PRIMUS TELECOMMUNICATIONS GROUP INC
Form 424B5
March 15, 2006
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PROSPECTUS SUPPLEMENT Issued March 13, 2006

(To Prospectus dated January 16, 2004)

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-110241

6,666,667 Shares

Common Stock

We are selling 6,666,667 shares of our common stock. We intend to use the net proceeds from this offering for general corporate purposes, which may include, but are not limited to, working capital and capital expenditures.

You should read both this prospectus supplement and the accompanying prospectus dated January 16, 2004, together with additional information described under the heading Where You Can Find More Information , before you invest in our common stock.

Our common stock currently is quoted on the Nasdaq National Market under the symbol PRTL . Effective March 14, 2006, our common stock will be quoted on the Nasdaq Capital Market under the same symbol. On March 10, 2006, the last reported sale price of our common stock on the Nasdaq National Market was $0.799 per share. **See Risk Factors Risks Related to Our Common Stock and This Offering If we are delisted from the Nasdaq National Market and/or Nasdaq Capital Market, it could result in a more limited public market for our common stock, and, as a result, our shareholders may be unable to dispose of their shares of our common stock in acceptable amounts or acceptable prices beginning on page S-12 of this prospectus supplement.**

Investing in our common stock involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement.

	Price	**Proceeds before expenses to Primus Telecommunications Group, Incorporated**
Per Share	$0.750	$0.750
Total	$5,000,000	$5,000,000

We estimate the proceeds to us from this offering, net of legal fees and other related expenses, to be approximately $4,900,000 The price per share of $0.750 reflects a 6.13% discount from the closing market price of our common stock as quoted on the Nasdaq National Market on March 10, 2006.

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

The date of this prospectus supplement is March 13, 2006.

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Prospectus Supplement

Prospectus

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference in this prospectus supplement or the accompanying prospectus, or to which we have referred you. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus, or any document incorporated by reference in this prospectus supplement or the accompanying prospectus, is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus supplement nor any distribution of securities pursuant to this prospectus supplement shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus supplement or in our affairs since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the common stock we are offering and also adds to and updates information contained in the accompanying prospectus. The second part, the prospectus, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, you should rely on the information in this prospectus supplement.

Unless otherwise stated, all references to us, our, Primus, we, the Company and similar designations refer to Primus Telecommunications Gr Incorporated and our subsidiaries. Our logo, trademarks and service marks are the property of Primus. Other trademarks or service marks appearing in this prospectus are the property of their respective holders.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. This summary is not complete and does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the Risk Factors section beginning on page S-5 of this prospectus supplement and our consolidated financial statements and the related notes and the other documents incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision.

Our Company

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

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

- 16 carrier-grade domestic and international gateway switching systems (the hardware/software devices that direct the voice traffic across the network) in the United States, Canada, Australia, Europe and Japan;
- approximately 350 interconnection points to our network, or points of presence (POPs), within our service regions and other markets;
- undersea and land-based fiber optic transmission line systems that we own or lease and that carry voice and data traffic across the network; and
- global network and data centers that use a high-bandwidth network standard (asynchronous transfer mode) and Internet-based protocol (ATM+IP) to connect with the network. The global VOIP network is based on routers and gateways with an open network architecture which connects our partners in over 150 countries.

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

- international and domestic long distance services over the traditional network;
- retail VOIP services;
- wireless services;
- prepaid services, toll-free services and reorigination services;

dial-up, dedicated and high-speed Internet access;

local voice services;

ATM+IP broadband services; and

managed and shared Web hosting services and applications.

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Generally, we price our services competitively or at a discount with the major carriers operating in our principal service regions. We expect to continue to generate net revenue from sales and marketing efforts focused on customers with significant communications needs (international and domestic voice, wireless, VOIP, Internet and data), including SMEs, multinational corporations, residential customers, particularly ethnic customers, and other telecommunications carriers and resellers, as well as acquisitions.

We are a Delaware corporation with our principal executive offices located at 7901 Jones Branch Drive, Suite 900, McLean, Virginia 22102. Our telephone number is (703) 902-2800 and our web site address is www.primustel.com. We make available free of charge through the Investors section of our web site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). We include our web site address in this prospectus supplement only as an inactive textual reference and do not intend it to be an active link to our web site. The information on our website is not incorporated by reference into this prospectus and should not be considered to be a part of this prospectus.

Recent Developments

On February 27, 2006, we reported that we completed an exchange of $26.5 million principal amount of our 5 3/4% Convertible Subordinated Debentures due 2007 (the 2007 Debentures) for $26.5 million principal amount of our Step Up Convertible Subordinated Debentures due 2009 (the 2009 Debentures). See our current report on Form 8-K, filed with the SEC on March 2, 2006, which is incorporated by reference into this prospectus supplement (except for information under Item 7.01 thereof or in Exhibit 99.1 thereto, which information is not incorporated by reference into this prospectus supplement) and Amendment No. 1 to our Form T-3, filed with the SEC on February 27, 2006.

On February 9, 2006, we reported our fourth quarter and full year 2005 financial results. Net revenue was $287 million and $1,187 million for the fourth quarter and full year 2005, respectively. Loss from operations was $6 million and $80 million, respectively. We had a cash balance of $54 million, including $11 million of restricted funds, as of December 31, 2005.

On February 3, 2006, we reported that our wholly-owned Canadian subsidiary had entered into an Amended and Restated Loan Agreement (the Amended Agreement) related to its existing secured non-revolving term loan facility with a Canadian financial institution. The Amended Agreement extended the maturity date for the facility to April 2008 from April 2007, reaffirmed the interest rate of 7 3/4%, altered selected financial covenants, reduced the maximum loan balance from 42 million Canadian dollars (CAD) to CAD 32 million and established quarterly principal payments of CAD 1 million commencing April 2007. On February 1, 2006 we drew the remaining CAD 17 million available under this facility, bringing the total outstanding under the facility to CAD 32 million.

During November and December of 2005 and in January 2006, we exchanged and extinguished $11.1 million principal amount of our 12 3/4% senior notes for 7.0 million shares of our common stock.

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THE OFFERING

Issuer	Primus Telecommunications Group, Incorporated
Common stock offered by us	6,666,667
Common stock to be outstanding after the offering	113,776,004
Use of proceeds	We estimate that the net proceeds from this offering will be $4.9 million. We intend to use the net proceeds from this offering for general corporate purposes, which may include, but are not limited to, working capital and capital expenditures. See Use of Proceeds.
Risk Factors	You should read the Risk Factors section beginning on page S-5 of this prospectus supplement for a discussion of factors to consider before deciding to purchase shares of our common stock.
Nasdaq National Market symbol(1)	PRTL

(1) Our common stock currently is quoted on the Nasdaq National Market. Effective March 14, 2006, our common stock will be quoted on the Nasdaq Capital Market under the same symbol. **See Risk Factors Risks Related to Our Common Stock and This Offering If we are delisted from the Nasdaq National Market and/or Nasdaq Capital Market, it could result in a more limited public market for our common stock, and, as a result, our shareholders may be unable to dispose of their shares of our common stock in acceptable amounts or acceptable prices beginning on page S-12 of this prospectus supplement.**

The number of shares of common stock to be outstanding after the offering is based on 107,109,337 shares of our common stock outstanding as of February 28, 2006 and excludes:

- 9.2 million shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of $2.30 per share;
- 2.2 million additional shares available for issuance under our stock option compensation plans;
- 563,000 shares available for issuance under our employee stock purchase plan;
- 695,000 shares available for issuance under our restricted stock plan;
- 14.2 million shares of our common stock issuable upon conversion of our 3 $^{3}/4$% Convertible Senior Notes due 2010 (the 2010 Notes);
- 475,000 shares of our common stock issuable upon conversion of the 2007 Debentures; and
- 22.3 million shares of our common stock issuable upon conversion of the 2009 Debentures, subject to approval by our stockholders of an increase in the number of shares of our common stock authorized for issuance.

