life of the software.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB and are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued accounting pronouncements that are not discussed will not have a material impact on consolidated financial position, results of operations, and cash flows, or do not apply to our operations.

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Accounting Standards Update No. 2010-12 Income Taxes (Topic 740): Accounting for Certain Tax effects of the 2010 Health Care Reform Acts (ASU No. 2010-12)

In April 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-12, *Income Taxes (Topic 740): Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts*, which contains an SEC staff announcement addressing a potential accounting issue specific to companies with period ends between March 23 and March 30, 2010. On March 30, 2010, the President signed the Health Care and Education Reconciliation Act of 2010, which is a reconciliation bill that amends the Patient Protection and Affordable Care Act that was signed by the President on March 23, 2010 (collectively the Acts). This guidance is effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of this guidance did not have an impact on the Company s condensed consolidated financial statements.

Accounting Standards Update No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU No. 2010-06)

We adopted certain provisions of ASU No. 2010-06 in the first quarter of 2010. These provisions of ASU No. 2010-06 amended Subtopic 820-10, Fair Value Measurements and Disclosures Overall, by requiring additional disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring fair value measurement disclosures for each class of assets and liabilities, a subset of the captions disclosed in our Consolidated Balance Sheets. The adoption did not have a material impact on our financial statements or our disclosures, as we did not have any transfers between Level 1 and Level 2 fair value measurements and did not have material classes of assets and liabilities that required additional disclosure.

Certain provisions of ASU No. 2010-06 are effective for fiscal years beginning after December 15, 2010, which for us will be our 2011 first quarter. These provisions of ASU No. 2010-06, which amended Subtopic 820-10, will require us to present as separate line items all purchases, sales, issuances, and settlements of financial instruments valued using significant unobservable inputs (Level 3) in the reconciliation for fair value measurements, whereas currently these are presented in aggregate as one line item. Although this may change the appearance of our reconciliation, we do not believe the adoption will have a material impact on our financial statements or disclosures.

Accounting Standards Update No. 2010-09 Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements (ASU No. 2010-09)

We adopted ASU No. 2010-09 in the first quarter of 2010. ASU No. 2010-09 amended Subtopic 855-10, Subsequent Events Overall by removing the requirement for a United States Securities and Exchange Commission (SEC) registrant to disclose a date, in both issued and revised financial statements, through which that filer had evaluated subsequent events. Accordingly, we removed the related disclosure from Footnote No. 1, Basis of Presentation. The adoption did not have a material impact on our financial statements.

Accounting Standards Update No. 2009-17 Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU No. 2009-17)

We adopted ASU No. 2009-17 in the first quarter of 2010. The provisions of ASU No. 2009-17 replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity (VIE) with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impacts the entity s economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which reporting entity has a controlling financial interest in a variable interest entity. In addition, ASU No. 2009-17 amends the Consolidation Topic of the ASC regarding when and how to determine, or re-determine,

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whether an entity is a VIE, which could require consolidation. Furthermore, ASU No. 2009-17 requires ongoing assessments of whether an entity is the primary beneficiary of a VIE. The provisions in this update also require additional disclosures about a reporting entity s involvement in variable interest entities, which will enhance the information provided to users of financial statements. The adoption of this standard did not have an impact on the Company s financial position, results of operations, cash flows, or comprehensive income.

Accounting Standards Update No. 2009-13 Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (ASU 2009-13)

In October 2009, the FASB issued ASU No. 2009-13, Revenue Recognition (Topic 605) *Multiple-Deliverable Revenue Arrangements*: a consensus of the FASB EITF (ASU 2009-13). ASU 2009-13 establishes a selling-price hierarchy for determining the selling price of each element within a multiple-deliverable arrangement. Specifically, the selling price assigned to each deliverable is to be based on vendor-specific objective evidence (VSOE), if available, third-party evidence, if VSOE is unavailable, and estimated selling price if neither VSOE nor third-party evidence is available. In addition, ASU 2009-13 eliminates the residual method of allocating arrangement consideration and instead requires allocation using the relative selling price method. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted at the beginning of a company s fiscal year. The Company plans to implement this guidance on January 1, 2011 and is currently evaluating the potential impact of ASU 2009-13 on the Company s financial statements.

3. FRESH START ACCOUNTING

On July 1, 2009, the Company adopted fresh-start accounting in accordance with ASC No. 852, Reorganizations . Fresh-start accounting results in the Company becoming a new entity for financial reporting purposes. Accordingly, the Successor Company s consolidated financial statements are not comparable to consolidated financial statements of the Predecessor Company.

Under ASC No. 852, the Successor Company must determine a value to be assigned to the equity of the emerging company as of the date of adoption of fresh-start accounting. To facilitate this calculation the Company first determined the enterprise value of the Successor Company. The valuation methods included (i) a discounted cash flow analysis, considering a range of the weighted average cost of capital between 14.0% and 16.0% and multiples of projected earnings of between 4.5 and 5.0 times for its terminal value, and (ii) a market multiples analysis. This analysis resulted in an estimated enterprise value of between $320 million and $360 million, and with the midpoint of $340 million chosen for purposes of applying fresh-start accounting.

The estimated enterprise value, and corresponding equity value, is highly dependent upon achieving the future financial results set forth in the financial projections included in the Company s Plan, as filed with the Bankruptcy Court. These projections were limited by the information available to the Company as of the date of the preparation of the projections and reflected numerous assumptions concerning anticipated future performance and prevailing and anticipated market and economic conditions that were and continue to be beyond the Company s control and that may not materialize. Projections are inherently subject to uncertainties and to a wide variety of significant business, economic and competitive risks. Therefore variations from the projections may be material.

Fresh-start accounting reflects the value of the Company as determined in the confirmed Plan. Under fresh-start accounting, the Company s asset values are remeasured and allocated in conformity with ASC No. 805, Business Combinations. The excess of reorganization value over the fair value of tangible and identifiable intangible assets is recorded as goodwill in the accompanying consolidated balance sheet. Fresh-start accounting also requires that all liabilities, other than deferred taxes and pension and other postretirement benefit obligations, should be stated at fair value.

Estimates of fair value included in the Successor Company financial statements, in conformity with ASC No. 820, Fair Value Measurements, represent the Company s best estimates and valuations developed with the

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assistance of independent appraisers and, where the foregoing have not yet been completed or are not available, represent industry data and trends by reference to relevant market rates and transactions. The foregoing estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially. In accordance with ASC No. 805, the allocation of the reorganization value is subject to additional adjustment until the Company has completed its analysis, but not to exceed one year after emergence from bankruptcy. As of March 31, 2010 the Company had completed the valuation of its assets and liabilities and has completed its adoption of fresh-start accounting in accordance with ASC No. 852, Reorganizations.

The following fresh-start Consolidated Condensed Balance Sheet presents the financial effects on the Company of the implementation of the Plan and the adoption of fresh-start accounting.

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The effects of the Plan and fresh-start reporting on the Company s Consolidated Condensed Balance Sheet are as follows:

	Predecessor July 1, 2009	Plan of Reorganization Adjustments		Fresh-Start Accounting Adjustments		Successor July 1, 2009
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 41,461	$		$		$ 41,461
Accounts receivable	93,826					93,826
Prepaid expenses and other current assets	16,955					16,955
Total current assets	152,242					152,242
RESTRICTED CASH	9,467					9,467
PROPERTY AND EQUIPMENT Net	117,840			32,298	d	150,138
GOODWILL	35,351			25,947	d, h	61,298
OTHER INTANGIBLE ASSETS Net	482			184,318	d	184,800
OTHER ASSETS	19,155			1,461	d, h	20,616
TOTAL ASSETS	$ 334,537	$		$ 244,024		$ 578,561
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
Accounts payable	$ 50,890	$		$		$ 50,890
Accrued interconnection costs	38,778					38,778
Deferred revenue	12,322					12,322
Accrued expenses and other current liabilities	53,982			(1,767)	d	52,215
Accrued income taxes	20,986					20,986
Accrued interest	19					19
Current portion of long-term obligations	107,097	(91,100)	g			15,997
Total current liabilities	284,074	(91,100)		(1,767)		191,207
LONG-TERM OBLIGATIONS	25,740	214,572	e, g			240,312
OTHER LIABILITIES		2,557	b	57,162	h	59,719
Total liabilities not subject to compromise	309,814	126,029		55,395		491,238
LIABILITIES SUBJECT TO COMPROMISE	451,050	(451,050)	a			
Total Liabilities	760,864	(325,021)		55,395		491,238
COMMITMENTS AND CONTINGENCIES						
STOCKHOLDERS EQUITY (DEFICIT):						
Primus Telecommunications Group, Incorporated Stockholders Equity (Deficit):						
Predecessor Common stock, $0.01 par value 300,000,000 shares authorized; 142,695,390 shares issued and outstanding	1,427	(1,427)	c			
Successor Common stock, $0.001 par value 80,000,000 shares authorized; 9,600,000 shares issued or outstanding		10	a			10
Predecessor Additional paid-in capital	718,983	(1,129)	c, b	(717,854)	f	
Successor Additional paid-in capital		84,382	a			84,382

Accumulated income (deficit)	(1,060,452)	243,185	a	817,267	d, f	
Accumulated other comprehensive income (loss)	(89,216)			89,216	f	
Total Primus Telecommunications Group, Incorporated stockholders income (deficit)	(429,258)	325,021		188,629		84,392
Noncontrolling interest	2,931					2,931
Total stockholders income (deficit)	(426,327)	325,021		188,629		87,323
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 334,537	$		$ 244,024		$ 578,561

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Notes to Plan of Reorganization and fresh-start accounting adjustments:

(a) This adjustment reflects the discharge of $451.1 million of liabilities subject to compromise (see Liabilities Subject to Compromise below), of which includes $123.5 million Senior Subordinated Secured Notes reclassed to long-term obligations, in accordance with the terms of the Plan and the issuance of 4.8 million shares of Successor Company common stock to the holders of each of the Senior Subordinated Secured Notes and the Holding Senior Notes.

(b) To record the issuance of Contingent Value Rights to the holders of the Old Common Stock.

(c) To record the cancellation of the Old Common Stock.

(d) To record assets and liabilities at their estimated fair values per fresh-start accounting. These amounts include adjustments to the estimated fair values from what was originally reported in the quarter ending September 30, 2009.

(e) To reclass Term Loan from current portion of long-term obligations to long-term obligations and record the issuance of the Senior Subordinated Secured Notes.

(f) To reset additional paid-in capital, accumulated other comprehensive loss and accumulated deficit to zero.

(g) To reclass long-term portion of the Term Loan to long-term obligations.

(h) To record the deferred tax attributes related to fresh-start accounting.

In the first nine months of 2010, the Company made no further fresh-start accounting adjustments to the fair value of its assets or liabilities.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill reflects the excess of the reorganization value of the Successor over the fair value of tangible and identifiable intangible assets as determined upon the adoption of fresh-start accounting. The Company recorded goodwill of $61.3 million upon emergence from bankruptcy as well as intangible assets of $184.8 million, which includes $81.6 million of indefinite-lived trade names, $99.2 million of amortizable customer relationships, and $4.0 million of amortizable trade names.

Generally accepted accounting principles in the United States require the Company to perform a goodwill impairment test, a two-step test, annually and more frequently when negative conditions or a triggering event arise. The Company completes its annual goodwill impairment test using October 1 as the measurement date for each of its reporting units.

In step one, the estimated fair value of each reporting unit is compared to its carrying value. The Company estimates the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). If there is a deficiency (the estimated fair value of a reporting unit is less than its carrying value), a step two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit s goodwill to the carrying value of goodwill, with the resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates. The assumptions about future cash flows and growth rates are based on management s assessment of a number of factors including the reporting unit s recent performance against budget, performance in the market that the reporting unit serves, as well as industry and general

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economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit.

During the three months ended September 30, 2010, the Company and its Board of Directors ratified a plan to proceed with the disposition of its European retail operations; see Note 11, *Discontinued Operations*. This triggering event prompted the Company to perform a goodwill impairment test, a two-step test, for the Europe reporting unit. Based on the results of the step one test, the Company determined that the carrying value of the Europe reporting unit was in excess of its respective fair value and a step two test was required for the reporting unit.

In completing the step two test to determine the implied fair value of goodwill and therefore the amount of impairment, management first estimated the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, the Company determined that the carrying value of goodwill exceeded its implied fair value for the Europe reporting unit and recorded a goodwill impairment charge of $1.4 million. The impairment charge is included in the line item *Loss from Discontinued Operations, net of tax,* on the Company s Statement of Operations.

The primary driver for the decline in the estimated fair value of the Europe reporting unit compared to the prior year is the decline in its overall outlook stemming from its poor performance.

In addition, the Company evaluated the European trade name and long-lived assets, which primarily consisted of the network equipment and customer relationships, for impairment. In performing the impairment test for the European trade name and long-lived assets, the Company estimated the fair value less cost to sell for the asset groups based on executed and pending purchase offers and compared that to the carrying value of the asset groups. The company recorded a total of $4.7 million impairment charges; $4.2 million related to the European trade name, $0.4 million related to customer relationships and $0.1 million related to long-lived assets during the three months ended September 30, 2010. The impairment charge is included in the line item *Loss from Discontinued Operations, net of tax,* on the Company s Statement of Operations.

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

	September 30, 2010	December 31, 2009
Trade names	$ 76,200	$ 81,372
Goodwill	$ 62,740	$ 64,220

The Company allocated goodwill to all of its reporting units as part of fresh-start accounting, excluding the wholesale reporting unit which had nominal value relative to the total value of the Company. The changes in the carrying amount of trade names and goodwill, for continuing operations and assets held for sale, combined, by reporting unit for the nine months ended September 30, 2010 are as follows (in thousands):

Goodwill

	United States	Canada	Australia	Europe	Brazil	Total
Balance as of January 1, 2010	$ 29,960	$ 30,285	$ 1,714	$ 2,217	$ 44	$ 64,220
Effect of change in foreign currency exchange rates		588	148	(109)	1	628
Disposition of business				(662)		(662)
Accumulated impairment loss				(1,446)		(1,446)
Balance as of September 30, 2010	$ 29,960	$ 30,873	$ 1,862	$	$ 45	$ 62,740

Trade Names

	United States	Canada	Australia	Europe	Brazil	Total
Balance as of January 1, 2010	$ 76,200	$	$	$ 5,172	$	$ 81,372
Effect of change in foreign currency exchange rates				(100)		(100)
Disposition of business				(836)		(836)
Accumulated impairment loss				(4,236)		(4,236)
Balance as of September 30, 2010	$ 76,200	$	$	$	$	$ 76,200

The Company s other intangible assets consist of trade names and customer relationships; $5.8 million of the customer relationships were classified as held for sale as of September 30, 2010. Intangible assets subject to amortization, including those classified as held for sale, consisted of the following (in thousands):

	September 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade names	$ 4,070	$ (490)	$ 3,580	$ 4,057	$ (203)	$ 3,854
Customer relationships	108,101	(31,329)	76,772	107,612	(14,032)	93,580
Total	$ 112,171	$ (31,819)	$ 80,352	$ 111,669	$ (14,235)	$ 97,434

Amortization expense for trade names and customer relationships for the three months and nine months ended September 30, 2010 was $5.9 million and $17.7 million, respectively.

Amortization expense for trade names and customer relationships for Successor s three months ended September 30, 2009 was $7.0 million.