All data contained herein relating to the proceeds of the offering reflect that all shares offered hereby will be purchased at a price equal to $0.75 per share, which represents a 6.13% discount from the closing market price of our common stock as quoted on the Nasdaq National Market on March 10, 2006.

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RISK FACTORS

Any purchase of our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the information under the caption Special Note Regarding Forward-Looking Statements and the other information contained in or incorporated by reference to this prospectus before you decide to buy our common stock. If any of the following risks actually materializes, our business, financial condition, results of operations and future growth prospects would likely be materially adversely affected. In these circumstances, the market price of our common stock would likely decline, and you may lose all or part of the money you paid to buy our common stock.

Risks Related to Our Business

Risks Related to Our Financial Results and Need for Financing

We may receive an unqualified opinion with a matter of emphasis regarding our ability to continue as a going concern from our independent registered public accounting firm in connection with the filing of our Form 10-K for the year ended December 31, 2005, which could adversely affect our operations by potentially increasing our immediate need for additional capital.

The Company reported a net loss of ($154.4) million and net cash used in operating activities of ($50.7) million during the year ended December 31, 2005. Additionally, the Company utilized $49.8 million for capital expenditures during this period. Furthermore, at February 28, 2006, the Company had outstanding $23.6 million of its 2007 Debentures, which mature in February 2007. Although the Company believes its operations are improving, there can be no assurance that operations will improve, or will improve to an extent sufficient to obviate funding needs. These factors may raise substantial doubt as to our ability to continue as a going concern. Accordingly, upon the filing of the Company s Form 10-K for the year ended December 31, 2005, the Company s independent registered public accounting firm may issue a matter of emphasis in its opinion regarding our ability to continue as a going concern. The receipt of an unqualified opinion with a matter of emphasis regarding our ability to continue as a going concern may adversely affect our ability to manage our accounts payable and potentially cause some suppliers to deal with us on a cash-on-delivery or prepaid basis only. If this were to occur, this would adversely affect our operations by increasing our immediate need for additional capital.

If competitive pressures continue or intensify and/or the success of our new initiatives is not adequate in amount or timing to offset the decline in results from our core businesses, we may not be able to service our debt or other obligations.

We believe that our existing cash and cash equivalents, future sales of equity, internally generated funds from operating activities, continued cost reduction efforts, our ability to moderate capital expenditures, combined with existing and potential debt financing alternatives and potential proceeds from asset sales and interest savings from balance sheet deleveraging should be sufficient to fund our debt service requirements and other fixed obligations (such as capital leases, vendor financing and other long-term obligations), resolution of vendor disputes, and other cash needs for our operations through at least 2006. However, there are substantial risks, uncertainties and changes that could cause actual results to differ from our current belief, particularly as aggressive pricing and bundling strategies by certain incumbent carriers and incumbent local exchange carriers (ILECs) have intensified competitive pressures in the markets where we operate, and/or if we have insufficient financial resources to market our services. The aggregate anticipated margin contribution from our new initiatives may not be adequate in amount or timing to offset the declines in margin from our core business. In addition, regulatory decisions could have a material adverse impact on our operations and outlook. See also information under Liquidity and Capital Resources Short- and Long-Term Liquidity Considerations and Risks in our Form 10-Q for the quarter ended September 30, 2005, which is incorporated by reference in this prospectus supplement and the accompanying prospectus and in these Risk Factors. If adverse events referenced therein were to occur, we may not be able to service our debt or other obligations and could, among other things, be required to seek protection under the bankruptcy laws of the United States or other similar laws in other countries.

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

We currently have substantial indebtedness and anticipate that we and our subsidiaries may incur additional indebtedness in the future. The level and/or terms of our indebtedness (1) could make it difficult for us to make required payments of principal and interest on our outstanding debt; (2) could limit our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes; (3) requires that a substantial portion of our cash flow, if any, be dedicated to the payment of principal and interest on outstanding indebtedness and other obligations and, accordingly, such cash flow will not be available for use in our business; (4) could limit our flexibility in planning for, or reacting to, changes in our business; (5) results in our being more highly leveraged than many of our competitors, which places us at a competitive disadvantage; (6) will make us more vulnerable in the event of a downturn in our business; and (7) could limit our ability to sell assets partially or fund our operations due to covenant restrictions.

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

As of September 30, 2005, we had an accumulated deficit of $(825.1) million. We incurred net losses of $(63.6) million in 1998, $(112.7) million in 1999, $(174.7) million in 2000, $(306.2) million in 2001, $(34.6) million in 2002, $(10.6) million in 2004 and $(129.5) million during the first nine months of 2005. During the year ended December 31, 2003, we recognized net income of $54.8 million, of which $39.4 million is the positive impact of foreign currency transaction gains. If we cannot generate net income or operating profitability, we may not be able to meet our debt service or working capital requirements. These developments could have a material adverse impact on the trading prices of our common stock.

Risks Related to Our Operations

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

In June 2005, the Federal Communications Commission (FCC) adopted new rules requiring VOIP providers interconnected to the public switched telephone network (PSTN) to provide E911 service in a manner similar to traditional wireline carriers by November 2005. Lingo, our subsidiary which sells VOIP services, was unable to meet this deadline for all of its customers. As of February 28, 2006, a substantial percentage of our Lingo customers were without E911 service. We have sought a waiver from the FCC asking for an additional nine months to complete deploying our E911 service, but the FCC has not yet addressed our waiver petition. We also are participating in a legal challenge to these rules pending before the U.S. Court of Appeals for the District of Columbia Circuit.

Lingo s current services are more limited than the 911 services offered by traditional wireline telephone companies. These limitations may cause significant delays, or even failures, in callers receipt of the emergency assistance they need. We have notified our customers of the differences between our Emergency Calling Service and E911 services and those available through traditional telephony providers and have received affirmative acknowledgement from substantially all of our customers. Nevertheless, injured customers may attempt to hold us responsible for any loss, damage, personal injury or death suffered as a result of our failure to comply with the FCC mandated E911 service. Our resulting liability could be significant.

In addition, if and to the extent that we are determined to be out of compliance with the FCC order regarding E911 services, we may be subject to fines or penalties or injunctions prohibiting Lingo from providing service in some markets.

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

A significant portion of our net revenue 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

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each country is the functional currency for each of our respective entities operating in that country. In the future, we expect to continue to derive a significant portion of our net revenue and incur a significant portion of our operating costs outside the United States, and changes in exchange rates have had and may have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused by fluctuations in the following exchange rates: USD/Australian dollar (AUD), USD/CAD, USD/British pound (GBP), and USD/Euro (EUR). For the three months ended September 30, 2005 as compared to the same period a year ago, our revenue results were unfavorably impacted by a weakening of the USD compared to the AUD and the CAD and our revenue results were favorably impacted by a strengthening of the USD compared to the EUR and GBP. See Quantitative and Qualitative Disclosures about Market Risk in our Form 10-Q for the quarter ended September 30, 2005 that is incorporated by reference in this prospectus. Due to the large percentage of our operations conducted outside of the United States, strengthening or weakening of the USD relative to one or more of the foregoing currencies could have an adverse impact on future results of operations. We historically have not engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks.

In addition, the operations of affiliates and subsidiaries in foreign countries have been funded with investments and other advances denominated in foreign currencies. Historically, such investments and advances have been long-term in nature, and we accounted for any adjustments resulting from currency translation as a charge or credit to accumulated other comprehensive loss within the stockholders deficit section of our consolidated balance sheets. In 2002, agreements with certain subsidiaries were put in place for repayment of a portion of the investments and advances made to those subsidiaries. As we anticipate repayment in the foreseeable future of these amounts, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the consolidated statements of operations, and depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on our results of operations.

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

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

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

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

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

Our repositioning in the market place may place a significant strain on our management, operational and financial resources, and increases demand on our systems and controls. To manage this change effectively, we must continue to implement and improve our operational and financial systems and controls, invest in critical network infrastructure to maintain or improve our service quality levels, purchase and utilize other transmission facilities, and expand, train and manage our employee base. If we inaccurately forecast the movement of traffic onto our network, we could have insufficient or excessive transmission facilities and disproportionate fixed expenses. As we proceed with our development, operational difficulties could arise from additional demand placed on customer provisioning and support, billing and management information systems, product delivery and fulfillment, on our support, sales and marketing and administrative resources and on our network infrastructure. For instance, we may encounter delays or cost-overruns or suffer other adverse consequences in implementing new systems when required. In addition, our operating and financial control systems and infrastructure could be inadequate to ensure timely and accurate financial reporting.

Integration of acquisitions ultimately may not provide the benefits originally anticipated by management and may distract the attention of our personnel from the operation of our business.

We strive to increase the volume of voice and data traffic that we carry over our existing global network in order to reduce transmission costs and other operating costs as a percentage of net revenue, improve margins, improve service quality and enhance our ability to introduce new products and services. We may pursue acquisitions in the future to further our strategic objectives.

Acquisitions of businesses and customer lists, a key element of our historical growth strategy, involve operational risks, including the possibility that an acquisition does not ultimately provide the benefits originally anticipated by management. Moreover, there can be no assurance that we will be successful in identifying attractive acquisition candidates, completing and financing additional acquisitions on favorable terms, or integrating the acquired business or assets into our own.

There may be difficulty in migrating the customer base and in integrating the service offerings, distribution channels and networks gained through acquisitions with our own. Successful integration of operations and technologies requires the dedication of management and other personnel, which may distract their attention from the day-to-day business, the development or acquisition of new technologies, and the pursuit of other business acquisition opportunities, and there can be no assurance that successful integration will occur in light of these factors.

If the fair value of our long-lived assets is determined to be less than its carrying value, any resulting impairment charge could have a material adverse impact on our results of operations and financial condition.

We assess the recoverability of our long-lived assets to be held and used whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Our judgments regarding the existence of impairment indicators are based on expected operational performance, market conditions, legal factors and future plans. If we conclude that a triggering event for impairment has occurred, we will compare the carrying value of the assets with the undiscounted cash flows expected to be derived from the usage of the asset. If there is a shortfall and the fair value of the asset is less than its carrying value, we will record an impairment charge for the excess carrying value over fair value. We estimate fair value using a discounted cash flow model. Any resulting impairment charge could have a material adverse impact on our financial condition and results of operations.

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

We primarily connect our customers telephone calls and data/Internet needs through transmission lines that we lease under a variety of arrangements with other facilities-based long distance carriers. Many of these carriers are, or may become, our competitors. Our ability to maintain and expand our business depends on our ability to maintain favorable relationships with the facilities-based carriers from which we lease transmission lines. If our relationship with one or more of these carriers were to deteriorate or terminate, it could have a material adverse effect upon our cost structure, service quality, network diversity, results of operations and financial condition.

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

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

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

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

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

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

Terrorist attacks and other acts of violence or war may affect the markets in which we operate, our operations and our profitability.

We are a United States-based corporation with significant international operations. Terrorist attacks, such as the attacks that occurred in New York City and Washington, D.C. on September 11, 2001, and subsequent worldwide terrorist actions, including apparent action against companies operating abroad, may negatively affect our operations. We cannot assure you that there will not be further terrorist attacks that affect our employees, network facilities or support systems, either in the United States or in any of the other countries in which we operate. Certain losses resulting from these types of events are uninsurable and others are not likely to be covered by our insurance.

Terrorist attacks may directly impact our business operations through damage or harm to our employees, network facilities or support systems, increased security costs or the general curtailment of voice or data traffic. Any of these events could result in increased volatility in or damage to our business and the United States and worldwide financial markets and economies.

Risks Related to Our Industry

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

The local and long distance telecommunications, data, broadband, Internet, VOIP and wireless industries are intensely competitive with relatively limited barriers to entry in the more deregulated countries in which we operate and with numerous entities competing for the same customers. Recent and pending deregulation in various countries may encourage new entrants to compete, including ISPs, wireless companies, cable television companies that would offer voice, broadband, Internet access and television, and electric power utilities that would offer voice and broadband Internet access. For example, the United States and many other countries have committed to open their telecommunications markets to competition pursuant to an agreement under the World Trade Organization which began on January 1, 1998. Further, in the United States, as certain conditions have been met under the Telecommunications Act of 1996, the regional Bell operating companies (RBOCs) have been allowed to enter the long distance market and other long distance carriers have been allowed to enter the local telephone services market (although regulatory developments have diminished the attractiveness of this opportunity), and many entities, including cable television companies and utilities, have been allowed to enter both the local service and long distance telecommunications markets. Moreover, the rapid enhancement of VOIP technology may result in increasing levels of traditional domestic and international voice long distance traffic being transmitted over the Internet, as opposed to traditional telecommunication networks such as ours. Currently, there are significant capital investment savings and cost savings associated with carrying voice traffic employing VOIP technology, as compared to carrying calls over traditional networks. Thus, there exists the possibility that the price of traditional long distance voice services will decrease in order to be competitive with VOIP. Additionally, competition is expected to be intense to switch customers to VOIP product offerings, as is evidenced by numerous recent market announcements in the United States and internationally from industry leaders and competitive carriers concerning significant VOIP initiatives. Our ability effectively to retain our existing customer base and generate new customers, either through our network or our own VOIP offerings, may be adversely affected by accelerated competition arising as a result of VOIP initiatives, as well as regulatory developments that may impede our ability to compete, such as restrictions on access to broadband networks owned and operated by others and the requirement to provide E911 services. As competition intensifies as a result of deregulatory, market or technological developments, our results of operations and financial condition could be adversely affected.

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

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

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

We have significant international operations and, as of September 30, 2005, derive more than 80% of our revenues by providing services outside of the United States. In international markets, we are smaller than the principal or incumbent telecommunications carrier that operates in each of the foreign jurisdictions where we operate. In these markets, incumbent carriers are likely to control access to, and pricing of, the local networks; enjoy better brand recognition and brand and customer loyalty; generally offer a wider range of products and services; and have significant operational economies of scale, including a larger backbone network and more correspondent agreements.

Moreover, the incumbent carrier may take many months to allow competitors, including us, to interconnect to its switches within its territory, and we are dependent upon their cooperation in migrating customers onto our network. There can be no assurance that we will be able to obtain the permits and operating licenses required for us to operate; obtain access to local transmission facilities on economically acceptable terms; or market services in international markets.

In addition, operating in international markets generally involves additional risks, including: unexpected changes in regulatory requirements, taxes, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, problems in collecting accounts receivable, political risks, fluctuations in currency exchange rates, restrictions associated with the repatriation of funds, technology export and import restrictions, and seasonal reductions in business activity.

Our ability to operate and grow our international operations successfully could be adversely impacted by these risks and uncertainties particularly in light of the fact that we derive such a large percentage of our revenues from outside of the United States.

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

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

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

Our operations are subject to constantly changing regulation. There can be no assurance that future regulatory changes will not have a material adverse effect on us, or that regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations, any of which could have a material adverse effect upon us.