The Company expects amortization expense for trade names and customer relationships for the remainder of 2010, the years ended December 31, 2011, 2012, 2013, 2014, and thereafter to be approximately $5.5 million, $17.5 million, $12.3 million, $9.0 million, $6.7 million and $23.4 million, respectively. The customer relationships identified above as held for sale will not be amortized while they are classified as such.

5. LONG-TERM OBLIGATIONS

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

	September 30, 2010	December 31, 2009
Obligations under capital leases and other	$ 1,915	$ 3,178
Leased fiber capacity		2,809
Senior secured notes	130,000	130,000
Senior subordinated secured notes	114,015	123,472
Subtotal	245,930	259,459

Original issue discount on senior secured notes	(1,821)	(1,943)
Subtotal	244,109	257,516
Less: Current portion of long-term obligations	(1,162)	(4,274)
Total long-term obligations	$ 242,947	$ 253,242

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The following table reflects the contractual payments of principal and interest for the Company s long-term obligations as of September 30, 2010 as follows:

Year Ending December 31,	Capital Leases and Other	13% Senior Secured Notes	14 1/4% Senior Subordinated Secured Notes	Total
2010 (as of September 30, 2010)	$ 417	$ 8,450	$ 8,124	$ 16,991
2011	1,218	16,900	16,247	34,365
2012	309	16,900	16,247	33,456
2013	87	16,900	122,139	139,126
2014	4	16,900		16,904
Thereafter		163,847		163,847
Total Minimum Principal & Interest Payments	2,035	239,897	162,757	404,689
Less: Amount Representing Interest	(120)	(109,897)	(48,742)	(158,759)
Total Long Term Obligations	$ 1,915	$ 130,000	$ 114,015	$ 245,930

The foregoing table assumes that the 14 1/4% Senior Subordinated Secured Notes are refinanced before January 21, 2013. In the event the 14 1/4% Senior Secured Notes have not been refinanced in accordance with the terms of the 13% Senior Secured Notes indenture by January 21, 2013, then the Issuers will be required to redeem the full principal of the 13% Senior Secured Notes at a price equal to the then applicable optional redemption price on such date. In addition, the table assumes that the holders of 13% Senior Secured Notes do not accept any Excess Cash Flow Offer to purchase 13% Senior Secured Notes. In this regard, the Company must extend an offer annually to the holders of the 13% Senior Secured Notes to repurchase an applicable amount, (equal to 50% of Excess Cash Flow), of the 13% Senior Secured Notes at par, in the event the Company and certain subsidiaries have excess cash flow for any fiscal year commencing with the fiscal year ending December 31, 2010.

In May 2010, the Company paid $9.4 million in cash and retired $9.5 million in principal of its 14 1/4% Senior Subordinated Secured Notes. As a result, the Company recognized a $0.1 million gain from the early extinguishment of debt in its statement of operations for the three months ended June 30, 2010.

6. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments under capital leases and other (Vendor Financing), purchase obligations and non-cancellable operating leases as of September 30, 2010 are as follows (in thousands):

Year Ending December 31,	Capital Leases and Other	Purchase Obligations	Operating Leases
2010 (as of September 30, 2010)	$ 417	$ 8,723	$ 4,753
2011	1,218	19,903	15,151
2012	309	6,498	13,292
2013	87	3,162	10,255
2014	4	1,162	5,440
Thereafter		54	16,237
Total minimum lease payments	2,035	39,502	65,128
Less: Amount representing interest	(120)		

	$ 1,915	$ 39,502	$ 65,128

The Company has contractual obligations to utilize an external vendor for certain customer support functions and to utilize network facilities from certain carriers with terms greater than one year. Generally, the Company does not purchase or commit to purchase quantities in excess of normal usage or amounts that cannot be used within the contract term or at rates below or above market value.

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Successor

Purchases made under purchase commitments were $8.7 million and $24.1 million, respectively, for the three and nine months ended September 30, 2010.

Purchases made under purchase commitments were $7.0 for the three months ended September 30, 2009.

Rent expense under operating leases was $3.8 million and $11.3 million, respectively, for the three and nine months ended September 30, 2010.

Rent expense under operating leases was $3.5 million for the three months ended September 30, 2009.

Predecessor

Purchases made under purchase commitments were $12.8 million for the six months ended July 1, 2009.

Rent expense under operating leases was $6.4 million for the six months ended July 1, 2009.

Litigation

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

7. SHARE-BASED COMPENSATION

Successor

The Management Compensation Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, and other stock-based or cash-based performance awards (collectively, awards).

Restricted Stock Units (RSU)

For the three months ended September 30, 2010, the Company s stock compensation expense related to the RSU was fully offset by credits related to forfeitures and cancellations of RSU awards due to termination of employees.

For the nine months ended September 30, 2010, the Company recognized $0.2 million of stock compensation expense related to the RSU.

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Stock Options

A summary of the Company s stock option activity during the nine months ended September 30, 2010 is as follows:

	Nine Months Ended September 30, 2010	
	Shares	Weighted Average Exercise Price
Outstanding December 31, 2009	478,199	$ 12.22
Granted	30,000	$ 7.60
Exercised		$
Forfeitures	(205,587)	$ 12.22
Outstanding September 30, 2010	302,612	$ 11.76
Eligible for exercise	214,039	$ 12.00

The following table summarizes information about the Company s stock options outstanding at September 30, 2010:

	Options Outstanding				Options Exercisable			
Range of Option Prices	Total Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Intrinsic Value	Total Exercisable	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Intrinsic Value
$7.60 $12.22	302,612	8.86	$ 11.76	$	214,039	8.80	$ 12.00	$

For Emergence Performance Option and RSU compensation expense calculation, the Company assumed that it will meet the specified Adjusted EBITDA Target in 2010; therefore, according to the Plan, the remaining Performance Option and RSUs will vest in 2010.

As of September 30, 2010, the Company had 0.2 million unvested awards outstanding of which $0.1 million of compensation expense is expected to be recognized over the weighted average remaining period of 0.8 years.

The number of unvested awards expected to vest is 0.2 million shares, with a weighted average remaining life of 8.9 years, a weighted average exercise price of $11.79, and an intrinsic value of $0.

Predecessor

Under the Plan of Reorganization, all stock options granted under the Predecessor s Equity Incentive Plan were cancelled as of July 1, 2009. The Predecessor Company recorded $64 thousand of stock-based compensation expenses for the six months ended July 1, 2009, due to the accelerated recognition of the cancelled options.

8. INCOME TAXES

The Company conducts business globally, and as a result, the Company or one or more of its subsidiaries files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world.

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

Jurisdiction	Open Tax Years
United States Federal	2000, 2002 2009
Australia	2002 2009
Canada	2003 2009
United Kingdom	2004 2009
Netherlands	2007 2009

The Company is currently under examination in Canada and certain other non-material foreign tax jurisdictions not listed above, none of which are individually material.

The Company adopted the uncertain tax position related provisions of ASC No. 740, Income Taxes, on January 1, 2007. It is expected that the amount of unrecognized tax benefits, reflected in the Company s financial statements, will change in the next twelve months; however, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company. During the three months ended September 30, 2010, the Company recorded $2.0 million of gross unrecognized tax benefit which includes $0.1 million of unrecognized tax benefit which impacted the rate including $0.1 of penalties and interest. As of September 30, 2010, the gross unrecognized tax benefit on the balance sheet was $91.8 million.

The Company monitors actual results and updated projections of our subsidiaries on a quarterly basis to determine the appropriateness of valuation allowance reserves on deferred tax assets. When and if the Company determines that it is more likely than not that the deferred tax asset balances a subsidiary or a tax consolidated group of subsidiaries would be recoverable, the Company will release the related valuation allowance reserve. During the quarter ending September 30, 2010 the Company determined that Australian consolidated tax group of subsidiaries had enough positive factors that it was more likely than not that the net deferred tax asset would be recoverable and released the valuation allowance on all non capital items in the deferred tax inventory. The company did not release valuation reserves on the capital items as the Company currently does not have sufficient capital gain sources or projected sources of capital gain items to justify a release of this portion of the tax deferred asset. The net benefit of the release during the quarter ending September 30, 2010 was $3.3 million.

Pursuant to Section 382 of the Internal Revenue Code, the Company believes that it underwent an ownership change for tax purposes (i.e., a more than 50% change in stock ownership) on the July 1, 2009 emergence date. As a result, the use of any of the Company s federal and state net operating loss carryforwards and tax credits generated prior to the ownership change that are not reduced due to attribute reduction will be subject to an annual limitation under IRC Section 382(l)(6). The federal limitation is approximately $1.7 million.

The Company has reviewed 13-G filings concerning Company common stock, as filed with the United States Securities Exchange Commission, subsequent to emergence from bankruptcy, and the Company believes that a change in ownership has not occurred during this period of July 1, 2009 to September 30, 2010.

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVES

In 2008 and 2009, the Company adopted the provisions of ASC No. 820, Fair Value Measurements. The valuation techniques required by ASC No. 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

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

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

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

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to relatively short periods to maturity. The estimated aggregate fair value of the Successor Company s 13% Senior Secured Notes and 14 1/4% Senior Subordinated Secured Notes, based on quoted market prices, was $241.4 million and $244.7 million at September 30, 2010 and December 31, 2009, respectively.

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

		Fair Value as of September 30, 2010, using:		
	September 30, 2010	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent Value Rights (CVR)	$ 7,754		$ 7,754	
Total	$ 7,754		$ 7,754	

The CVRs are marked to fair value at each balance sheet date. The change in value is reflected in our Statements of Operations. Estimates of fair value represent the Company s best estimates based on a Black-Scholes pricing model. During the three months and nine months ended September 30, 2010, the Company recognized $33 thousand and $2.4 million, respectively, of expense as a result of marking the CVRs to their fair value.

10. OPERATING SEGMENT AND RELATED INFORMATION

The Company has five reportable operating segments based on management s organization of the enterprise into geographic areas United States, Canada, Australia, Brazil and the wholesale business from the United States and Europe managed as a separate global segment. The Company evaluates the performance of its segments and allocates resources to them based upon net revenue and income (loss) from operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Corporate assets, capital expenditures and property and equipment-net are included in the United States segment, while corporate expenses are presented separately in Income (loss) from operations. The wholesale business assets are indistinguishable from the respective geographic segments. Therefore, any reporting related to the wholesale business for assets, capital expenditures or other balance sheet items is impractical.

During the third quarter of 2010 the company discontinued its Europe segment, which is also known as European retail operations and has presented the results of the Europe segment as discontinued operations. Accordingly the Europe segment has been excluded, where appropriate, from segment reporting for all periods presented, see Note 11, *Discontinued Operations,* for further information.

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Summary information with respect to the Company s operating segments is as follows (in thousands):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Net Revenue by Segment		
United States	$ 12,072	$ 16,238
Canada	56,876	57,367
Australia	68,360	63,665
Wholesale	41,870	53,571
Brazil	9,021	4,105
Total	$ 188,199	$ 194,946
Provision for Doubtful Accounts Receivable		
United States	$ 556	$ 589
Canada	497	548
Australia	522	999
Wholesale	255	164
Brazil	120	81
Total	$ 1,950	$ 2,381
Income (Loss) from Operations		
United States	$ (376)	$ 1,113
Canada	3,204	1,256
Australia	4,498	1,612
Wholesale	519	554
Brazil	185	(110)
Total From Operating Segments	8,030	4,425
Corporate	(5,906)	(2,276)
Total	$ 2,124	$ 2,149
Capital Expenditures		
United States	$ 246	$ 196
Canada	2,393	2,328
Europe	251	79
Australia	3,290	1,193
Brazil	230	90
Total	$ 6,410	$ 3,886

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	Successor		Predecessor
	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended July 1, 2009
Net Revenue by Segment			
United States	$ 38,778	$ 16,238	$ 35,709
Canada	172,376	57,367	108,306
Australia	205,745	63,665	110,502
Wholesale	137,569	53,571	104,482
Brazil	21,341	4,105	6,246
Total	$ 575,809	$ 194,946	$ 365,245
Provision for Doubtful Accounts Receivable			
United States	$ 1,670	$ 589	$ 1,469
Canada	1,965	548	1,107
Australia	1,884	999	1,737
Wholesale	(734)	164	516
Brazil	313	81	115
Total	$ 5,098	$ 2,381	$ 4,944
Income (Loss) from Operations			
United States	$ (286)	$ 1,113	$ 4,399
Canada	9,187	1,256	18,738
Australia	9,694	1,612	10,123
Wholesale	3,164	554	1,372
Brazil	686	(110)	230
Total From Operating Segments	22,445	4,425	34,862
Corporate	(12,518)	(2,276)	(6,629)
Total	$ 9,927	$ 2,149	$ 28,233
Capital Expenditures			
United States	$ 864	$ 196	$ 74
Canada	7,341	2,328	3,127
Europe	535	79	174
Australia	7,601	1,193	1,997
Brazil	806	90	288
Total	$ 17,147	$ 3,886	$ 5,660

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

	September 30, 2010	December 31, 2009
Property and Equipment Net		
United States	$ 8,553	$ 10,760
Canada	55,451	58,927
Europe	1,938	4,955

Australia		66,699		71,682
Brazil		1,915		1,282
Total	$	134,556	$	147,606

	September 30, 2010	December 31, 2009
Assets		
United States	$ 139,552	$ 133,276
Canada	174,864	194,600
Europe (including assets held for sale)	62,132	84,587
Australia	136,347	138,988
Brazil	9,977	7,463
Total	$ 522,872	$ 558,914

11. DISCONTINUED OPERATIONS

In the third quarter 2010, the Company sold its Belgian operations for a sale price of $1.3 million, as a result, the Company recorded a $40 thousand gain from sale of these retail operations during the third quarter 2010. Also during the third quarter of 2010 the Company committed to dispose of and is actively soliciting the disposition of its remaining European retail operations. Accordingly, the Company presented these European retail operations as discontinued operations and the related assets and liabilities as held for sale as of September 30, 2010. In October 2010 the Company sold its United Kingdom retail operations customer base and certain of its assets, the sale price was approximately $6.6 million, and sold its Italian retail operations for approximately $0.2 million. The Company intends to dispose of and is actively soliciting the disposition of its remaining European retail operations. See Note 15, Subsequent Events, for additional information.

In the second quarter 2010, the Company sold certain assets of its Spain retail operations. The sale price was $0.3 million. The Company recorded a $0.2 million gain from sale of these retail operations during the second quarter 2010.

In the first quarter of 2010, the Company initiated the sale of certain assets of its retail operations in Spain, which was completed in the second quarter 2010, and the sale of its European agent serviced retail operations.

In the first quarter 2009, the Company sold certain assets of its Japan retail operations. The sale price was $0.4 million (40 million Japanese yen), which included $0.2 million (20 million Japanese yen) in cash and $0.2 million (20 million Japanese yen) receivable. The Company recorded a $0.3 million gain from sale of assets.

In the second quarter 2008, the Company determined it would sell its German retail operations. However, buyers were not found; therefore the Company decided to cease operations of the German retail business during the first quarter of 2009.

As a result of these events, the Company s consolidated financial statements for all periods presented reflect the European retail operations which includes operations in the United Kingdom, France, Belgium, Italy and the Netherlands, and European agent serviced retail operations, the Japan retail operations and German retail operations as discontinued operations. Accordingly, revenue, costs, and expenses of the discontinued operations have been excluded from the respective captions in the consolidated statements of operations. The net operating results of the discontinued operations have been reported, net of applicable income taxes as loss from discontinued operations.