As a multinational telecommunications company, we are subject to varying degrees of regulation in each of the jurisdictions in which we provide our services. Local laws and regulations, and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which we operate. Enforcement and interpretations of these laws and regulations can be unpredictable and are often subject to the informal views of government officials. Recent widespread regulatory changes in the United Kingdom and potential future regulatory, judicial, legislative and government policy changes in other jurisdictions where we operate could have a material adverse effect on us. Domestic or international regulators or third parties may raise material issues with regard to our compliance or noncompliance with applicable regulations, and therefore may have a material adverse impact on our competitive position, growth and financial performance.

Regulatory considerations that affect or limit our business include (1) United States common carrier requirements not to discriminate unreasonably among customers and to charge just and reasonable rates; (2) general uncertainty regarding the future regulatory classification of and taxation of VOIP telephony, the need to provide emergency calling services in a manner required by the FCC that is not yet available commercially on a nation-wide basis and the ability to access broadband networks owned and operated by others; if regulators decide that VOIP is a regulated telecommunications service, our VOIP services may be subject to burdensome regulatory requirements and fees, we may be obligated to pay carriers additional interconnection fees and operating costs may increase; (3) general changes in access charges, universal service and regulatory fee payments would affect our cost of providing long distance services; and (4) general changes in access charges and contribution payments could adversely affect our cost of providing long distance, wireless, broadband, VOIP, local and other services. Any adverse developments implicating the foregoing could materially adversely affect our business, financial condition, result of operations and prospects.

Risks Relating to Our Common Stock and This Offering

If we are delisted from the Nasdaq National Market and/or Nasdaq Capital Market, it could result in a more limited public market for our common stock, and, as a result, our shareholders may be unable to dispose of their shares of our common stock in acceptable amounts or acceptable prices.

On June 17, 2005, we received a notice of potential delisting of our common stock from Nasdaq National Market due to the fact that our common stock had not met the minimum prescribed trading prices for continued listing on the Nasdaq National Market. On December 13, 2005, we received a Staff Determination Letter from the Nasdaq National Market that our common stock is subject to delisting from the Nasdaq National Market for failing to meet the minimum bid requirement. On December 20, 2005, the Company requested a hearing that was held on January 12, 2006 before the Nasdaq Listings Qualification Panel (the Panel). The delisting of our common stock was stayed pending the outcome of the hearing. On February 14, 2006, the Company received the Panel s determination to continue the listing of the Company s common stock on the Nasdaq National Market conditioned upon the following exception: on or before March 10, 2006, the Company must have evidenced a closing bid price of at least $1.00 per share for a minimum of ten consecutive trading days. The Panel also noted that the Company meets the listing standards for inclusion in the Nasdaq Capital Market, and that a transfer to that market would provide the Company with an additional 180 days from December 13, 2005 (i.e., June 12, 2006) to comply with the minimum bid price rule. In order to meet the minimum bid price rule, we may take certain steps to increase the minimum bid of our common stock, including, subject to appropriate authorizations and approvals, effecting a reverse split of our common stock. Effective March 14, 2006, the Company s common stock will trade on the Nasdaq Capital Market. If we do not meet the minimum bid price rule by June 12, 2006, however, our

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common stock would be delisted from trading on the Nasdaq Capital Market and could trade on the OTC Bulletin Board. The OTC Bulletin Board is a substantially less liquid market than the Nasdaq National Market or Capital Market. As a result, if our common stock is delisted from the Nasdaq markets or if we effect a reverse split of our common stock, our stockholders may have greater difficulty disposing of their shares in acceptable amounts and at acceptable prices and we may have greater difficulty issuing equity securities or securities convertible into common stock in such circumstances. If delisted, we cannot assure you when, if ever, our common stock would once again be eligible for listing on either the Nasdaq National Market or Capital Market.

Significant future sales of our common stock in the public market could adversely affect the market price of our common stock and could impair our ability to raise funds in additional stock offerings.

Significant future sales of our common stock in the public market, including in particular the shares offered under the Common Stock Resale Registration Statement (defined below) and the Note Registration Statement (defined below) and shares issuable upon conversion of the 2009 Debentures, could lower our stock price and impair our ability to raise funds in new stock offerings. Of 22.6 million shares of our common stock originally issued upon conversion of our Series C Preferred stock (the Series C Registered Securities) in November 2003, which were registered for resale under an effective registration statement (the Common Stock Resale Registration Statement) under the Securities Act, 16.5 million shares were, as of February 28, 2006, held by a group of affiliated holders. These shares, in general, may be freely resold under the Securities Act pursuant to the Common Stock Resale Registration Statement. In addition, the holders of the 2010 Notes have a registration statement that has been declared effective under the Securities Act (the Note Registration Statement) covering these notes and the 14.2 million shares of common stock issuable upon conversion of these notes, and the 22.3 million shares of common stock issuable upon conversion of the outstanding 2009 Debentures, subject to approval by our stockholders of an increase in the number of shares of our common stock authorized for issuance, will be unrestricted and freely transferable under the Securities Act. Sales of a substantial amount of this common stock in the public market , or the perception that these sales may occur, could create selling pressure on our common stock and adversely affect the market price of our common stock prevailing from time to time in the public market and could impair our ability to raise funds in additional stock offerings.

Future issuances of common stock could adversely impact our earnings per share and create selling pressure on our common stock, which could adversely affect our stock price.

As of February 28, 2006, we had 107,109,337 outstanding shares of our common stock that were subject to dilution by:

- 9.2 million shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of $2.30 per share;
- 2.2 million additional shares available for issuance under our stock option compensation plans;
- 563,000 shares available for issuance under our employee stock purchase plan;
- 695,000 shares available for issuance under our restricted stock plan;
- 14.2 million shares of our common stock issuable upon conversion of the 2010 Notes;
- 475,000 shares of our common stock issuable upon conversion of the 2007 Debentures; and
- 22.3 million shares of our common stock issuable upon conversion of the 2009 Debentures, subject to approval by our stockholders of an increase in the number of shares of our common stock authorized for issuance.

We intend to seek shareholder approval of an increase in the number of shares of our common stock authorized for issuance, both for future issuances and to reserve shares issuable upon conversion of the 2009 Debentures. Future issuances of common stock through registered offerings or the conversion of our convertible

notes and debentures could adversely impact our earnings per share by diluting our outstanding common stock which could adversely affect our stock price. Sales of a substantial amount of common stock in the public market, or the perception that these sales may occur, could adversely affect the market price of our common stock prevailing from time to time in the public market and could impair our ability to raise funds in additional stock offerings.

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

As of February 28, 2006, funds affiliated with American International Group, Incorporated (AIG) owned 15.4% of our outstanding common stock, which was acquired through the Preferred Conversion (defined below in Description of Capital Stock General). Subject to the maintenance of certain minimum ownership levels, and our Board s right to exercise its fiduciary duties, we have agreed under a Governance Agreement to:

- permit the former holders of Series C Preferred (after to the Preferred Conversion) to nominate one candidate for election by our stockholders to our board of directors and one non-voting Board observer; and

- obtain approval by a majority of our non-management directors acting as a group before we may undertake certain actions.

In addition to the provisions described above, the AIG-affiliated funds, through their ownership of our common stock, could exercise significant influence over such matters as:

- amendments to our certificate of incorporation;

- other fundamental corporate transactions such as mergers and asset sales; and

- the general direction of our business and affairs.

In addition, the applicable triggering provisions of our Rights Agreement contain exceptions with respect to the acquisition of beneficial ownership of our shares by the former holders of Series C Preferred. As a result, the former holders of Series C Preferred could gain additional control over our affairs without triggering the provisions of our Rights Agreement.

Finally, other stockholders that acquire a significant portion of our common stock, either in the market or in future issuances by us, could potentially exercise influence over our affairs.