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Summarized operating results of the discontinued operations are as follows (in thousands):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Net revenue	$ 11,027	$ 13,001
Impairment of goodwill and long-lived assets	6,161	
Operating expenses	11,813	14,530
Loss from operations	(6,947)	(1,529)
Interest expense	(11)	(16)
Interest income and other income	1	4
Foreign currency transaction gain (loss)	(440)	(533)
Income (loss) before income tax	(7,397)	(2,074)
Income tax expense	(1,933)	36
Loss from discontinued operations	$ (5,464)	$ (2,110)

	Successor	Successor	Predecessor
	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended July 1, 2009
Net revenue	$ 35,430	$ 13,001	$ 26,271
Impairment of goodwill and long-lived assets	6,161		
Operating expenses	38,386	14,530	27,408
Loss from operations	(9,117)	(1,529)	(1,137)
Interest expense	(35)	(16)	(42)
Interest income and other income	239	4	37
Foreign currency transaction gain (loss)	(639)	(533)	788
Reorganization items, net			15,269
Income (loss) before income tax	(9,552)	(2,074)	14,915
Income tax expense	(1,871)	36	(80)
Loss from discontinued operations	$ (7,681)	$ (2,110)	$ 14,995

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Summarized balance sheet balances of the assets and liabilities held for sale are as follows (in thousands):

		September 30, 2010
Accounts receivable (net of allowance for doubtful accounts receivable of $272)		5,552
Prepaid expenses and other current assets		2,247
Current assets held for sale	$	7,799
Restricted cash		234
Property and equipment net		923
Other intangible assets net		5,804
Other assets		163
Non-current assets held for sale	$	7,124
Accounts payable	$	3,702
Accrued interconnection costs		1,129
Deferred revenue		51
Accrued expenses and other current liabilities		5,453
Accrued income taxes		85
Current liabilities held for sale	$	10,420
Deferred tax liability		11
Non-current liabilities held for sale	$	11

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

Basic income (loss) per common share is calculated by dividing income (loss) attributable to common stockholders by the weighted average common shares outstanding during the period. Diluted income per common share adjusts basic income per common share for the effects of potentially dilutive common share equivalents.

Successor

Potentially dilutive common shares for Successor include the dilutive effects of common shares issuable through stock options, restricted stock units, stock warrants and contingent value rights using the treasury stock method.

For Successor s three months and nine months ended September 30, 2010, the following could potentially dilute income per common share in the future but was excluded from the calculation of diluted income per common share due to its antidilutive effect:

0.4 million shares issuable upon exercise of stock options and RSUs,

4.5 million shares issuable upon exercise of stock warrants, and

2.7 million shares issuable upon exercise of CVRs.

For Successor s three months and nine months ended September 30, 2009, the following could potentially dilute income per common share in the future but was excluded from the calculation of diluted income per common share due to its antidilutive effect:

0.9 million shares issuable upon exercise of stock options and RSUs,

4.5 million shares issuable upon exercise of stock warrants, and

2.7 million shares issuable upon exercise of CVRs.

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Predecessor

Potentially dilutive common shares for Predecessor primarily included the dilutive effects of common shares issuable through stock options computed using the treasury stock method and the dilutive effects of shares issuable upon conversion of its 5% Exchangeable Senior Notes, the Step Up Convertible Subordinated Debentures, the 3 3/4% Convertible Senior Notes and the 2000 Convertible Subordinated Debentures.

For the six months ended July 1, 2009, the following could potentially dilute income per common share in the future but were excluded from the calculation of diluted income per common share due to their antidilutive effect:

7.8 million shares issuable upon exercise of stock options.

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

	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009	
Income (loss) from continuing operations	$	10,933	$	4,385
Income (loss) from discontinuing operations, net of tax		(5,464)		(2,110)
Gain (loss) from sale of discontinued operations, net of tax		(389)		(110)
Income (loss) attributable to common stockholders basic and diluted	$	5,080	$	2,165
Weighted average common shares outstanding basic and diluted		9,743		9,600
Basic income (loss) per common share:				
Income (loss) from continuing operations attributable to common stockholders	$	1.12	$	0.46
Income (loss) from discontinued operations		(0.56)		(0.22)
Gain (loss) from sale of discontinued operations		(0.04)		(0.01)
Net income (loss) attributable to common stockholders	$	0.52	$	0.23
Diluted income (loss) per common share:				
Income (loss) from continuing operations attributable to common stockholders	$	1.12	$	0.46
Income (loss) from discontinued operations		(0.56)		(0.22)
Gain (loss) from sale of discontinued operations		(0.04)		(0.01)
Net income (loss) attributable to common stockholders	$	0.52	$	0.23

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	Successor		Predecessor
	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended July 1, 2009
Income (loss) from continuing operations	$ (1,080)	$ 4,385	$ 455,908
Income (loss) from discontinuing operations, net of tax	(7,681)	(2,110)	14,995
Gain (loss) from sale of discontinued operations, net of tax	(196)	(110)	251
Net income (loss) attributable to common stockholders basic	(8,957)	2,165	471,154
Adjustment for interest expense on Step Up Convertible Subordinated Debentures			210
Adjustment for interest expense on Step Up Convertible Subordinated Debentures			332
Income (loss) attributable to common stockholders diluted	$ (8,957)	$ 2,165	$ 471,696
Weighted average common shares outstanding basic	9,711	9,600	142,695
5% Exchangeable Senior Notes			19,474
Step Up Convertible Subordinated Debentures			7,280
33/4% Convertible Senior Notes			3,668
Weighted average common shares outstanding diluted	9,711	9,600	173,117
Basic income (loss) per common share:			
Income (loss) from continuing operations attributable to common stockholders	$ (0.11)	$ 0.46	$ 3.19
Income (loss) from discontinued operations	(0.79)	(0.22)	0.11
Gain (loss) from sale of discontinued operations	(0.02)	(0.01)	
Net income (loss) attributable to common stockholders	$ (0.92)	$ 0.23	$ 3.30
Diluted income (loss) per common share:			
Income (loss) from continuing operations attributable to common stockholders	$ (0.11)	$ 0.46	$ 2.63
Income (loss) from discontinued operations	(0.79)	(0.22)	0.09
Gain (loss) from sale of discontinued operations	(0.02)	(0.01)	
Net income (loss) attributable to common stockholders	$ (0.92)	$ 0.23	$ 2.72

13. REORGANIZATION ITEMS, NET

Reorganization items, net, represents amounts incurred, for both continuing and discontinued operations combined, as a direct result of the bankruptcy filings and is presented separately in the Consolidated Condensed Statements of Operations. The following describes the components of reorganization items, net (in thousands):

	Three Months Ended	
	September 30, 2010	September 30, 2009
Professional Fees	$	$ (307)
Reorganization Items, net	$	$ (307)

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	Successor		Predecessor
	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended July 1, 2009
Professional Fees	$ 1	$ (307)	$ (12,067)
Gain on Extinguishment of debt			243,185
Revaluation of assets and liabilities			188,612
Debt Premium, Discount and Deferred Financing Costs Write-off			(91)
Reversal of Future Interest Payments Recorded as Long Term Obligations			20,453
Interest Income			2
Reorganization Items, net	$ 1	$ (307)	$ 440,094

Professional fees include financial, legal and other services directly associated with the reorganization process.

Successor

Payments for reorganization expense for the three months ended September 30, 2009 were $6.1 million.

Predecessor

Payments for reorganization expense for the six months ended July 1, 2009 were $4.6 million. In accordance with ASC No. 852, the Company ceased amortization of debt premiums, discounts and deferred financing costs related to the liabilities subject to compromise on the Petition Date. The $3.5 million of unamortized debt premiums and discounts has been written off and recorded as a gain, offset by the expensing of $3.6 million of unamortized deferred financing costs, as an adjustment to the net carrying value of the pre-petition debt. Long term debt was further reduced by $20.5 million of future interest payable that previously had been recorded as a portion of long-term obligations for the 14 1/4% Senior Subordinated Secured Notes and 5% Exchangeable Senior Notes as the issuance of these notes had been deemed troubled debt restructurings. Upon emergence from bankruptcy, Predecessor debt in the amount of $439.6 million was written off along with the accrued interest related to this debt in the amount of $11.5 million.

14. GUARANTOR/NON-GUARANTOR CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Primus Telecommunications IHC, Inc. s 14 1/4% Senior Subordinated Secured Notes were fully, unconditionally, jointly and severally guaranteed by Group on a senior basis and by Primus Telecommunications Holding, Inc., (Holding), Primus Telecommunications, Inc., TresCom International Inc., Least Cost Routing, Inc., TresCom U.S.A., Inc., iPRIMUS USA, Inc., and iPRIMUS.com, Inc., all 100% indirectly owned subsidiaries of Group (collectively, the Other Guarantors). Group has a 100% ownership in Holding and no direct subsidiaries other than Holding.

On the Effective Date, IHC, each of the Grantors party and U.S. Bank National Association, as collateral agent, entered into a First Amendment to the Collateral Agreement (the Amended Collateral Agreement), to provide that the obligations of both IHC and Primus Telecommunications International, Inc. (PTII), an indirect wholly owned subsidiary of Group, were secured by PTII s assets, including 65% of the voting stock of foreign subsidiaries owned by PTII. In addition, on the Effective Date, Group and Holding entered into an Assumption Agreement in favor of U.S. Bank National Association, as collateral agent, pursuant to which each of Group and Holding became party to the Amended Collateral Agreement. As a result, Group and Holding s existing guarantees of the 14 1/4% Senior Subordinated Secured Notes are secured by a lien on the property of Group and Holding, respectively.

Accordingly, the following consolidating condensed financial information for the three months ended September 30, 2010 and 2009 for Successor, for the nine months ended September 30, 2010 for Successor and the three months and six months ended July 1, 2009 for Predecessor are included for (a) Group on a stand-alone basis; (b) Primus Telecommunications IHC, Inc. (IHC) on a stand-alone basis; (c) the Other Guarantor subsidiaries on a combined basis; (d) Group s indirect non-guarantor subsidiaries on a combined basis and (e) Group on a consolidated basis. The plan and fresh-start accounting adjustments reflected in Predecessor s Consolidated Condensed Statements of Operations on July 1, 2009 are not presented separately in this presentation.

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

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

(in thousands)

	Successor For the Three Months Ended September 30, 2010					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$	$	$ 23,019	$ 165,180	$	$ 188,199
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)			18,988	101,870		120,858
Selling, general and administrative	542	1	9,496	41,537		51,576
Depreciation and amortization			1,155	12,486		13,641
(Gain) loss on sale or disposal of assets						
Total operating expenses	542	1	29,639	155,893		186,075
INCOME (LOSS) FROM OPERATIONS	(542)	(1)	(6,620)	9,287		2,124
INTEREST EXPENSE		(4,062)	(2,922)	(1,618)		(8,602)
(ACCRETION) AMORTIZATION ON DEBT PREMIUM/DISCOUNT, NET			(46)			(46)
GAIN ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT						
GAIN (LOSS) FROM CONTINGENT VALUE RIGHTS VALUATION	33					33
INTEREST AND OTHER INCOME	2	(1)	(7)	260		254
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)		785	(5)	13,226		14,006
INTERCOMPANY INTEREST	(180)	3,766	(2,433)	(1,153)		
MANAGEMENT FEE			773	(773)		
ROYALTY FEE		3,149		(3,149)		
INCOME (LOSS) BEFORE REORGANIZATION ITEMS, INCOME TAXES AND EQUITY IN NET INCOME OF SUBSIDIARIES	(687)	3,636	(11,260)	16,080		7,769
REORGANIZATION ITEMS NET						
INCOME (LOSS) BEFORE INCOME TAX AND EQUITY IN NET INCOME OF SUBSIDIARIES	(687)	3,636	(11,260)	16,080		7,769
INCOME TAX BENEFIT (EXPENSE)		(224)	1,163	2,299		3,238
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(687)	3,412	(10,097)	18,379		11,007
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	5,767		15,864		(21,631)	
INCOME (LOSS) FROM CONTINUING OPERATIONS	5,080	3,412	5,767	18,379	(21,631)	11,007
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax				(5,464)		(5,464)
GAIN (LOSS) FROM SALE OF DISCONTINUED OPERATIONS, net of tax				(389)		(389)
NET INCOME (LOSS)	5,080	3,412	5,767	12,526	(21,631)	5,154
Less: Net (income) loss attributable to the noncontrolling interest				(74)		(74)

NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ 5,080	$ 3,412	$	5,767	$	12,452	$	(21,631)	$	5,080
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED										
Income (loss) from continuing operations, net of tax	$ 5,080	$ 3,412	$	5,767	$	18,305	$	(21,631)	$	10,933
Income (loss) from discontinued operations						(5,464)				(5,464)
Gain (loss) from sale of discontinued operations						(389)				(389)
Net income (loss)	$ 5,080	$ 3,412	$	5,767	$	12,452	$	(21,631)	$	5,080

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

(in thousands)

	Successor For the Three Months Ended September 30, 2009					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$	$	$ 31,287	$ 163,659	$	$ 194,946
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)			25,260	101,629		126,889
Selling, general and administrative	612	1	6,428	40,091		47,132
Depreciation and amortization			1,541	17,199		18,740
Loss on sale or disposal of assets			11	25		36
Total operating expenses	612	1	33,240	158,944		192,797
INCOME (LOSS) FROM OPERATIONS	(612)	(1)	(1,953)	4,715		2,149
INTEREST EXPENSE		(4,399)	(3,121)	(1,227)		(8,747)
(ACCRETION) AMORTIZATION ON DEBT PREMIUM/DISCOUNT, net	(4,229)					(4,229)
INTEREST INCOME AND OTHER INCOME (EXPENSE)	(1)			161		160
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(2)	6,282	2	7,166		13,448
INTERCOMPANY INTEREST	(2,114)	7,507	(4,446)	(947)		
MANAGEMENT FEE			984	(984)		
ROYALTY FEE		3,134		(3,134)		
INCOME (LOSS) BEFORE REORGANIZATION ITEMS, INCOME TAXES AND EQUITY IN NET INCOME OF SUBSIDIARIES	(6,958)	12,523	(8,534)	5,750		2,781
REORGANIZATION ITEMS NET	(413)		106			(307)
INCOME (LOSS) BEFORE INCOME TAX AND EQUITY IN NET INCOME OF SUBSIDIARIES	(7,371)	12,523	(8,428)	5,750		2,474
INCOME TAX EXPENSE		441	236	1,444		2,121
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(7,371)	12,964	(8,192)	7,194		4,595
EQUITY IN NET INCOME OF SUBSIDIARIES	9,536		17,663		(27,199)	
INCOME FROM CONTINUING OPERATIONS	2,165	12,964	9,471	7,194	(27,199)	4,595
LOSS FROM DISCONTINUED OPERATIONS, net of tax				(2,110)		(2,110)
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax				(110)		(110)
NET INCOME	2,165	12,964	9,471	4,974	(27,199)	2,375

Less: Net loss attributable to the noncontrolling interest				(210)		(210)
NET INCOME ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ 2,165	$ 12,964	$ 9,471	$ 4,764	$ (27,199)	$ 2,165
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED						
Income (loss) from continuing operations, net of tax	$ 2,165	$ 12,964	$ 9,471	$ 6,984	$ (27,199)	$ 4,385
Loss from of discontinued operations				(2,110)		(2,110)
Loss from sale of discontinued operations				(110)		(110)
Net income (loss)	$ 2,165	$ 12,964	$ 9,471	$ 4,764	$ (27,199)	$ 2,165

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

(in thousands)

	Predecessor For the Six Months Ended July 1, 2009					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$	$	$ 65,361	$ 299,884	$	$ 365,245
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)			52,058	184,867		236,925
Selling, general and administrative	4,638	23	12,587	71,337		88,585
Depreciation and amortization			1,317	10,228		11,545
(Gain) loss on sale or disposal of assets			(177)	134		(43)
Total operating expenses	4,638	23	65,785	266,566		337,012
INCOME (LOSS) FROM OPERATIONS	(4,638)	(23)	(424)	33,318		28,233
INTEREST EXPENSE	(794)	(3,331)	(7,867)	(2,101)		(14,093)
(ACCRETION) AMORTIZATION ON DEBT PREMIUM/DISCOUNT, net	(129)	318				189
INTEREST INCOME AND OTHER INCOME (EXPENSE)			8	370		378
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	2,632	8,349	(705)	10,056		20,332
INTERCOMPANY INTEREST	(4,169)	14,549	(8,764)	(1,616)		
MANAGEMENT FEE			4,152	(4,152)		
ROYALTY FEE		5,277		(5,277)		
INCOME (LOSS) BEFORE REORGANIZATION ITEMS, INCOME TAXES AND EQUITY IN NET INCOME OF SUBSIDIARIES	(7,098)	25,139	(13,600)	30,598		35,039
REORGANIZATION ITEMS NET	(34,650)	79,592	286,279	93,604		424,825
INCOME (LOSS) BEFORE INCOME TAX AND EQUITY IN NET INCOME OF SUBSIDIARIES	(41,748)	104,731	272,679	124,202		459,864
INCOME TAX EXPENSE		(380)	(53)	(3,555)		(3,988)
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(41,748)	104,351	272,626	120,647		455,876
EQUITY IN NET INCOME OF SUBSIDIARIES	512,902		321,743		(834,645)	
INCOME (LOSS) FROM CONTINUING OPERATIONS	471,154	104,351	594,369	120,647	(834,645)	455,876
LOSS FROM DISCONTINUED OPERATIONS, net of tax				14,995		14,995
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax				251		251

NET INCOME	471,154	104,351	594,369	135,893	(834,645)	471,122
Less: Net loss attributable to the noncontrolling interest				32		32
NET INCOME ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ 471,154	$ 104,351	$ 594,369	$ 135,925	$ (834,645)	$ 471,154
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED						
Income from continuing operations, net of tax	$ 471,154	$ 104,351	$ 594,369	$ 120,679	$ (834,645)	$ 455,908
Income from discontinued operations				14,995		14,995
Gain from sale of discontinued operations				251		251
Net income	$ 471,154	$ 104,351	$ 594,369	$ 135,925	$ (834,645)	$ 471,154

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

(in thousands)

	Successor					
	For the Nine Months Ended September 30, 2010					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
NET REVENUE	$	$	$ 69,337	$ 506,472	$	$ 575,809
OPERATING EXPENSES						
Cost of revenue (exclusive of depreciation included below)			53,750	313,059		366,809
Selling, general and administrative	2,809	7	24,232	122,501		149,549
Depreciation and amortization			3,953	45,750		49,703
(Gain) loss on sale or disposal of assets			(196)	17		(179)
Total operating expenses	2,809	7	81,739	481,327		565,882
INCOME (LOSS) FROM OPERATIONS	(2,809)	(7)	(12,402)	25,145		9,927
INTEREST EXPENSE		(12,648)	(8,873)	(5,140)		(26,661)
(ACCRETION) AMORTIZATION ON DEBT PREMIUM/DISCOUNT, net			(103)	(32)		(135)
GAIN ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT		90	73	1		164
GAIN (LOSS) FROM CONTINGENT VALUE RIGHTS VALUATION	(2,392)					(2,392)
INTEREST INCOME AND OTHER INCOME (EXPENSE)	2		146	469		617
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)		1,125	10	9,077		10,212
INTERCOMPANY INTEREST	(744)	11,568	(7,426)	(3,398)		
MANAGEMENT FEE			3,312	(3,312)		
ROYALTY FEE		9,710		(9,710)		
INCOME (LOSS) BEFORE REORGANIZATION ITEMS, INCOME TAXES AND EQUITY IN NET INCOME OF SUBSIDIARIES	(5,943)	9,838	(25,263)	13,100		(8,268)
REORGANIZATION ITEMS NET	1					1
INCOME (LOSS) BEFORE INCOME TAX AND EQUITY IN NET INCOME OF SUBSIDIARIES	(5,942)	9,838	(25,263)	13,100		(8,267)
INCOME TAX EXPENSE		(691)	732	7,250		7,291
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF SUBSIDIARIES	(5,942)	9,147	(24,531)	20,350		(976)
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(3,015)		21,516		(18,501)	
INCOME (LOSS) FROM CONTINUING OPERATIONS	(8,957)	9,147	(3,015)	20,350	(18,501)	(976)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax				(7,681)		(7,681)
GAIN (LOSS) FROM SALE OF DISCONTINUED OPERATIONS, net of tax				(196)		(196)
NET INCOME (LOSS)	(8,957)	9,147	(3,015)	12,473	(18,501)	(8,853)
Less: Net (income) loss attributable to the noncontrolling interest				(104)		(104)

NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	$ (8,957)	$	9,147	$	(3,015)	$	12,369	$	(18,501)	$	(8,957)
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED											
Income (loss) from continuing operations, net of tax	$ (8,957)	$	9,147	$	(3,015)	$	20,246	$	(18,501)	$	(1,080)
Income (loss) from discontinued operations							(7,681)				(7,681)
Gain (loss) from sale of discontinued operations							(196)				(196)
Net income (loss)	$ (8,957)	$	9,147	$	(3,015)	$	12,369	$	(18,501)	$	(8,957)

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED BALANCE SHEET

(in thousands)

	Successor September 30, 2010					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 11,523	$ 5,395	$ 3,049	$ 29,632	$	$ 49,599
Accounts receivable			9,793	64,346		74,139
Prepaid expenses and other current assets	342		6,225	9,228		15,795
Current assets held for sale				7,799		7,799
Total current assets	11,865	5,395	19,067	111,005		147,332
INTERCOMPANY RECEIVABLES		226,588	561,515	50,811	(838,914)	
INVESTMENTS IN SUBSIDIARIES	468,958		180,234		(649,192)	
RESTRICTED CASH			253	10,694		10,947
PROPERTY AND EQUIPMENT Net			8,435	126,121		134,556
GOODWILL		29,642	318	32,780		62,740
OTHER INTANGIBLE ASSETS Net		76,200	2,639	71,909		150,748
OTHER ASSETS			4,133	5,293		9,425
NON CURRENT ASSETS HELD FOR SALE				7,124		7,124
TOTAL ASSETS	$ 480,823	$ 337,825	$ 776,594	$ 415,736	$ (1,488,106)	$ 522,872
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
Accounts payable	$ 43	$	$ 2,503	$ 33,315	$	$ 35,861
Accrued interconnection costs			9,425	21,596		31,021
Deferred revenue			1,546	10,915		12,461
Accrued expenses and other current liabilities	604		13,355	31,603		45,562
Accrued income taxes	19	3,041	(25)	6,716		9,751
Accrued interest		5,416	3,284	1,758		10,458
Current portion of long-term obligations				1,162		1,162
Current liabilities held for sale				10,420		10,420
Total current liabilities	666	8,457	30,088	117,485		156,696
INTERCOMPANY PAYABLES	386,901		193,653	258,360	(838,914)	
LONG-TERM OBLIGATIONS		114,015	83,828	45,104		242,947
DEFERRED TAX LIABILITY		29,642	560	(4,487)		25,715
OTHER LIABILITIES	7,754		(493)	996		8,257
NON CURRENT LIABILITIES HELD FOR SALE				11		11
Total liabilities	395,321	152,114	307,636	417,469	(838,914)	433,626
COMMITMENTS AND CONTINGENCIES						
STOCKHOLDERS EQUITY (DEFICIT):						
Primus Telecommunications Group, Incorporated Stockholders Equity (Deficit):						
Common stock	10					10
Additional paid-in capital	85,381	161,445	458,781	(31,661)	(588,565)	85,381
Accumulated earnings (deficit)	(2,225)	24,266	7,841	23,514	(55,621)	(2,225)

Accumulated other comprehensive income (loss)	2,336		2,336	2,670	(5,006)	2,336
Total Primus Telecommunications Group, Incorporated stockholders equity (deficit)	85,502	185,711	468,958	(5,477)	(649,192)	85,502
Noncontrolling interest				3,744		3,744
Total stockholders equity (deficit)	85,502	185,711	468,958	(1,733)	(649,192)	89,246
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 480,823	$ 337,825	$ 776,594	$ 415,736	$ (1,488,106)	$ 522,872

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED BALANCE SHEET

(in thousands)

	Successor December 31, 2009					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 6,736	$	$ 1,672	$ 34,130	$	$ 42,538
Accounts receivable			9,831	79,511		89,342
Prepaid expenses and other current assets	324		5,666	9,157		15,147
Total current assets	7,060		17,169	122,798		147,027
INTERCOMPANY RECEIVABLES		227,973	557,151	55,390	(840,514)	
INVESTMENTS IN SUBSIDIARIES	473,703		80,922		(554,625)	
RESTRICTED CASH			253	10,185		10,438
PROPERTY AND EQUIPMENT Net			10,356	137,250		147,606
GOODWILL		29,642	318	34,260		64,220
OTHER INTANGIBLE ASSETS Net			83,497	95,310		178,807
OTHER ASSETS			4,615	6,201		10,816
TOTAL ASSETS	$ 480,763	$ 257,615	$ 754,281	$ 461,394	$ (1,395,139)	$ 558,914
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
Accounts payable	$ 57	$	$ 3,784	$ 41,978	$	$ 45,819
Accrued interconnection costs			10,427	27,134		37,561
Deferred revenue			1,860	12,022		13,882
Accrued expenses and other current liabilities	1,251		7,827	40,626		49,704
Accrued income taxes		2,622	78	7,929		10,629
Accrued interest		1,515	307	163		1,985
Current portion of long-term obligations			62	4,212		4,274
Total current liabilities	1,308	4,137	24,345	134,064		163,854
INTERCOMPANY PAYABLES	377,754		171,457	291,303	(840,514)	
LONG-TERM OBLIGATIONS		123,472	83,874	45,896		253,242
DEFFERED TAX LIABILITY		29,642		6,410		36,052
OTHER LIABILITIES	5,362		495			5,857
Total liabilities	384,424	157,251	280,171	477,673	(840,514)	459,005
COMMITMENTS AND CONTINGENCIES						
STOCKHOLDERS EQUITY (DEFICIT):						
Primus Telecommunications Group, Incorporated Stockholders Equity (Deficit):						
Common stock	10					10
Additional paid-in capital	85,533	85,245	458,783	(35,161)	(508,867)	85,533
Accumulated deficit	6,732	15,119	11,263	11,145	(37,527)	6,732
Accumulated other comprehensive loss	4,064		4,064	4,167	(8,231)	4,064
Total Primus Telecommunications Group, Incorporated stockholders equity (deficit)	96,339	100,364	474,110	(19,849)	(554,625)	96,339

Noncontrolling interest				3,570		3,570
Total stockholders equity (deficit)	96,339	100,364	474,110	(16,279)	(554,625)	99,909
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 480,763	$ 257,615	$ 754,281	$ 461,394	$ (1,395,139)	$ 558,914

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

(in thousands)

	Successor					
	For the Nine Months Ended September 30, 2010					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	$ (8,957)	$ 9,147	$ (3,015)	$ 12,473	$ (18,501)	$ (8,853)
Adjustments to reconcile net income to net cash provided by operating activities:						
Reorganization items, net	(1)					(1)
Provision for doubtful accounts receivable			1,072	4,650		5,722
Stock compensation expense			192			192
Depreciation and amortization			3,954	48,760		52,714
Impairment				6,161		6,161
Gain on sale or disposal of assets			(196)	212		16
Accretion of debt (premium) discount			57	78		135
Equity in net income of subsidiary	3,015		(21,516)		18,501	
Change in fair value of Contingent Value Rights	2,392					2,392
Deferred income taxes				(7,183)		(7,183)
Gain on early extinguishment or restructuring of debt		(91)	(73)			(164)
Unrealized foreign currency transaction gain (loss) on intercompany and foreign debt		(449)		(9,394)		(9,843)
Changes in assets and liabilities, net of acquisitions:						
Decrease in accounts receivable			(1,034)	4,819		3,785
(Increase) decrease in prepaid expenses and other current assets	(18)		(557)	(75)		(650)
Decrease in other assets			516	110		626
(Increase) decrease in intercompany balance		19,997	3,260	(23,257)		
Decrease in accounts payable	(14)		(1,281)	(5,577)		(6,872)
Decrease in accrued interconnection costs			(1,002)	(4,766)		(5,768)
Increase (decrease), net, in deferred revenue, accrued expenses, other current liabilities and other liabilities	(509)		3,913	(5,783)		(2,379)
Increase (decrease) in accrued income taxes		308	658	(2,003)		(1,037)
Increase (decrease) in accrued interest		3,901	3,898	667		8,466
Net cash provided by (used in) operating activities before reorganization items	(4,092)	32,813	(11,154)	19,892		37,459
Cash effect of reorganization items	(137)					(137)
Net cash provided by (used in) operating activities	(4,229)	32,813	(11,154)	19,892		37,322
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment			(679)	(16,468)		(17,147)
Sale of property and equipment and intangible assets			196	520		716
Cash from disposition of business, net of cash disposed				275		275
Cash used for business acquisitions, net of cash acquired						
Increase in restricted cash				(86)		(86)
Proceeds from intercompany balance	9,016		31,617		(40,633)	
Net cash provided by (used in) investing activities	9,016		31,134	(15,759)	(40,633)	(16,242)
CASH FLOWS FROM FINANCING ACTIVITIES:						

Proceeds from issuance of long-term obligations			97	(97)		
Deferred financing costs						
Principal payments on other long-term obligations		(9,415)	(195)	(3,967)		(13,577)
Proceeds from (payments on) intercompany balance		(18,003)	(18,086)	(4,544)	40,633	
Net cash provided by (used in) financing activities		(27,418)	(18,184)	(8,608)	40,633	(13,577)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			(419)	(23)		(442)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,787	5,395	1,377	(4,498)		7,061
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,736		1,672	34,130		42,538
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,523	$ 5,395	$ 3,049	$ 29,632	$	$ 49,599

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

(in thousands)