Anti-takeover provisions could impede or discourage a third party acquisition.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of our company, even if a change in control would be beneficial to our existing stockholders. In addition, our board of directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. We also have adopted a Rights Agreement, commonly known as a poison pill, that entitles our stockholders to acquire additional shares of our common stock, or the stock of a potential acquirer of our company, at a substantial discount from their market value in the event of an attempted takeover, unless such stockholders rights are earlier redeemed or exchanged by us in the discretion of our board of directors. Our by-laws provide for a classified board of directors serving staggered three-year terms and restrictions on who may call a special meeting of stockholders, and our certificate of incorporation prohibits stockholder action by written consent. The indentures governing our outstanding notes and public debt require that we offer to repurchase such debt or notes upon a change of control. Lastly, all options issued under our stock option plans automatically vest upon a change of control. Our incorporation under Delaware law, our board of directors ability to create and issue a new series of preferred stock, the acceleration of the vesting of options, the existence of our Rights Agreement, the requirement to repurchase our senior notes and subordinated debentures, and certain provisions of our certificate of incorporation or by-laws could impede a merger, takeover or other business

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combination involving our company or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock.

Because our management will have broad discretion over the use of the net proceeds from this offering, you may not agree with how we use them and the proceeds may not be invested successfully.

We intend to use the net proceeds from this offering for general corporate purposes, and therefore, our management will have broad discretion as to the use of the offering proceeds. Accordingly, you will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the proceeds will be invested in a way that does not yield a favorable, or any, return for our company.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act. All statements, other than statements of historical facts, that we include in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus may be deemed forward-looking statements for purposes of the Securities Act and the Securities Exchange Act. We use words such as anticipate, believe, estimate, expect, intend, may, plan, project, will, would and similar expressions to identify forward-lookin although not all forward-looking statements contain these identifying words. These statements appear throughout this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus and are statements regarding our current intent, belief or expectation. Examples of these statements include, but are not limited to, statements regarding the following:

- 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 new product initiatives, including the development of broadband Internet, VOIP, wireless and local services, traffic development, capital expenditures, selling, general and administrative expenses, income tax expense, goodwill impairment charges, service introductions and cash requirements;

- increased competitive pressures, declining usage patterns, and our new product initiatives, bundled service offerings and DSL network build-out;

- financing, refinancing, de-levering and/or debt repurchase, restructuring, exchange or tender plans or initiatives, and potential dilution of existing equity holders from such initiatives;

- liquidity and debt service forecasts;

- assumptions regarding currency exchange rates;

- timing, extent and effectiveness of cost reduction initiatives and management s ability to moderate or control discretionary spending;

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- management s plans, goals, expectations, guidance, objectives, strategies, and timing for future operations, acquisitions, product plans, performance and results;
- the impact of matters described under Business Legal Proceedings in our most recently filed annual report on Form 10-K; and
- management s assessment of market factors and competitive developments.

We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and, accordingly, you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those expressed or implied by these forward-looking statements, including those discussed under Risk Factors and elsewhere in this prospectus supplement as well as the following:

- changes in business conditions causing changes in the business direction and strategy by management;
- accelerated competitive pricing and bundling pressures in the markets in which we operate;
- risks, delays and costs in seeking to reestablish our prepaid services business managed from Europe in pre-existing and new markets;
- accelerated decrease in minutes of use on wireline phones;
- fluctuations in the exchange rates of currencies, particularly of the USD relative to foreign currencies of the countries where we conduct our foreign operations;
- adverse interest rate developments affecting our variable interest rate debt;
- difficulty in maintaining or increasing customer revenues and margins through our new product initiatives and bundled service offerings, and difficulties, costs and delays in constructing and operating a proposed DSL networks in Australia and Canada, and migrating broadband and local customers to such networks;
- inadequate financial resources to promote and to market the new product initiatives;
- fluctuations in prevailing trade credit terms or revenues due to the adverse impact of, among other things, further telecommunications carrier bankruptcies or adverse bankruptcy related developments affecting our large carrier customers;
- the possible inability to raise additional capital when needed, on attractive terms, or at all;
- the inability to reduce, repurchase, 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 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;

broadband, DSL, Internet, wireless, VOIP and telecommunications competition;

changes in financial, capital market and economic conditions;

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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 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 follow certain strategies or complete certain transactions as a result of our inexperience with new product initiatives, or limitations imposed by our capital structure or debt covenants;

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

entry into developing markets;

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

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

risks associated with international operations;

dependence on effective information systems;

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 implementation and performance of our global standard asynchronous transfer mode and Internet-based protocol (ATM+IP) communications network;

- adverse regulatory rulings or actions affecting our operations, including the imposition of obligations upon VOIP providers to provide E911 services and restricting access to broadband networks owned and operated by others;

- the potential elimination or limitation of a substantial amount or all of our United States or foreign operating loss carryforwards due to significant issuances of equity securities, changes in ownership or other circumstances, which carryforwards would otherwise be available to reduce future taxable income; and

- the outbreak or escalation of hostilities or terrorist acts and adverse geopolitical developments.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the

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statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You are advised, however, to consult the discussion of risks and uncertainties under Risk Factors in this prospectus supplement and under Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Short- and Long-Term Liquidity Considerations and Risks and Business Legal Proceedings in our Form 10-K and Forms 10-Q filed with the SEC. See Where You Can Find More Information. These are the principal factors that we think could cause our actual results to differ materially from expected results, but other factors could also adversely affect our business and the value of your investment in our common stock.

USE OF PROCEEDS

We expect to receive net proceeds from the sale of our common stock in this offering of approximately $4.9 million after deducting offering expenses payable by us and assuming all of the shares offered hereby are purchased at the offering price of $0.750 per share, which reflects a 6.13% discount from the closing market price of our common stock as quoted on the Nasdaq National Market on March 10, 2006.

We intend to use the net proceeds from shares sold by us in the offering for general corporate purposes, which may include, but are not limited to, working capital and capital expenditures. We do not have a current specific plan for use of the proceeds. Pending application of the net proceeds as described above, the net proceeds of this offering will be deposited in interest bearing accounts or invested in certificates of deposit, United States government obligations or other short-term, high-quality debt instruments selected at our discretion.

DESCRIPTION OF CAPITAL STOCK

General

Our certificate of incorporation authorizes the issuance of 150,000,000 shares of common stock, and 2,455,000 shares of preferred stock, each par value $0.01 per share. As of February 28, 2006, our outstanding capital stock consisted of 107,109,337 shares of common stock held by 518 stockholders of record and no shares of preferred stock. As of February 28, 2006 there were 9.2 million shares of common stock issuable upon the exercise of outstanding options, 2.2 million shares available for issuance under our stock option compensation plans, 563,000 shares available for issuance under our employee stock purchase plan, 695,000 shares available for issuance under our restricted stock plan, 14.2 million shares of common stock reserved for issuance pursuant to the conversion of the 2010 Notes, and 475,000 shares of common stock reserved for issuance pursuant to the conversion of the 2007 Debentures. There are also 22.3 million shares of common stock issuable upon conversion of the 2009 Debentures. We have not reserved shares of common stock for issuance upon conversion of the 2009 Debentures. In accordance with the terms of the indenture governing the 2009 Debentures, we will exercise our best efforts to reserve a sufficient number of shares of our common stock for issuance upon conversion of the 2009 Debentures and, at our upcoming annual meeting of our stockholders, intend to seek stockholder approval of an increase in the number of shares of our common stock authorized for issuance.

On November 4, 2003, the holders of our Series C convertible preferred stock (the Series C Preferred) converted all outstanding Series C Preferred into 22,616,990 shares of our common stock (the Preferred Conversion).