	Successor For the Three Months Ended September 30, 2009					
	PTGI	**IHC**	**Guarantor Subsidiaries**	**Non Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	$ 2,165	$ 12,964	$ 9,471	$ 4,974	$ (27,199)	$ 2,375
Adjustments to reconcile net income to net cash provided by operating activities:						
Reorganization items, net	413		(106)			307
Provision for doubtful accounts receivable			310	2,283		2,593
Stock compensation expense			308			308
Depreciation and amortization			1,541	18,488		20,029
Gain on sale or disposal of assets			11	182		193
Accretion of debt (premium) discount						
Equity in net income of subsidiary	(9,536)		(17,663)		27,199	
intercompany and foreign debt		(6,603)	(42)	(7,485)		(14,130)
Changes in assets and liabilities, net of acquisitions:						
Decrease in accounts receivable			(1,761)	4,395		2,634
(Increase) decrease in prepaid expenses and other current assets	(265)		41	2,374		2,150
Decrease in other assets			183	(3,522)		(3,339)
(Increase) decrease in intercompany balance		174	172,473	(172,647)		
Decrease in accounts payable	(110)		(2,034)	(7,805)		(9,949)
Decrease in accrued interconnection costs			(239)	3,958		3,719
Increase (decrease), net, in deferred revenue, accrued expenses, other current liabilities and other liabilities	4,556		2,688	(1,818)		5,426
Increase (decrease) in accrued income taxes	5	(539)		(3,200)		(3,734)
Increase (decrease) in accrued interest		4,398	(86)	98		4,410
Net cash provided by (used in) operating activities before reorganization items	(2,772)	10,394	165,095	(159,725)		12,992
Cash effect of reorganization items	(6,121)		106	(106)		(6,121)
Net cash provided by (used in) operating activities	(8,893)	10,394	165,201	(159,831)		6,871
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment				(3,886)		(3,886)
Sale of property and equipment and intangible assets				12		12
Cash from disposition of business, net of cash disposed				(110)		(110)
Increase in restricted cash				17		17
Proceeds from intercompany balance	10,505		80,733		(91,238)	
Net cash provided by (used in) investing activities	10,505		80,733	(3,967)	(91,238)	(3,967)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Principal payments on other long-term obligations			(932)	(3,666)		(4,598)
Proceeds from (payments on) intercompany balance		(10,394)	(254,236)	173,392	91,238	
Net cash provided by (used in) financing activities		(10,394)	(255,168)	169,726	91,238	(4,598)
				2,083		2,083

EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS						
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,612		(9,234)	8,011		389
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	31		10,709	30,721		41,461
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,643	$	$ 1,475	$ 38,732	$	$ 41,850

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

(in thousands)

	Predecessor For the Six Months Ended July 1, 2009					
	PTGI	IHC	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	$ 471,154	$ 104,351	$ 594,369	$ 135,893	$ (834,645)	$ 471,122
Adjustments to reconcile net income to net cash provided by operating activities:						
Reorganization items, net	30,186	(79,592)	(287,970)	(102,718)		(440,094)
Provision for doubtful accounts receivable			937	4,203		5,140
Stock compensation expense			27			27
Depreciation and amortization			1,317	11,029		12,346
Gain on sale or disposal of assets			(177)	(117)		(294)
Accretion of debt (premium) discount	129	(318)				(189)
Equity in net income of subsidiary	(512,902)		(321,743)		834,645	
Deferred income taxes			141	(141)		
Unrealized foreign currency transaction gain (loss) on intercompany and foreign debt	(2,636)	(8,668)	778	(10,176)		(20,702)
Changes in assets and liabilities, net of acquisitions:						
Decrease in accounts receivable			3,628	4,170		7,798
(Increase) decrease in prepaid expenses and other current assets	183		327	(49)		461
Decrease in other assets	52	17	1,036	1,349		2,454
(Increase) decrease in intercompany balance		(6,885)	15,765	(8,880)		
Decrease in accounts payable	(1,411)		(500)	(10,883)		(12,794)
Decrease in accrued interconnection costs			(1,768)	(3,593)		(5,361)
Increase (decrease), net, in deferred revenue, accrued expenses, other current liabilities and other liabilities	8,885		(1,910)	(5,662)		1,313
Increase (decrease) in accrued income taxes	4	699	(649)	2,059		2,113
Increase (decrease) in accrued interest	397	3,314	(5,174)	(137)		(1,600)
Net cash provided by (used in) operating activities before reorganization items	(5,959)	12,918	(1,566)	16,347		21,740
Cash effect of reorganization items	(3,528)		(2,384)	1,317		(4,595)
Net cash provided by (used in) operating activities	(9,487)	12,918	(3,950)	17,664		17,145
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment			(115)	(5,545)		(5,660)
Sale of property and equipment and intangible assets			177	2		179
Cash from disposition of business, net of cash disposed				232		232
Cash used for business acquisitions, net of cash acquired				(199)		(199)
Increase in restricted cash			61	(207)		(146)
Proceeds from intercompany balance	9,366		7,992		(17,358)	
Net cash provided by (used in) investing activities	9,366		8,115	(5,717)	(17,358)	(5,594)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Principal payments on other long-term obligations			(517)	(7,775)		(8,292)
Proceeds from (payments on) intercompany balance		(12,918)	3,510	(7,950)	17,358	

Net cash provided by (used in) financing activities		(12,918)	2,993	(15,725)	17,358	(8,292)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				1,202		1,202
NET CHANGE IN CASH AND CASH EQUIVALENTS	(121)		7,158	(2,576)		4,461
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	152		3,551	33,297		37,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 31	$	$ 10,709	$ 30,721	$	$ 41,461

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15. SUBSEQUENT EVENTS

During October 2010, the Company completed the sale of its United Kingdom customer base and certain of its assets and Italian retail operations for sales prices of approximately $6.6 million and $0.2 million, respectively. These operations were presented as discontinued operations as of September 30, 2010, see Note 11 Discontinued Operations .

The Company announced on November 11, 2010, that it has entered into a definitive merger agreement to acquire Arbinet Corporation, a leading provider of wholesale telecom exchange services to carriers, in an all-stock transaction. The Boards of Directors of both companies have approved the merger, which is subject to regulatory approvals, the approval of the stockholders of both companies and certain other conditions. One of the Company s and Arbinet s principal stockholders has entered into share support agreements to vote its shares of both the Company and Arbinet in favor of the merger. The transaction is expected to close in the first quarter of 2011.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Introduction and Overview of Operations

We are a global provider of advanced facilities-based communication solutions, including traditional and internet based voice, Internet broadband, data, mobile, collocation/hosting, and outsourced managed services to business and residential customers in the United States, Canada, Australia, Brazil, the United Kingdom and certain countries in western Europe, and to telecommunications carriers worldwide. During the three months ended September 30, 2010, the Company and its Board of Directors ratified a plan to proceed with the disposition of its European retail operations due to a decline in its outlook which stems from its poor performance; see Note 11, *Discontinued Operations*. Accordingly, the Company presented these European retail operations as discontinued operations and the related assets and liabilities as held for sale as of September 30, 2010. We own and operate a global network of next generation IP soft switches, media gateways, hosted IP/SIP platforms, broadband infrastructure, fiber capacity, and data centers located in Canada, Australia, Brazil and the United States. Our primary markets are Australia and Canada where we have deployed significant network infrastructure. We classify our services into three categories: Growth Services, Traditional Services and Wholesale Services. Our focus is on expanding our Growth Services, which includes our broadband, IP-based voice, local, wireless, data and data center services, to fulfill the demand for high quality, competitively priced communications services. This demand is being driven, in part, by the globalization of the world s economies, the global trend toward telecommunications deregulation and the migration of communication traffic to the Internet. We manage our Traditional Services, which includes our domestic and international long-distance voice, prepaid cards, dial-up Internet services and Australian off-network local services, for cash flow generation that we reinvest to develop and market our Growth Services, particularly in our primary markets of Australia and Canada. We provide our wholesale voice termination services to other telecommunications carriers and resellers requiring IP or time-division multiplexing access.

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

Industry trends have shown that the overall market for domestic and international long-distance voice, prepaid phone cards and dial-up Internet services has declined in favor of Internet-based, wireless and broadband communications. Our challenge concerning net revenue in recent years has been to overcome declines in long-distance voice minutes of use per customer as more customers are using wireless devices and the Internet as alternatives to the use of wireline phones. Also, product substitution (*e.g.*, wireless/Internet for fixed line voice) has resulted in revenue declines in our long-distance voice services. Additionally, we believe that because deregulatory influences have begun to affect telecommunications markets outside the United States, the deregulatory trend is resulting in greater competition from the existing wireline and wireless competitors and from more recent entrants, such as cable companies and companies offering voice over Internet protocol (VoIP), which could continue to adversely affect our net revenue per minute, as well as minutes of use. More recently, adverse global economic conditions have resulted in a contraction of spending by business and residential customers generally which, we believe, has had an adverse affect on our net revenues.

In order to manage our network transmission costs, we pursue a flexible approach with respect to our network capacity. In most instances, we (1) optimize the cost of traffic by using the least expensive cost routing, (2) negotiate lower variable usage based costs with domestic and foreign service providers, (3) negotiate new agreements with foreign incumbent carriers and others which provides lower costs, and (4) continue to expand/reduce the capacity of our network when traffic volumes justify such actions.

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

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

Recent Developments

Primus announced on November 11, 2010, that it has entered into a definitive merger agreement to acquire Arbinet Corporation, a leading provider of wholesale telecom exchange services to carriers, in an all-stock transaction. The Boards of Directors of both companies have approved the merger, which is subject to regulatory approvals, the approval of the stockholders of both companies and certain other conditions. One of Primus and Arbinet s principal stockholders has entered into share support agreements to vote its shares of both Primus and Arbinet in favor of the merger. The transaction is expected to close in the first quarter of 2011.

Foreign Currency

Foreign currency can have a major impact on our financial results. Currently approximately 85% of our net revenue is derived from sales and operations outside the United States. The reporting currency for our consolidated financial statements is the United States dollar (USD). The local currency of each country is the functional currency for each of our respective entities operating in that country. In the future, we expect to continue to derive the majority of our net revenue and incur a significant portion of our operating costs from outside the United States, and therefore changes in exchange rates have had and may continue to have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused by fluctuations in the following exchange rates: USD/Canadian dollar (CAD), USD/Australian dollar (AUD), USD/British pound (GBP), USD/Euro (EUR), and USD/Brazilian Real (BRL). Due to the large percentage of our revenue derived outside of the United States, changes in the USD relative to one or more of the foregoing currencies could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the consolidated statements of operations. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because a majority of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

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

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In the three months ended September 30, 2010, as compared to the three months ended September 30, 2009, the USD was weaker on average as compared to the CAD, AUD, and BRL and stronger on average as compared to the GBP and Euro. In the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009, the USD was weaker on average as compared to the CAD, AUD, EUR and BRL and stronger on average as compared to the GBP. The following tables demonstrate the impact of currency fluctuations on our net revenue for the three months and nine months ended September 30, 2010 and 2009 (in thousands, except percentages):

Net Revenue by Location, including Discontinued Operations in USD

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2010 Net Revenue	2009 Net Revenue	Variance	Variance %	2010 Net Revenue	2009 Net Revenue	Variance	Variance %
Canada	$ 56,876	$ 57,367	$ (491)	(0.9)%	$ 172,376	$ 165,673	$ 6,703	4.0%
Australia	$ 68,360	$ 63,665	$ 4,695	7.4%	$ 205,745	$ 174,167	$ 31,578	18.1%
United Kingdom[2]	$ 24,776	$ 22,807	$ 1,969	8.6%	$ 70,530	$ 72,039	$ (1,509)	(2.1)%
Europe[1, 2]	$ 1,507	$ 9,616	$ (8,109)	(84.3)%	$ 21,389	$ 21,459	$ (70)	(0.3)%
Brazil	$ 9,021	$ 4,105	$ 4,917	119.8%	$ 21,341	$ 10,351	$ 10,991	106.2%

Net Revenue by Location, including Discontinued Operations in Local Currencies

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2010 Net Revenue	2009 Net Revenue	Variance	Variance %	2010 Net Revenue	2009 Net Revenue	Variance	Variance %
Canada	59,144	63,063	(3,919)	(6.2)%	178,619	193,597	(14,977)	(7.7)%
Australia	75,787	76,509	(722)	(0.9)%	229,531	232,150	(2,619)	(1.1)%
United Kingdom[2]	16,019	13,902	2,117	15.2%	46,143	47,023	(880)	(1.9)%
Europe[1,2]	5,968	14,833	(8,865)	(59.8)%	36,850	40,936	(4,086)	(10.0)%
Brazil	15,909	7,673	8,236	107.3%	38,114	21,482	16,632	77.4%

1 Europe includes only subsidiaries whose functional currency is the Euro.
2 Table includes revenues from discontinued operations which are subject to currency risk.

Critical Accounting Policies

See Management s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the year ended December 31, 2009 for a detailed discussion of our critical accounting policies. These policies include revenue recognition, determining our allowance for doubtful accounts receivable, accounting for cost of revenue, valuation of long-lived assets and goodwill and accounting for income taxes.

After the emergence from bankruptcy on July 1, 2009 (the Effective Date), the amounts reported on our subsequent financial statements materially changed. We adopted the fresh start provisions of ASC No. 852, which requires that all assets and liabilities except deferred taxes be restated to their fair value. Deferred tax balances have been established as a result of the differences in the basis adjustments from fresh-start accounting. Certain of these fair values differ materially from the values recorded on the Predecessor Consolidated Condensed Balance Sheets. Our emergence from reorganization resulted in a new reporting entity that had no retained earnings or accumulated deficit as of the Effective Date. Additionally, we must also adopt any changes in GAAP that it is otherwise required to adopt within twelve months of such date. For these reasons, our Successor s financial statements are not comparable to our Predecessor s.

No significant changes in our critical accounting policies have occurred since December 31, 2009.

Financial Presentation Background

July 1, 2009 Emergence From Voluntary Reorganization under Chapter 11 Proceedings. On March 16, 2009, Primus Telecommunications Group, Incorporated (Group) and three of its subsidiaries, Primus Telecommunications Holding, Inc. (Holding), Primus Telecommunications International, Inc. (PTII) and Primus Telecommunications IHC, Inc., (IHC and together with Group, Holding and PTII, collectively, the Debtors) each filed a voluntary petition (the Chapter 11 Cases) in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court) for reorganization relief (Reorganization). On April 27, 2009, the Bankruptcy Court approved the Debtors use of a disclosure statement dated April 27, 2009 (the Disclosure Statement) to solicit votes on the Joint Plan of Reorganization of Primus Telecommunications Group, Incorporated and its Affiliate Debtors attached thereto (the Plan). The Plan was confirmed by the Bankruptcy Court on June 12, 2009. On July 1, 2009 (the Effective Date), the Debtors consummated their reorganization under the Bankruptcy Code and the Plan became effective. As a result of this, attention should be given to the Successor and Predecessor presentations and Fresh Start Accounting principles adopted by the Company, as described below.

Successor and Predecessor Presentations. In the following presentations and narratives within this Management s Discussion and Analysis of Financial Condition and Results of Operations, we compare, pursuant to SEC disclosure rules, Successor s results of operations for the three and nine months ended September 30, 2010 to the three months ended September 30, 2009 (the Successor Period) and the three months ended September 30, 2009 plus the Predecessor s results of operations for the six months ended July 1, 2009 (the Predecessor Period).

Fresh Start Accounting. As of July 1, 2009, the Company adopted fresh-start accounting in accordance with ASC No. 852. The adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements on or prior to July 1, 2009 are not comparable with the financial statements for periods after July 1, 2009. The consolidated condensed statements of operations, comprehensive income (loss) and any references to Successor or Successor Company for the three months and nine months ended September 30, 2010 and the three months ended September 30, 2009, show the operations of the reorganized Company. References to Predecessor or Predecessor Company refer to the operations of the Company prior to July 1, 2009. See Note 3 Fresh-Start Accounting in the notes to these Consolidated Condensed Financial Statements for further details.

Factors That Could Impact Reported Future Results

In reviewing the results and narratives below, it is important to note that there were significant changes resulting from the adoption of fresh-start accounting that affected our historical presentations and that will impact future results compared to pre-Reorganization results, including significant changes in:

- debt balances and associated interest expense;
- taxes and the potential adverse cash flow effects of our obligation to pay additional taxes compared to prior periods, given the termination of significant net operating loss carry-forward credits in connection with the Reorganization; and
- depreciation and amortization, as triggered by our requirement to institute a new capital structure and fully re-measure our tangible and identifiable intangible assets.

In light of the foregoing, past Predecessor results should not be considered comparable and are not indicative of results for corresponding future Successor periods, and material differences in results of operations and liquidity may arise in the future as a result of these factors, in addition to the factors that could affect our business, as described in Special Note Regarding Forward Looking Statements and in Part II. Item 1A, Risk Factors.

We also present detailed changes in results, excluding currency impacts, since a large portion of our revenues are derived outside of the U.S., and currency changes can influence or mask underlying changes in foreign operating unit performance. For purposes of calculating constant currency rates between periods in

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connection with presentations that describe changes in values excluding currency effects herein, we have taken results from foreign operations for a given year (that were computed in accordance with GAAP using local currency) and converted such amounts utilizing the same U.S. dollar to applicable local currency exchange rates that were used for purposes of calculating corresponding preceding year GAAP presentations. Future changes in currency exchange rates could have a material effect on our future results of operations and liquidity. See Item 3. Quantitative and Qualitative Disclosure About Market Risk.

Results of Operations

Results of operations for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009

Net revenue**:** Net revenue, exclusive of the currency effect, decreased $13.8 million, or 7.1%, to $181.1 million for the three months ended September 30, 2010 from $194.9 million for the three months ended September 30, 2009. Inclusive of the currency effect, which accounted for an increase of $7.1 million, net revenue decreased $6.7 million to $188.2 million for the three months ended September 30, 2010 from $194.9 million for the three months ended September 30, 2009.

	Exclusive of Currency Effect Three Months Ended							Inclusive of Currency Effect Three Months Ended	
	September 30, 2010		September 30, 2009		Quarter-over-Quarter			September 30, 2010	
(in thousands)	Net Revenue	% of Total	Net Revenue	% of Total	Variance	Variance %	Currency Effect	Net Revenue	% of Total
Canada	$ 53,803	29.7%	$ 57,367	29.4%	$ (3,564)	(6.2)%	$ 3,073	$ 56,876	30.2%
Australia	63,054	34.8%	63,665	32.7%	(611)	(1.0)%	5,305	68,360	36.3%
Wholesale	43,716	24.1%	53,571	27.5%	(9,855)	(18.4)%	(1,846)	41,870	22.2%
United States	12,072	6.7%	16,238	8.3%	(4,166)	(25.7)%		12,072	6.4%
Brazil	8,441	4.7%	4,105	2.1%	4,336	105.6%	580	9,021	4.9%
Total Revenue	$ 181,086	100.0%	$ 194,946	100.0%	($ 13,859)	(7.1)%	$ 7,112	$ 188,199	100.0%

Canada: Canada net revenue, exclusive of the currency effect, decreased $3.6 million, or 6.2%, to $53.8 million for the three months ended September 30, 2010 from $57.4 million for the three months ended September 30, 2009. The net revenue decrease is primarily attributable to a decrease of $3.3 million in retail voice services, a decrease of $1.5 million in prepaid voice services and a decrease of $0.2 million in wireless services offset, in part, by an increase of $0.5 million in local services and an increase of $0.8 million in Internet, data and hosting services. Inclusive of the currency effect, which accounted for a $3.1 million increase, net revenue decreased $0.5 million to $56.9 million for the three months ended September 30, 2010 from $57.4 million for the three months ended September 30, 2009.

Australia: Australia net revenue, exclusive of the currency effect, decreased $0.6 million, or 1.0%, to $63.1 million for the three months ended September 30, 2010 from $63.7 million for the three months ended September 30, 2009. The net revenue decrease is primarily attributable to a decrease of $1.4 million in residential voice and a decrease of $1.0 million in Internet services offset, in part, by increases of $1.2 million in business voice services, $0.4 million in wireless services and an increase of $0.2 million other services. Inclusive of the currency effect, which accounted for a $5.3 million increase, net revenue increased $4.7 million to $68.4 million for the three months ended September 30, 2010 from $63.7 million for the three months ended September 30, 2009.

Wholesale: Wholesale net revenue, exclusive of the currency effect, decreased $9.9 million, or 18.4%, to $43.7 million for the three months ended September 30, 2010 from $53.6 million for the three months ended September 30, 2009. The net revenue decrease is due to an effort to target higher margin traffic and avoid high volume, lower margin traffic. Inclusive of the currency effect, which accounted for a $1.8 million decrease, net revenue decreased $11.7 million to $41.9 million for the three months ended September 30, 2010, from $53.6 million for the three months ended September 30, 2009.

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United States: United States net revenue decreased $4.1 million, or 25.7%, to $12.1 million for the three months ended September 30, 2010 from $16.2 million for the three months ended September 30, 2009. The decrease is primarily attributable to a decrease of $2.4 million in retail voice services, a decrease of $1.5 million in VoIP services and a decrease of $0.2 million in Internet services.

Brazil: Brazil net revenue, exclusive of the currency effect, increased $4.3 million, or 105.6%, to $8.4 million for the three months ended September 30, 2010 from $4.1 million for the three months ended September 30, 2009. The revenue increase is due primarily to an increase in reseller voice services. Inclusive of the currency effect, which accounted for a $0.6 million increase, net revenue increased $4.9 million to $9.0 million for the three months ended September 30, 2010 from $4.1 million for the three months ended September 30, 2009.

***Cost of revenue*:** Cost of revenue, exclusive of the currency effect, decreased $9.5 million to $117.4 million, or 64.8% of net revenue, for the three months ended September 30, 2010 from $126.9 million, or 65.1 % of net revenue, for the three months ended September 30, 2009. Inclusive of the currency effect, which accounted for a $3.4 million increase, cost of revenue decreased $6.1 million to $120.8 million for the three months ended September 30, 2010 from $126.9 million for the three months ended September 30, 2009.

Canada: Canada cost of revenue, exclusive of the currency effect, decreased $1.2 million to $24.1 million, or 44.8 % of net revenue, for the three months ended September 30, 2010 from $25.3 million, or 44.1% of net revenue, for the three months ended September 30, 2009. The decrease is primarily attributable to the decrease in net revenue and product mix shift. Inclusive of the currency effect, which accounted for a $1.3 million increase, cost of revenue increased $0.2 million to $25.5 million for the three months ended September 30, 2010 from $25.3 million for the three months ended September 30, 2009.

Australia: Australia cost of revenue, exclusive of the currency effect, decreased $1.0 million to $38.8 million, or 61.6% of net revenue, for the three months ended September 30, 2010 from $39.8 million, or 62.5% of net revenue, for the three months ended September 30, 2009. The decrease is primarily attributable to the decrease in net revenue. Inclusive of the currency effect, which accounted for a $3.3 million increase, cost of revenue increased $2.3 million to $42.1 million for the three months ended September 30, 2010 from $39.8 million for the three months ended September 30, 2009.

Wholesale: Wholesale cost of revenue, exclusive of the currency effect, decreased $10.0 million to $41.4 million, or 94.8% of net revenue, for the three months ended September 30, 2010 from $51.4 million, or 95.9% of net revenue, for the three months ended September 30, 2009. The decrease is primarily attributable to the decrease in net revenues. Inclusive of the currency effect, which accounted for a $1.7 million decrease, cost of revenues decreased $11.7 million to $39.7 million for the three months ended September 30, 2010 from $51.4 million for the three months ended September 30, 2009.

United States: United States cost of revenue decreased $1.5 million to $5.8 million, or 48.0% of net revenue, for the three months ended September 30, 2010 from $7.3 million, or 45.3% of net revenue, for the three months ended September 30, 2009. The decrease is primarily attributable to a corresponding decrease in net revenue.

Brazil: Brazil cost of revenue, exclusive of the currency effect, increased $4.2 million to $7.3 million, or 85.9% of net revenue, for the three months ended September 30, 2010 from $3.1 million, or 74.9% of net revenue, for the three months ended September 30, 2009. The increase is primarily attributable to the increase in net revenue and a shift in the revenue product mix to lower margin reseller voice products. Inclusive of the currency effect, which accounted for a $0.5 million increase, cost of revenue increased $4.7 million to $7.8 million for the three months ended September 30, 2010 from $3.1 million for the three months ended September 30, 2009.

***Selling, general and administrative expenses*:** Selling, general and administrative expenses, exclusive of the currency effect, increased $2.3 million to $49.1 million, or 27.1% of net revenue, for the three months ended September 30, 2010 from $46.8 million, or 24.0 % of net revenue, for the three months ended September 30, 2009. Inclusive of the currency effect, which accounted for a $2.5 million increase, selling, general and administrative expenses increased $4.8 million to $51.6 million for the three months ended September 30, 2010 from $46.8 million for the three months ended September 30, 2009.

Canada: Canada selling, general and administrative expense, exclusive of the currency effect, decreased $1.5 million to $19.0 million, or 35.2 % of net revenue, for the three months ended September 30, 2010 from $20.5 million, or 35.7% of net revenue, for the three months ended September 30, 2009. The decrease is attributable to a decrease of $1.4 million in advertising, a decrease of $0.9 million in sales and marketing expenses, and a decrease of $0.5 million in general and administrative expenses offset, in part, by an increase of $1.2 million in salaries and benefits, an increase of $0.1 million in all occupancy expenses. Inclusive of the currency effect, which accounted for a $1.0 million increase, selling, general and administrative expenses increased $0.5 million to $20.0 million for the three months ended September 30, 2010 from $20.5 million for the three months ended September 30, 2009.

Australia: Australia selling, general and administrative expense, exclusive of the currency effect, increased $0.2 million to $15.9 million, or 25.2% of net revenue, for the three months ended September 30, 2010 from $15.7 million, or 24.6% of net revenue, for the three months ended September 30, 2009. The increase is attributable to an increase of $0.5 million in advertising expense offset, in part, by a decrease of $0.3 million in sales and marketing expense. Inclusive of the currency effect, which accounted for a $1.3 million increase, selling, general and administrative expense increased $1.5 million to $17.2 million for the three months ended September 30, 2010 from $15.7 million for the three months ended September 30, 2009.

Wholesale: Wholesale selling, general and administrative expense, exclusive of the currency effect, remained constant at $1.7 million, or 3.8% of net revenue, for the three months ended September 30, 2010 as compared to $1.6 million, or 3.0% of net revenue, for the three months ended September 30, 2009. Inclusive of the currency effect, which accounted for a minimal decrease, selling, general and administrative expense remained constant at $1.7 million for the three months ended September 30, 2010 from $1.6 million for the three months ended September 30, 2009.

United States: United States selling, general and administrative expense for the three months ended September 30, 2010 decreased $1.0 million to $5.4 million, or 44.6% of net revenue, for the three months ended September 30, 2010 from $6.4 million, or 39.3% of net revenue, for the three months ended September 30, 2009. The decrease is attributable to a decrease of $0.5 million in salaries and benefits, a decrease of $0.2 million in sales and marketing expense, a decrease of $0.2 million in advertising expense, and a decrease of $0.1 million in general and administrative expense.

Brazil: Brazil selling, general and administrative, exclusive of the currency effect, remained constant at $0.8 million, or 9.3% of net revenue, for the three months ended September 30, 2010 as compared to $0.8 million, or 19.5% of net revenue, for the three months ended September 30, 2009. Inclusive of the currency effect, which accounted for a minimal increase, selling, general and administrative expense remained constant at $0.8 million for the three months ended September 30, 2010 from $0.8 million for the three months ended September 30, 2009.

Corporate: Corporate selling, general and administrative expense increased $3.9 million to $5.9 million for the three months ended September 30, 2010 from $2.0 million for the three months ended September 30, 2009. The increase is primarily due to a severance accrual recorded as a result of personnel changes occurring within the corporate executive management team.

Depreciation and amortization expense**:** Depreciation and amortization expense decreased $5.1 million to $13.6 million for the three months ended September 30, 2010 from $18.7 million for the three months ended September 30, 2009. The decrease in the third quarter of 2010 was primarily the result of a decline in the value of certain assets which had been revalued at the time of fresh start accounting and assigned and depreciated over a one year life which ended on June 30, 2010.

Interest expense**:** Interest expense was $8.6 million and $8.7 million for the three months ended September 30, 2010 and three months ended September 30, 2009, respectively. The decline is due to the early retirement of $9.5 million of 14 1/4% Senior Subordinated Secured Notes in the second quarter of 2010.

Gain (loss) from contingent value rights valuation**:** The fair value of the contingent value rights was $8.0 million as of September 30, 2010 as compared to $6.8 million as of September 30, 2009. Gains and losses are recognized due to the change of the fair market value of the contingent value rights. The Company determined these contingent value rights to be derivative instruments to be accounted for as liabilities and were marked to fair value, and in future periods will be marked to fair value, at each balance sheet date.

Foreign currency transaction gain (loss)**:** Foreign currency transaction gain was $14.0 million for the three months ended September 30, 2010 as compared to a gain of $13.4 million for the three months ended September 30, 2009. The gains are attributable to the impact of foreign currency exchange rate changes on intercompany debt balances and on receivables and payables denominated in a currency other than the subsidiaries functional currency.

Income tax benefit (expense)**:** Income tax benefit was $3.2 million for the three months ended September 30, 2010 compared to a $2.1 million expense for the three months ended September 30, 2009. The benefit includes the release of the valuation allowance on the deferred tax assets of our Australian subsidiary of $3.3 million. We continue to carry a full valuation allowance on net operating loss carry forwards and other deferred tax assets in jurisdictions in which the Company is in an overall net deferred tax asset position with the exception of Australia which was released the quarter ending September 30, 2010. As it relates to this conclusion, we will monitor actual results and updated projections of our subsidiaries on a quarterly basis. When and if they realize or realistically anticipate sustainable profitability, we will assess the appropriateness of releasing the valuation allowance in whole or in part.

Results of operations for the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009

Net revenue**:** Net revenue, exclusive of the currency effect, decreased $39.0 million, or 7.0%, to $521.2 million for the nine months ended September 30, 2010 from $560.2 million for the nine months ended September 30, 2009. Inclusive of the currency effect, which accounted for an increase of $54.6 million, net revenue increased $15.6 million to $575.8 million for the nine months ended September 30, 2010 from $560.2 million for the nine months ended September 30, 2009.

	Exclusive of Currency Effect Nine Months Ended							Inclusive of Currency Effect Nine Months Ended	
	September 30, 2010		September 30, 2009		Year-over-Year			September 30, 2010	
(in thousands)	Net Revenue	% of Total	Net Revenue	% of Total	Variance	Variance %	Currency Effect	Net Revenue	% of Total
Canada	$ 152,981	29.4%	$ 165,673	29.6%	$ (12,692)	(7.7)%	$ 19,395	$ 172,376	29.9%
Australia	172,275	33.0%	174,167	31.1%	(1,892)	(1.1)%	33,471	205,745	35.7%
Wholesale	138,488	26.6%	158,053	28.2%	(19,565)	(12.4)%	(919)	137,569	23.9%
United States	38,778	7.4%	51,947	9.3%	(13,169)	(25.4)%		38,778	6.7%
Brazil	18,658	3.6%	10,351	1.8%	8,307	80.3%	2,682	21,341	3.8%
Total Revenue	$ 521,180	100.0%	$ 560,191	100.0%	$ (39,011)	(7.0)%	$ 54,629	$ 575,809	100.0%

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Canada: Canada net revenue, exclusive of the currency effect, decreased $12.7 million, or 7.7%, to $153.0 million for the nine months ended September 30, 2010 from $165.7 million for the nine months ended September 30, 2009. The net revenue decrease is primarily attributable to a decrease of $10.5 million in retail voice services, a decrease of $5.6 million in prepaid voice services and a decrease of $0.7 million in wireless services offset, in part, by an increase of $1.5 million in local services, an increase of $2.2 million in Internet, data and hosting services, and a $0.4 million increase in VoIP services. Inclusive of the currency effect, which accounted for a $19.4 million increase, net revenue increased $6.7 million to $172.4 million for the nine months ended September 30, 2010 from $165.7 million for the nine months ended September 30, 2009.