The following summary of certain provisions of our capital stock do not purport to be complete and are subject to, and qualified in their entirety by, the provisions of our certificate of incorporation and bylaws, which are available from us upon request, and by applicable law. We are a Delaware corporation and are subject to the Delaware General Corporation Law (DGCL).

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Common Stock

Holders of common stock are entitled to one vote per share on all matters to be voted upon by our stockholders, and the holders of our common stock vote together as a single class on all matters to be voted upon by the stockholders. The holders of common stock are entitled to receive ratably dividends when, as and if declared from time to time by the board of directors out of our assets available for the payment of dividends to the extent permitted by law, subject to preferences that may be applicable to any outstanding preferred stock and any other provisions of our certificate of incorporation. We do not, however, anticipate paying any cash dividends in the foreseeable future.

Holders of common stock have no preemptive or other rights to subscribe for additional shares. No shares of common stock are subject to redemption or a sinking fund. Holders of common stock also do not have cumulative voting rights, which means the holder or holders of more than half of the shares voting for the election of directors can elect all the directors then being elected. In the event of any liquidation, dissolution or winding up of our company, whether voluntary or involuntary, after payment of our debts and other liabilities, and subject to the rights and liquidation preference, if any, of holders of shares of preferred stock, holders of common stock are entitled to share pro rata in any distribution of remaining assets to the stockholders. All of the outstanding shares of common stock are, and the shares issued upon conversion of the notes will be, fully paid and nonassessable.

Preferred Stock

We are authorized to issue up to 2,455,000 shares of preferred stock, par value $0.01 per share (the Preferred Stock), of which 455,000 shares are designated Series A Preferred Stock, 30,000 shares are designated Series B Junior Participating Preferred Stock, and 559,950 shares are designated Series C Preferred. No Preferred Stock is currently outstanding.

In addition to the Preferred Stock designated as described above, our board of directors, without further action by the holders of our common stock is also authorized to issue up to 1,410,050 shares of other Preferred Stock (Other Preferred Stock). Our board of directors may determine the timing, series, designation and number of shares of Other Preferred Stock to be issued, as well as the rights, preferences and limitations of such shares, including those related to voting power, redemption, conversion, dividend rights and liquidation preferences. The issuance of Other Preferred Stock could in certain circumstances adversely affect the voting power of the holders of our common stock or have the effect of deterring or delaying any attempt by a person, entity or group to obtain control of us.

Contractual Governance Provisions

Primus has agreed that, for so long as the Former Series C Holders own common stock representing at least: five percent (5%) of the total outstanding voting power of Primus on a Fully Diluted Basis (as defined below), it will use its best efforts, subject to the exercise of fiduciary duties by our Board of Directors, to have a designee of the AIG Affiliated Entities nominated for election by our stockholders as a member of the Board of Directors (without any guarantee that such person shall be elected as a director); and ten percent (10%) of the total outstanding voting power of Primus on a Fully Diluted Basis, it will use its best efforts, subject to the exercise of fiduciary duties by our Board of Directors, to have a designee of the AIG Affiliated Entities serve as a non-voting observer to the board of directors (the Board Observer); provided that such director nominee and the Board Observer are reasonably acceptable to a majority of our other directors. Following the conversion of the Series C Preferred, the Board elected Paul G. Pizzani as a director and Geoffrey L. Hamlin as the Board Observer, each of whom served in similar roles on behalf of the holders of Series C Preferred. For purposes of determining a stockholder s ownership percentage, Fully Diluted Basis shall mean the inclusion of all issued and outstanding shares of common stock plus the maximum number of shares of common stock issuable upon the exercise or conversion of all outstanding debt and equity securities.

For so long as the Former Series C Holders own common stock representing at least ten percent (10%) of the total outstanding voting power of Primus on a Fully Diluted Basis, Primus may not without majority approval of the non-management directors of Primus, voting together as a group:

merge or consolidate Primus or any subsidiary with annual revenues of at least $75,000,000 (a Material Subsidiary) unless there is no change of control of Primus or any Material Subsidiary, measured by majority equity ownership;

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- sell, transfer or dispose of all or substantially all of the assets of Primus or any Material Subsidiary;
- incur indebtedness such that we have in excess of $535 million of Net Debt (defined below);
- authorize total common stock issuable upon the exercise of employee, consultant and certain other options, whether granted prior to, on or after the second closing of the Series C Preferred on March 31, 2003 (the Second Closing), in excess of 9,000,000 shares (subject to replenishment upon the forfeiture of unvested options);
- liquidate, reorganize, recapitalize, declare bankruptcy, consent to a receiver, or effect a general assignment for the benefit of creditors; or
- issue common stock or common stock equivalents at an effective purchase price per share (including the assumed payment of all applicable exercise or conversion payments at the time of issuance) that is less than the average closing price of the common stock for the consecutive 20-day trading period preceding such issuance, other than certain excluded issuances.

Net Debt means indebtedness of Primus with a maturity of one (1) year or more (excluding any such indebtedness incurred by Primus in connection with its acquisition of assets pursuant to that certain Customer Transfer Agreement by and between Primus and Cable & Wireless dated September 13, 2002) less our unrestricted cash balance (including proceeds from the Initial Closing and Second Closing not used to achieve certain leverage criteria) as of the last day of the quarter preceding the calculation date.

Registration Rights

Simultaneously with the initial closing of the sale of the Series C Preferred, we entered into a registration rights agreement, pursuant to which we granted to the purchasers of the Series C Preferred (and their affiliates and permitted transferees) (the Designated Holders) registration rights with respect to the shares of common stock issuable upon conversion of the Series C Preferred held by the Designated Holders (collectively, the Series C Registrable Securities).

At any time after the date of the registration rights agreement, the Designated Holders holding at least two-thirds of the Series C Registrable Securities may cause us to file a registration statement under the Securities Act, with respect to their Series C Registrable Securities, so long as the aggregate proceeds to them from the registration statement is expected to exceed $10.0 million (a Demand Registration). The Designated Holders are entitled to two Demand Registrations, but in the case of an underwritten Demand Registration, if the number of Series C Registrable Securities to be registered on any particular registration statement is reduced to less than 67% of the Series C Registrable Securities initially requested to be registered, the Designated Holders will be entitled to one additional Demand Registration. Designated Holders whose shares are not included in the initial request for registration may also register their Series C Registrable Securities in the Demand Registration.

The Designated Holders also have unlimited piggyback registrations, as well as the right to request registrations of their Series C Registrable Securities on Form S-3, subject to certain limitations, so long as the aggregate proceeds to them from a particular Registration Statement is expected to exceed $1.0 million (an S-3 Registration). We filed the Common Stock Resale Registration Statement with the SEC pursuant to such an S-3 Registration request.

We may postpone the filing of a registration statement relating to a Demand Registration or an S-3 Registration for certain specified valid business reasons described in the registration rights agreement, but in no event for more than 150 days, and we may withdraw a filed registration statement in the event of any valid business

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reason not resulting from our actions. We may exercise this right to postponement or withdrawal no more than once in any 12-month period. For so long as the Designated Holders hold at least 10% of the outstanding voting power of our stockholders on a fully diluted basis, we may not grant additional registration rights to any party without the prior consent of a majority of our non-employee directors, unless such registration rights are subordinate to the rights granted under the registration rights agreement.

All such registrations would be at our expense, exclusive of underwriting discounts and commissions. We and the Designated Holders have entered into customary indemnification and contribution provisions.