Australia: Australia net revenue, exclusive of the currency effect, decreased $1.9 million, or 1.1%, to $172.3 million for the nine months ended September 30, 2010 from $174.2 million for the nine months ended September 30, 2009. The net revenue decrease is primarily attributable to a decrease of $4.4 million in residential voice services and a decrease of $2.3 million in Internet services offset, in part, by increases of $2.5 million in business voice services, $0.8 million in wireless services, $0.6 million in DSL services, and an increase of $0.1 million all other services. Inclusive of the currency effect, which accounted for a $33.5 million increase, net revenue increased $31.5 million to $205.7 million for the nine months ended September 30, 2010 from $174.2 million for the nine months ended September 30, 2009.

Wholesale: Wholesale net revenue, exclusive of the currency effect, decreased $19.6 million, or 12.4%, to $138.5 million for the nine months ended September 30, 2010 from $158.1 million for the nine months ended September 30, 2009. The net revenue decrease is a result of our continued focus on profitability rather than revenue, targeting higher margin traffic and avoiding high volume lower margin traffic. Inclusive of the currency effect, which accounted for a $1.0 million decrease, net revenue decreased $20.5 million to $137.6 million for the nine months ended September 30, 2010, from $158.1 million for the nine months ended September 30, 2009.

United States: United States net revenue decreased $13.2 million, or 25.4%, to $38.8 million for the nine months ended September 30, 2010 from $52.0 million for the nine months ended September 30, 2009. The decrease is primarily attributable to a decrease of $7.7 million in retail voice services, a decrease of $4.6 million in VoIP services and a decrease of $0.9 million in Internet services.

Brazil: Brazil net revenue, exclusive of the currency effect, increased $8.3 million, or 80.3%, to $18.6 million for the nine months ended September 30, 2010 from $10.3 million for the nine months ended September 30, 2009. The revenue increase is due primarily to an increase in reseller voice services. Inclusive of the currency effect, which accounted for a $2.7 million increase, net revenue increased $11.0 million to $21.3 million for the nine months ended September 30, 2010 from $10.3 million for the nine months ended September 30, 2009.

***Cost of revenue*:** Cost of revenue, exclusive of the currency effect, decreased $27.3 million to $336.5 million, or 64.6% of net revenue, for the nine months ended September 30, 2010 from $363.8 million, or 64.9 % of net revenue, for the nine months ended September 30, 2009. Inclusive of the currency effect, which accounted for a $30.3 million increase, cost of revenue increased $3.0 million to $366.8 million for the nine months ended September 30, 2010 from $363.8 million for the nine months ended September 30, 2009.

Canada: Canada cost of revenue, exclusive of the currency effect, decreased $3.6 million to $68.9 million, or 45.1% of net revenue, for the nine months ended September 30, 2010 from $72.5 million, or 43.7% of net revenue, for the nine months ended September 30, 2009. The decrease is primarily attributable to a decrease in net revenue, partially offset by product mix where the higher margin retail voice revenue is a smaller percentage of total revenue. Inclusive of the currency effect, which accounted for an $8.7 million increase, cost of revenue increased $5.2 million to $77.7 million for the nine months ended September 30, 2010 from $72.5 million for the nine months ended September 30, 2009.

Australia: Australia cost of revenue, exclusive of the currency effect, decreased $4.4 million to $104.8 million, or 60.9% of net revenue, for the nine months ended September 30, 2010 from $109.2 million, or 62.7%

of net revenue, for the nine months ended September 30, 2009. The decrease is primarily attributable to the corresponding decrease in net revenue. Inclusive of the currency effect, which accounted for a $20.2 million increase, cost of revenue increased $15.8 million to $125.0 million for the nine months ended September 30, 2010 from $109.2 million for the nine months ended September 30, 2009.

Wholesale: Wholesale cost of revenue, exclusive of the currency effect, decreased $20.8 million to $130.3 million, or 94.1% of net revenue, for the nine months ended September 30, 2010 from $151.1 million, or 95.6% of net revenue, for the nine months ended September 30, 2009. The decrease is primarily attributable to the corresponding decrease in net revenue and partially offset by improved bad debt experience. Inclusive of the currency effect, which accounted for a $0.8 million decrease, cost of revenues decreased $21.6 million to $129.5 million for the nine months ended September 30, 2010 from $151.1 million for the nine months ended September 30, 2009.

United States: United States cost of revenue decreased $6.4 million to $17.0 million, or 43.7% of net revenue, for the nine months ended September 30, 2010 from $23.4 million, or 45.1% of net revenue, for the nine months ended September 30, 2009. The decrease is primarily attributable to the corresponding decrease in net revenue.

Brazil: Brazil cost of revenue, exclusive of the currency effect, increased $7.9 million to $15.5 million, or 83.0% of net revenue, for the nine months ended September 30, 2010 from $7.6 million, or 73.1% of net revenue, for the nine months ended September 30, 2009. The increase is primarily attributable to an increase in net revenue of $8.3 million and a shift in the revenue product mix to reseller voice products. Inclusive of the currency effect, which accounted for a $2.2 million increase, cost of revenue increased $10.1 million to $17.7 million for the nine months ended September 30, 2010 from $7.6 million for the nine months ended September 30, 2009.

***Selling, general and administrative expenses*:** Selling, general and administrative expenses, exclusive of the currency effect, decreased $1.3 million to $134.1 million, or 25.7% of net revenue, for the nine months ended September 30, 2010 from $135.4 million, or 24.2% of net revenue, for the nine months ended September 30, 2009. Inclusive of the currency effect, which accounted for an $15.2 million increase, selling, general and administrative expenses increased $14.0 million to $149.4 million for the nine months ended September 30, 2010 from $135.4 million for the nine months ended September 30, 2009.

Canada: Canada selling, general and administrative expense, exclusive of the currency effect, decreased $4.6 million to $53.2 million, or 34.8% of net revenue, for the nine months ended September 30, 2010 from $57.8 million, or 34.9% of net revenue, for the nine months ended September 30, 2009. The decrease is attributable to a decrease of $2.3 million in sales and marketing expenses, a decrease of $1.6 million in advertising expense, decrease of $0.9 million in general and administrative expense, and a decrease of $0.7 million in professional fees offset, in part, by an increase of $0.4 million in salaries and benefits, and a $0.3 million increase in occupancy expenses. Inclusive of the currency effect, which accounted for a $6.6 million increase, selling, general and administrative expenses increased $2.0 million to $59.8 million for the nine months ended September 30, 2010 from $57.8 million for the nine months ended September 30, 2009.

Australia: Australia selling, general and administrative expense, exclusive of the currency effect, increased $0.6 million to $42.7 million, or 24.8% of net revenue, for the nine months ended September 30, 2010 from $42.1 million, or 24.2% of net revenue, for the nine months ended September 30, 2009. The increase is attributable to an increase of $1.2 million in advertising expense and a $0.4 million increase in all other expenses, offset, in part, by a decrease of $0.8 million in sales and marketing expense, and a decrease of $0.2 million in general and administrative expense. Inclusive of the currency effect, which accounted for a $8.2 million increase, selling, general and administrative expense increased $8.8 million to $50.9 million for the nine months ended September 30, 2010 from $42.1 million for the nine months ended September 30, 2009.

Wholesale: Wholesale selling, general and administrative expense, exclusive of the currency effect, decreased $0.1 million to $4.9 million, or 3.6% of net revenue, for the nine months ended September 30, 2010 as compared to $5.0 million, or 3.2% of net revenue, for the nine months ended September 30, 2009. Inclusive of the currency effect, which accounted for a minimal increase, selling, general and administrative expense decreased $0.1 million to $4.9 million for the nine months ended September 30, 2010 from $5.0 million for the nine months ended September 30, 2009.

United States: United States selling, general and administrative expense decreased $2.1 million to $17.7 million, or 45.7% of net revenue, for the nine months ended September 30, 2010 from $19.8 million, or 38.1% of net revenue for the nine months ended September 30, 2009. The decrease is attributable to a decrease of $1.2 million in salaries and benefits, a decrease of $0.3 million in advertising expense, a decrease of $0.5 million in sales and marketing expenses, a decrease of $0.5 million in professional fees, and a decrease of $0.1 million in travel and entertainment expense offset, in part, by an increase of $0.5 million in general and administrative expense.

Brazil: Brazil selling, general and administrative, exclusive of the currency effect, decreased $0.2 million to $2.1, or 11.1% of net revenue, for the nine months ended September 30, 2010 as compared to $2.3 million, or 21.8% of net revenue, for the nine months ended September 30, 2009. Inclusive of the currency effect, which accounted for a $0.3 million increase, selling, general and administrative expense increased $0.1 million to $2.4 million for the nine months ended September 30, 2010 from $2.3 million for the nine months ended September 30, 2009.

Corporate: Corporate selling, general and administrative expense increased $3.7 million to $12.3 million, for the nine months ended September 30, 2010 from $8.6 million for the nine months ended September 30, 2009. The increase is primarily due to a severance accrual.

Depreciation and amortization expense**:** Depreciation and amortization expense increased $19.4 million to $49.7 million for the nine months ended September 30, 2010 from $30.3 million for the nine months ended September 30, 2009. The increase was the result of valuing tangible and intangible assets to the fair values per Fresh-Start accounting which was implemented effective July 1, 2009. See Financial Presentation Background.

Interest expense**:** Interest expense and accretion (amortization) on debt discount/premium, net increased $4.1 million to $26.8 million for the nine months ended September 30, 2010 from $22.7 million for the nine months ended September 30, 2009. The increase was due to the cessation of interest accruals, during the 2009 period, for the liabilities subject to compromise as a result of the Chapter 11 cases instituted on March 16, 2009.

Gain (loss) from contingent value rights valuation**:** The fair value of the contingent value rights was $7.8 million as of September 30, 2010 as compared to $6.8 million as of September 30, 2009. Gains and losses are recognized due to the change of the fair market value of the contingent value rights. The Company determined these contingent value rights to be derivative instruments to be accounted for as liabilities and were marked to fair value, (and in future periods will be marked to fair value), at each balance sheet date.

Foreign currency transaction gain (loss)**:** Foreign currency transaction gain decreased $23.6 million to a gain of $10.2 million for the nine months ended September 30, 2010 from a gain of $33.8 million for the nine months ended September 30, 2009. The gains are attributable to the impact of foreign currency exchange rate changes on intercompany debt balances and on receivables and payables denominated in a currency other than the subsidiaries functional currency.

***Reorganization items, net*:** Reorganization items, net were a $424.5 million gain for the nine months ended September 30, 2009. In accordance with ASC 852, Reorganizations, the Company ceased amortization of debt premiums, discounts and deferred financing costs related to the liabilities subject to compromise on the Petition Date. The $3.5 million of unamortized debt premiums and discounts has been written off and recorded as a gain, offset by the expensing of $3.6 million of unamortized deferred financing costs, as an adjustment to the net carrying value of the pre-petition debt, and the incurrence of professional fees regarding the bankruptcy filing. Long term debt was further reduced by $20.5 million of future interest payable that previously had been recorded as a portion of long-term obligations for the 14 $^1/_4$% Senior Subordinated Secured Notes and 5% Exchangeable Senior Notes as the issuance of these notes had been deemed troubled debt restructurings. Professional fees and other expenses related to the reorganization were $12.1 million for the nine months ended September 30, 2009.

Income tax benefit (expense): Income tax benefit was $7.3 million for the nine months ended September 30, 2010 compared to a $1.9 million expense for the nine months ended September 30, 2009. The benefit includes the release of deferred tax liabilities related to amortization of certain fresh-start adjustments to fixed and intangible assets, the release of the valuation allowance on the deferred tax assets of our Australia subsidiary, and the release of withholding tax on interest payable on a cross-border intercompany loan. We continue to carry a full valuation allowance on net operating loss carry forwards and other deferred tax assets in jurisdictions in which the Company is in an overall net deferred tax asset position with the exception of Australia which was released the Quarter ending September 30, 2010. As it relates to this conclusion, we will monitor actual results and updated projections of our subsidiaries on a quarterly basis. When and if they realize or realistically anticipate sustainable profitability, we will assess the appropriateness of releasing the valuation allowance in whole or in part.

Liquidity and Capital Resources

Changes in Cash Flows

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

Net cash provided by operating activities was $37.3 million for the nine months ended September 30, 2010. For the nine months ended September 30, 2010, net income, net of non-cash operating activity, provided $41.3 million of cash. Net cash provided by operating activities was also impacted by an increase in accrued interest of $8.5 million as payments of interest on long term debt occur in the second and fourth quarters of each calendar year, net collections of accounts receivable of $3.8 million and a reduction in other assets of $0.6 million.

For the nine months ended September 30, 2010, $6.9 million was used to reduce accounts payable, $5.8 million was used to reduce accrued interconnection costs, $2.4 million was used to reduce accrued expenses, deferred revenue and other liabilities, $1.0 million was used to reduce the Company s accrued income taxes, net, $0.7 million was to obtain prepaid expenses and other current assets, and the cash used for reorganization items was $0.1 million.

Net cash used in investing activities was $16.2 million for the nine months ended September 30, 2010, which included $17.1 million for capital expenditures and $0.1 million for restricted cash, partially offset by $0.7 million of asset dispositions and $0.3 million, net received for the disposition of the Company s Belgian operations.

Net cash used in financing activities was $13.6 million for the nine months ended September 30, 2010 and reflects the retirement of $9.5 million of 14 $^1/_4$% Senior Subordinated Secured Notes and the $4.1 million repayment of capital leases.

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Short- and Long-Term Liquidity Considerations and Risks

As of September 30, 2010 we had $49.6 million of unrestricted cash and cash equivalents. We believe that our existing cash and cash equivalents will be sufficient to fund our debt service requirements, other fixed obligations (such as capital leases), and other cash needs for our operations for at least the next twelve months. The Company will evaluate and determine on a continuing basis the most efficient use of the Company s capital and resources, including investment in the Company s network, systems and product initiatives and to strengthen its balance sheet through debt repurchases or other means.

As of September 30, 2010, we have $39.5 million in future minimum purchase obligations, $65.1 million in future operating lease payments and $245.9 million of indebtedness. At September 30, 2010, approximately $91.8 million of unrecognized tax benefits have been recorded as liabilities in accordance with ASC No. 740; however, we are uncertain as to if or when such amounts may be settled, so we have not included these amounts in the table below. Included in the unrecognized tax benefits not included in the table below, we have recorded a liability for potential penalties and interest of $0.1 million for the quarter ended September 30, 2010.

The obligations reflected in the table below reflect the contractual payments of principal and interest that existed as of September 30, 2010:

Year Ending December 31,	Capital Leases and Other	13% Senior Secured Notes	14 1/4% Senior Subordinated Secured Notes	Purchase Obligations	Operating Leases	Total
2010 (as of September 30, 2010)	$ 417	$ 8,450	$ 8,124	$ 8,723	$ 4,753	$ 30,467
2011	1,218	16,900	16,247	19,903	15,151	69,419
2012	309	16,900	16,247	6,498	13,292	53,246
2013	87	16,900	122,139	3,162	10,255	152,543
2014	4	16,900		1,162	5,440	23,506
Thereafter		163,847		54	16,237	180,138
Total Minimum Principal & Interest Payments	2,035	239,897	162,757	39,502	65,128	509,319
Less: Amount Representing Interest	(120)	(109,897)	(48,742)			(158,759)
Total Long-Term Obligations	$ 1,915	$ 130,000	$ 114,015	$ 39,502	$ 65,128	$ 350,560

The foregoing table assumes that the 14 1/4% Senior Subordinated Secured Notes are refinanced before January 21, 2013. In the event the 14 1/4 % Senior Subordinated Secured Notes have not been refinanced in accordance with the terms of the 13% Senior Secured Notes indenture by January 21, 2013, then the Issuers will be required to redeem the full principal of the 13% Senior Secured Notes at a price equal to the then applicable optional redemption price on such date. In addition, the table assumes that the holders of 13% Senior Secured Notes do not accept any Excess Cash Flow Offer to purchase 13% Senior Secured Notes. In this regard, the Company must extend an offer annually to the holders of the 13% Senior Secured Notes to repurchase an applicable amount, (equal to 50% of Excess Cash Flow), of the 13% Senior Secured Notes at par, in the event the Company and certain subsidiaries have excess cash flow for any fiscal year commencing with the fiscal year ending December 31, 2010. See Item 1A. Risks Associated with our Liquidity Needs and Debt Securities, for certain risks and uncertainties related thereto.

We have contractual obligations to utilize network facilities from certain carriers with terms greater than one year. We generally do not purchase or commit to purchase quantities in excess of normal usage or amounts that cannot be used within the contract term.

New Accounting Pronouncements

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB and are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued accounting pronouncements that are not discussed will not have a material impact on consolidated financial position, results of operations, and cash flows, or do not apply to our operations.

Accounting Standards Update No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU No. 2010-06)

We adopted certain provisions of ASU No. 2010-06 in the first quarter of 2010. These provisions of ASU No. 2010-06 amended Subtopic 820-10, Fair Value Measurements and Disclosures Overall, by requiring additional disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring fair value measurement disclosures for each class of assets and liabilities, a subset of the captions disclosed in our Consolidated Balance Sheets. The adoption did not have a material impact on our financial statements or our disclosures, as we did not have any transfers between Level 1 and Level 2 fair value measurements and did not have material classes of assets and liabilities that required additional disclosure.

Certain provisions of ASU No. 2010-06 are effective for fiscal years beginning after December 15, 2010, which for us will be our 2011 first quarter. These provisions of ASU No. 2010-06, which amended Subtopic 820-10, will require us to present as separate line items all purchases, sales, issuances, and settlements of financial instruments valued using significant unobservable inputs (Level 3) in the reconciliation for fair value measurements, whereas currently these are presented in aggregate as one line item. Although this may change the appearance of our reconciliation, we do not believe the adoption will have a material impact on our financial statements or disclosures.

Accounting Standards Update No. 2009-13 Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (ASU 2009-13)

In October 2009, the FASB issued ASU No. 2009-13, Revenue Recognition (Topic 605) *Multiple-Deliverable Revenue Arrangements*: a consensus of the FASB EITF (ASU 2009-13). ASU 2009-13 establishes a selling-price hierarchy for determining the selling price of each element within a multiple-deliverable arrangement. Specifically, the selling price assigned to each deliverable is to be based on vendor-specific objective evidence (VSOE), if available, third-party evidence, if VSOE is unavailable, and estimated selling price if neither VSOE nor third-party evidence is available. In addition, ASU 2009-13 eliminates the residual method of allocating arrangement consideration and instead requires allocation using the relative selling price method. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted at the beginning of a company s fiscal year. The Company plans to implement this guidance on January 1, 2011 and is currently evaluating the potential impact of ASU 2009-13 on the Company s financial statements.

Special Note Regarding Forward Looking Statements

Certain statements in this Quarterly Report on Form 10-Q and elsewhere concerning our agreement to acquire Arbinet Corporation, strategic objectives, European disposition efforts, prospects, future liquidity, cost savings initiatives and related matters constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on current expectations, and are not strictly historical statements. In some cases, you can identify forward-looking statements by terminology such as if, may, should, believe, anticipate, future, forward, potential, estimate, reinstate, opportu exchange, growth, outcome, could, expect, intend, plan, strategy, provide, commitment, result, seek, pursue, ongoi of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties,

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although they are based on our current plans or assessments which are believed to be reasonable as of the date of this filing. Forward-looking statements include, without limitation, statements set forth in this document and elsewhere regarding, among other things:

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

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

- the occurrence of a default or event of default under our indentures or other financing agreements;
- an inability to fully fund and repurchase holder acceptances of offers to repurchase 13% Notes that we are obligated to make annually, subject to certain limitations, in connection with Excess Cash Flow Offers;

an inability to fully fund and repurchase holder acceptances of offers to repurchase debt securities that we may be obligated to make following certain change in control developments affecting the Company and certain of its subsidiaries;

customer, vendor, carrier and third-party responses to our completed Reorganization;

changes in business conditions causing changes in the business direction and strategy by management;

heightened competitive pricing and bundling pressures in the markets in which we operate;

the ability to service substantial indebtedness;

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accelerated decrease in minutes of use on wireline phones;

fluctuations in the exchange rates of currencies, particularly of the USD relative to foreign currencies of the countries where we conduct our foreign operations;

difficulty in maintaining or increasing customer revenues and margins through our product initiatives and bundled service offerings, and difficulties in migrating and provisioning broadband and local customers to digital subscriber line (DSL) networks;

inadequate financial resources to promote and to market product initiatives, whether due to acceptance of Excess Cash Flow Offers or otherwise;

fluctuations in prevailing trade credit terms or revenues due to the adverse impact of, among other things, further telecommunications carrier bankruptcies or adverse bankruptcy related developments affecting our large carrier customers;

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

possible claims under our existing debt instruments which could impose constraints and limit our flexibility;

the inability to service substantial indebtedness and to reduce, refinance, extend, exchange, tender for or restructure debt significantly, or in amounts sufficient to conduct regular ongoing operations;

further changes in the telecommunications or Internet industry, including rapid technological changes, regulatory and pricing changes in our principal markets and the nature and degree of competitive pressure that we may face;

adverse tax or regulatory rulings from applicable authorities;

enhanced broadband, DSL, Internet, wireless, VOIP, date and hosting and local and long distance voice telecommunications competition;

changes in financial, capital market and economic conditions;

changes in service offerings or business strategies, including the need to modify business models if performance is below expectations;

difficulty in retaining existing long distance wireline and dial-up ISP customers;

difficulty in migrating or retaining customers associated with acquisitions of customer bases, or integrating other assets;

difficulty in selling new services in the marketplace;

difficulty in providing broadband, DSL, local, VOIP, data and hosting or wireless services;

changes in the regulatory schemes or requirements and regulatory enforcement in the markets in which we operate;

restrictions on our ability to execute certain strategies or complete certain transactions as a result of our inexperience with new products, or limitations imposed by available cash resources, our capital structure or debt covenants;

risks associated with our limited DSL, Internet, VOIP, data and hosting and wireless experience and expertise, including effectively utilizing new marketing channels such as interactive marketing employing the Internet;

entry into developing markets;

aggregate margin contribution from the new products is not sufficient in amount or timing to offset the margin decline in our legacy long distance voice and dial-up ISP businesses;

the possible inability to hire and/or retain qualified executive management, sales, technical and other personnel;

- risks and costs associated with our effort to locate certain activities and functions off-shore;
- risks associated with international operations;
- dependence on effective information and billing systems;
- possible claims for patent infringement on products or processes employed in providing our services;
- dependence on third parties for access to their networks to enable us to expand and manage our global network and operations and to offer broadband, DSL, local, VOIP and wireless services, including dependence upon the cooperation of incumbent carriers relating to the migration of customers;
- dependence on the performance of our global standard asynchronous transfer mode and Internet-based protocol (ATM+IP) communications network; risks associated with maintaining and upgrading networks; and
- adverse regulatory rulings or actions affecting our operations, including the imposition of taxes and fees, the imposition of obligations upon VOIP providers to provide enhanced 911 (E911) services and restricting access to broadband networks owned and operated by others, including the development of a national broadband network in Australia.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign currency can have a major impact on our financial results. Approximately 85% of our net revenue is derived from sales and operations outside the United States. The reporting currency for our consolidated financial statements is the USD. The local currency of each country is the functional currency for each of our respective entities operating in that country. In the future, we expect to continue to derive the majority of our net revenue and incur a significant portion of our operating costs from outside the United States, and therefore changes in exchange rates have had and may continue to have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused primarily by fluctuations in the following exchange rates: USD/CAD, USD/AUD, USD/GBP, USD/EUR and USD/BRL. Due to the large percentage of our revenue derived outside of the United States, changes in the USD relative to one or more of the foregoing currencies could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the consolidated statements of operations. We historically have not engaged in hedging transactions.

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

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In the three months ended September 30, 2010, as compared to the three months ended September 30, 2009, the USD was weaker on average as compared to the CAD, AUD, and BRL and stronger on average as compared to the GBP and Euro. In the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009, the USD was weaker on average as compared to the CAD, AUD, EUR, and BRL and stronger on average as compared to the GBP. As a result, our revenue of the subsidiaries whose local currency is CAD, AUD,GBP, EUR and BRL, increased (decreased) (6.2)%, (0.9) %, 15.2%, (59.8) % and 107.3 % in local currency compared to the three months ended September 30, 2009, but increased (decreased) (0.9) %, 7.4 %, 8.6 %, (84.3) % and 119.8 % in USD, respectively. Our revenue of the subsidiaries whose local currency is CAD, AUD,GBP, EUR and BRL, increased (decreased) (7.7)%, (1.1) %, (1.9)%, (10.0) % and 77.4 % in local currency compared to the nine months ended September 30, 2009, but increased (decreased) 4.0%, 18.1 %, (2.1) %, (0.3) % and 106.2 % in USD, respectively.

Interest rates Our Senior Secured Notes and Senior Subordinated Secured Notes are at a fixed interest rate of 13.00% and 14 1/4%, respectively. We are exposed to interest rate risk as debt refinancing may be required. Our primary exposure to market risk stems from fluctuations in interest rates.

The interest rate sensitivity table below summarizes our market risks associated with fluctuations in interest rates for the nine months ended September 30, 2010 in USD, which is our reporting currency. The table presents principal cash flows and related weighted average interest rates by year of expected maturity for our 13% Senior Secured Notes, 14 1/4% Senior Subordinated Secured Notes, and other long-term obligations in effect at September 30, 2010.

	Year of Maturity							Fair
	2010	2011	2012	2013	2014	Thereafter	Total	Value
	(in thousands, except percentages)							
Fixed Rate	$ 385	$ 1,139	$ 301	$ 114,101	$ 4	$ 130,000	$ 245,929	$ 243,324
Average Interest Rate	12.7%	11.0%	9.3%	14.2%	9.9%	13.0%	13.6%	

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management evaluated, with the participation of our Chief Executive Officer and acting Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, as a result of the material weakness described below, our Principal Executive Officer and our acting Principal Financial Officer have concluded that, as of December 31, 2009 and as of the end of the period covered by this report, our disclosure controls and procedures were not effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As part of our compliance efforts relative to Section 404 of Sarbanes-Oxley Act of 2002, management assessed the effectiveness of internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on the assessment, management identified a material weakness in our internal control over accounting for foreign currency transaction gain (loss) on inter-company balances.

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In March 2010, the Company determined that an error existed relating to accounting for foreign currency transaction gain (loss) on certain intercompany balances. Specifically, this error related to activity in the third quarter 2009 resulting in the Company amending its form 10-Q for the quarter ended September 30, 2009. As a result of the error described above, management concluded that as of December 31, 2009 and September 30, 2010, a material weakness existed with respect to its determination of the completeness and accuracy and monitoring of foreign currency transaction gain (loss) related to certain intercompany balances and therefore our internal controls over financial reporting were not effective based upon the criteria set forth by COSO. A material weakness is a control deficiency or combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Additionally, this material weakness could result in a misstatement of net income (loss) that could result in a material misstatement of the interim or annual consolidated financial statements that would not be prevented or detected if not remediated.

Changes in Internal Control.

Our Principal Executive Officer and our acting Principal Financial Officer have concluded that there have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2010, that have materially affected or is reasonably likely to affect materially, our internal control over financial reporting, except for the items noted below.

As a result of the Company s determination that the controls in place over the process of translating certain intercompany balances did not operate effectively during the third quarter of 2009, the Company has designed procedures and is implementing new controls to address the control failure that occurred, including: a) performing additional recalculations and analysis of the foreign currency transaction gain (loss) recorded on intercompany balances; b) implementing an improved process for assessing the reasonableness of foreign currency transaction gain (loss) recorded on intercompany balances; and c) confirming settlements related to intercompany balances at a transactional level. Management believes that these corrective actions, taken as a whole, will successfully mitigate the material weakness described above, and the Company will continue to perform the enhanced procedures as part of the normal accounting process.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that are relevant to its own particular circumstances or generally.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Continuing global economic conditions could adversely affect our business.

The global economy and capital and credit markets have been experiencing exceptional turmoil and upheaval. Many major economies worldwide entered significant economic recessions in 2007 and continue to experience economic weakness even though economies have begun to show signs of recovery. Ongoing concerns about the systemic impact of potential long-term and widespread recession and potentially prolonged economic recovery, volatile energy costs, geopolitical issues, the availability, cost and terms of credit, consumer and business confidence, substantially increased and increasing unemployment rates and the crisis in the global housing and mortgage markets have all contributed to increased market volatility and diminished expectations for both established and emerging economies, including those in which we operate. In the second half of 2008, added concerns fueled by government interventions in financial systems led to increased market uncertainty and instability in both U.S. and international capital and credit markets. These conditions have contributed to economic uncertainty of unprecedented levels. The availability, cost and terms of credit also have been and may continue to be adversely affected by illiquid markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in many cases cease to provide, credit to businesses and consumers. These factors have led to a substantial and continuing decrease in spending by businesses and consumers over the past two years, and a corresponding decrease in global infrastructure spending. Continued turbulence in the U.S. and international markets and economies and prolonged declines in business and consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to refinance maturing debt instruments and to access the capital markets and obtain capital lease financing to meet liquidity needs. This financial crisis may have an impact on our business and financial condition in the following ways as well as in other ways that we currently cannot predict.

> *Potential risk in refinancing outstanding debts*: Although none of our major debt instruments are scheduled to mature before 2013, at the earliest, if the volatility in the global capital markets were to continue, our ability to refinance our existing indebtedness when due could be severely constrained. See Risks Associated with Our Liquidity Needs and Debt Securities. Any such refinancing could require significantly more expensive interest rates and covenants that restrict our operations to a significantly greater extent.

> *Negative impacts from increased financial pressures on customers*: Uncertainty about current and future global economic conditions and credit markets may cause consumers, business and governments to defer purchases in response to tighter credit, decreased availability of cash and credit, and declining