Takeover Protections

Classified Board

Pursuant to our By-laws, our board of directors is divided into three classes of directors each containing, as nearly as possible, an equal number of directors. Directors within each class are elected to serve three-year terms and approximately one-third of the directors stand for election at each annual meeting of our stockholders. A classified board of directors may have the effect of deterring or delaying any attempt by any group to obtain control of Primus by a proxy contest since such third party would be required to have its nominees elected at two separate annual meetings of our stockholders in order to elect a majority of the members of the board of directors. Directors who are elected to fill a vacancy (including vacancies created by an increase in the number of directors) must be confirmed by the stockholders at the next annual meeting of stockholders whether or not such director s term expires at such annual meeting.

Other Protections Under By-Laws

Our by-laws allow the board of directors to increase the number of directors from time to time and to fill any vacancies on the board of directors, including vacancies resulting from an increase in the number of directors. This provision is designed to provide the board of directors with flexibility to deal with an attempted hostile takeover by a stockholder who may acquire a majority voting interest in us without paying a premium. This provision allows the board of directors to increase its size and prevent a squeeze-out of any remaining minority interest soon after a new majority stockholder gains control over us. Further, the by-laws limit the new majority stockholder s power to remove a current or all current directors before the annual meeting in the absence of cause. Cause for removal of a director is limited to:

- a judicial determination that a director is of unsound mind;
- a conviction of a director of an offense punishable by imprisonment for a term of more than one year;
- a breach or failure by a director to perform the statutory duties of said director s office if the breach or failure constitutes self-dealing, willful misconduct or recklessness; or
- a failure of a director, within 60 days after notice of his or her election, to accept such office either in writing or by attending a meeting of the board of directors and fulfilling such other requirements of qualification as the by-laws or certificate of incorporation may provide.

Rights Agreement

We are party to an agreement with StockTrans, Inc., as Rights Agent, dated December 23, 1998 (as amended, the Rights Agreement). The Rights Agreement provides for the distribution of rights that entitle the registered holder, subject to the terms of the Rights Agreement (including the Exchange Right described in the succeeding paragraph), to purchase from us one-thousandth of a share (a Unit) of Series B Junior Participating Preferred Stock, par value $0.01 per share (the Series B Preferred), at a purchase price of $90.00 per Unit, subject to adjustment (the Rights). Each Unit is designed to be the economic equivalent of one share of our common stock. The Rights are presently attached to all certificates representing shares of outstanding common stock,

including the shares of common stock offered under this prospectus supplement. The Rights will separate from the common stock and the Rights will become exercisable (such date, a Distribution Date) upon the earlier of:

- ten business days following a public announcement (the date of such announcement being the Stock Acquisition Date) that a person or group of affiliated or associated persons (an Acquiring Person) has acquired, obtained the right to acquire, or otherwise obtained beneficial ownership of 20% or more of the then outstanding shares of common stock; or

- ten business days following the commencement of a tender offer or exchange offer that would result in an Acquiring Person owning 20% or more of the then outstanding shares of common stock, or such later date as may be determined by action of a majority of the members of the board of directors (such determination to be made prior to such time as any person becomes an Acquiring Person).

The term Acquiring Person does not include us, any of our subsidiaries, any of our employee benefit plans or employee stock plans, or any holder of the common stock issued upon conversion of the Series C Preferred (each such person or entity being referred to as an Exempt Person).

In the event that

- we are the surviving corporation in a merger with an Acquiring Person and shares of common stock shall remain outstanding;

- a person or group of affiliated or associated persons becomes the beneficial owner of 20% or more of the then outstanding shares of common stock;

- an Acquiring Person engages in one or more self-dealing transactions as set forth in the Rights Agreement; or

- during such time as there is an Acquiring Person, an event occurs which results in such Acquiring Person s ownership interest being increased by more than 1% (e.g., by means of a reverse stock split or recapitalization);

then, in each case, each holder of a Right will thereafter have the right to receive, upon exercise, a Unit of Series B Preferred (or, in certain circumstances, common stock, cash, property or other of our securities) having a value equal to two times the exercise price of the Right. The exercise price is the purchase price multiplied by the number of Units of Series B Preferred issuable upon exercise of a Right prior to the events described in this paragraph. Our board of directors may, at its option, at any time after a person becomes an Acquiring Person, cause us to exchange all or any part of the then outstanding and exercisable Rights for shares of our common stock at an exchange ratio of one share per Right (as adjusted for stock splits, stock dividends or similar transactions) or for Units of our Preferred Stock designed to have the same voting rights as one share of our common stock (the Exchange Right). The Exchange Right will terminate once any person (other than an Exempt Person), together with that person s affiliates and associates, becomes the beneficial owner of a majority of our common stock then outstanding. Notwithstanding any of the foregoing, following the occurrence of any of the events set forth in this paragraph, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void.

In the event that, at any time following the Stock Acquisition Date,

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

- any person or group of affiliated or associated persons consolidates or merges with us and all or part of the common stock is converted or exchanged for securities, cash or property of any other person or group of affiliated or associated persons; or

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- 50% or more of our assets or earning power is sold or transferred,

each holder of a Right (except the Rights which previously have been voided or exchanged as described above) shall thereafter have the right to receive, upon exercise, common stock of the Acquiring Person having a value equal to two times the exercise price of the Right.

The Rights are not exercisable until the Distribution Date and will expire on December 23, 2008 unless the term of the agreement is extended or the Rights are earlier redeemed or exchanged by us. At the time until ten business days following the Stock Acquisition Date or such later date as a majority of the members of the board of directors shall determine (such determination to be made prior to the date specified by the Rights Agreement), a majority of the board of directors may redeem the Rights in whole, but not in part, at a price of $0.001 per Right (subject to adjustment in certain events) (the Redemption Price). Immediately upon the action of a majority of the board of directors ordering the redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Statutory Provisions

We are subject to Section 203 of the DGCL which, subject to certain exceptions, prohibits a Delaware corporation, the voting stock of which is generally publicly traded (i.e., listed on a national securities exchange or authorized for quotation on an inter-dealer quotation system of a registered national securities association) or held of record by more than 2,000 stockholders, from engaging in any business combination (as defined below) with any interested stockholder (as defined below) for a period of three years following the date that such stockholder became an interested stockholder, unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (1) by persons who are directors and also officers, and (2) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 of the DGCL defines business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

- subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or the receipt by the interested stockholder of benefits provided by or through the corporation. In general, Section 203 defines an interested stockholder as any person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting stock of a Delaware corporation.

This provision of the DGCL could prohibit or delay mergers or other takeover or change of control attempts with respect to us and, accordingly, may discourage attempts that might result in a premium over the market price for shares held by our stockholders.

Acceleration of Vesting

Upon a change of control, unvested options issued pursuant to our stock option plans are subject to accelerated vesting. The acceleration of vesting of such options upon a change of control may discourage a third party from making a tender offer or otherwise attempting to obtain control of us by making any such transaction more costly.

Acceleration of 2011 Term Loan and Repurchase of Senior Notes and Debentures

Upon a change of control, our term loan facility due 2011 becomes due and payable, and, pursuant to the indentures governing each of our senior notes, the holders of such senior notes may require us to repurchase their senior notes at 101% of principal plus accrued interest. Similar provisions are contained in the indentures governing our 2010 Notes, our 2007 Debentures and our 2009 Debentures. In addition, the indenture governing our 2009 Debentures contains a make-whole provision (the Make-Whole Provision) that is triggered by a change of control in which less than 90% of the consideration paid for our common stock consists of publicly traded securities (a Non-Stock Change of Control). Pursuant to the Make-Whole provision, in the event of a Non-Stock Change of Control, the conversion price of the 2009 Debentures is reduced based on certain parameters contained in the indenture, allowing holders of 2009 Debentures that convert their debentures upon a Non-Stock Change of Control to receive a larger number of shares than they otherwise would receive upon conversion of their debentures. These provisions, including the Make-Whole Provision, may have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of us.

Indemnification of Directors and Officers

Section 145 of the DGCL provides the power to indemnify any director or officer acting in his capacity as our representative who was, is or is threatened to be made a party to any action or proceeding for expenses, judgments, penalties, fines and amounts paid in settlement in connection with that action or proceeding. The indemnity provisions apply whether the action was instituted by a third party or arose by or in our own right. Generally the only limitations on our ability to indemnify our director or officer is that the director or officer acted in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action, that the director or officer has no reasonable cause to believe that his conduct was unlawful.

Article V of our by-laws provides that we will indemnify any person by reason of the fact that he or she is or was a director, officer, employee or agent of Primus (or is or was serving in such capacity for another entity at our request). To the extent that a director, officer, employee or agent of ours has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in such Article V, or in defense of any claim, issue or matter therein, he or shall be indemnified by us against actually and reasonably incurred expenses in connection therewith. Such expenses may be paid by us in advance of the final disposition of the action upon receipt of an undertaking to repay the advance if it is ultimately determined that such person is not entitled to indemnification.

Our by-laws authorize us to take steps to ensure that all persons entitled to indemnification are properly indemnified, including, if the board of directors so determines, purchasing and maintaining insurance. We have obtained a policy insuring our directors and officers against certain liabilities, including certain liabilities under the Securities Act.

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Limitation of Liability

Our certificate of incorporation provides that none of our directors shall be personally liable to us or our stockholders for monetary damages for a breach of fiduciary duty as a director, except for liability:

for any breach of that person s duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;

for the unlawful payment of dividends on or redemption of our capital stock; and

for any transaction from which that person derived an improper personal benefit.

We maintain directors and officers liability insurance to provide directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, error and other wrongful acts. At present, there is no pending litigation or proceeding, and we are not aware of any threatened litigation or proceeding, involving any director or officer where indemnification will be required or permitted under our certificate of incorporation or our by-laws.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is StockTrans, Inc.

DIVIDEND POLICY

We have not paid any cash dividends on our common stock to date. The payment of dividends, if any, in the future is within the discretion of our board of directors and will depend on our earnings, capital requirements and financial condition. Dividends are also restricted by certain of the indentures governing our outstanding notes and may be restricted by other credit arrangements entered into in the future. See Risk Factors Risks Related to Our Financial Results and Need for Financing. Our board of directors presently intends to retain all earnings, if any, for use in our business operations, and accordingly, our board of directors does not expect to declare or pay any dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents, restricted cash and capitalization of the Company as of September 30, 2005. The Company s capitalization is presented:

(1) on an actual basis;

(2) on a pro forma basis, giving effect to:

the borrowing, in November 2005, of $6.2 million through a newly established network equipment financing agreement in Australia;

the exchange and extinguishment, in November and December 2005 and January 2006, of $11.1 million in principal amount of the Company s 12 3/4% senior notes due 2009 for 7.0 million shares of the Company s common stock;

the exchange, in February 2006, of $26.5 million principal amount of the 2007 Debentures for an equal principal amount of 2009 Debentures; and

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the borrowing, in February 2006, of $15 million (CAD 17 million) under the Amended and Restated Loan Agreement related to the existing senior non-revolving term loan facility with a Canadian financial institution; and

(3) on a pro forma, as adjusted basis, giving effect to:

the transactions described in (2) above; and

the sale of 6,666,667 shares of the Company s common stock pursuant to this prospectus supplement less estimated expenses payable by the Company for net proceeds to the Company of $4.9 million.

The following table should be read in conjunction with our consolidated and consolidated condensed financial statements, the notes thereto, and with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in documents incorporated by reference into this prospectus.

	As of September 30, 2005		
	Actual	Pro Forma	Pro Forma, as Adjusted
	(in thousands, except per share amounts)		
Cash and cash equivalents	$ 68,595	$ 83,409	$ 88,309
Restricted Cash	11,382	11,382	11,382
Total cash, cash equivalents and restricted cash	$ 79,977	$ 94,791	$ 99,691
Debt, obligations under capital leases and other long-term obligations:			
Senior secured term loan facility	$ 99,500	$ 99,500	$ 99,500
8% senior notes due 2014	235,000	235,000	235,000
12 3/4% senior notes due 2009	82,615	71,560	71,560
5 3/4% convertible subordinated debentures due 2007	50,119	23,628	23,628
Step up convertible subordinated debentures due 2009		26,491	26,491
3 3/4% convertible senior notes due 2010	132,000	132,000	132,000
Obligations under capital leases and other long-term obligations	42,844	63,878	63,878
Total debt, obligations under capital leases and other long-term obligations	642,078	652,057	652,057
Stockholders deficit:			
Preferred Stock: Not designated, $0.01 par value 1,410,050 shares authorized, none issued and outstanding; Series A and B, $0.01 par value 485,000 shares authorized, none issued and outstanding; Series C, $0.01 par value 559,950 shares authorized, none issued and outstanding			
Common Stock, $0.01 par value 150,000,000 shares authorized, 100,035,058 shares issued and outstanding actual, 107,025,233 shares issued and outstanding pro forma, and 113,691,900 shares issued and outstanding pro forma, as adjusted	1,000	1,070	1,137
Additional paid-in capital	681,827	687,494	692,327
Accumulated deficit (1)	(825,121)	(819,740)	(819,740)
Accumulated other comprehensive loss	(78,050)	(78,050)	(78,050)
Total stockholders deficit	(220,344)	(209,226)	(204,326)
Total capitalization	$ 421,734	$ 442,831	$ 447,731

(1) Pro forma reflects the $5.5 million gain on early extinguishment of debt and the write-off of $0.1 million in deferred financing costs from the conversion of the 12 $^{3}/4$% senior notes due 2009.

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PRICE RANGE OF COMMON STOCK

The Company s common stock currently is quoted on the Nasdaq National Market under the symbol PRTL . Effective March 14, 2006, our common stock will be quoted on the Nasdaq Capital Market under the same symbol. On March 10, 2006, the last reported sale price of the Company s common stock on the Nasdaq National Market was $0.799 per share. **See Risk Factors Risks Related to Our Common Stock and This Offering If we are delisted from the Nasdaq National Market and/or Nasdaq Capital Market, it could result in a more limited public market for our common stock, and, as a result, our shareholders may be unable to dispose of their shares of our common stock in acceptable amounts or acceptable prices beginning on page S-12 of this prospectus supplement.**

The following table provides the high and low sale prices for our common stock on the Nasdaq National Market for all periods indicated below. These prices do not include retail markups, markdowns or commissions.

Period	High	Low
2005		
1st Quarter	$ 3.27	$ 1.55
2nd Quarter	$ 1.62	$ 0.56
3rd Quarter	$ 1.33	$ 0.51
4th Quarter	$ 1.19	$ 0.66
2004		
1st Quarter	$ 13.38	$ 7.04
2nd Quarter	$ 8.85	$ 4.40
3rd Quarter	$ 5.14	$ 1.41
4th Quarter	$ 3.80	$ 1.47

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SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our consolidated and consolidated condensed financial statements, the notes thereto, and with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in documents incorporated by reference into this prospectus. The statement of operations data for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and the balance sheet data as of December 31, 2000, 2001, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements. The statement of operations data for the nine months ended September 30, 2004 and 2005, and the balance sheet data as of September 30, 2004 and 2005, have been derived from the unaudited consolidated condensed financial statements which, in management s opinion, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein. You should not rely on interim results as being indicative of results we may expect for the full year.

	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(in thousands, except per share amounts)						
Statement of Operations Data:							
Net revenue	$ 1,199,422	$ 1,082,475	$ 1,024,056	$ 1,287,779	$ 1,350,872	$ 1,013,962	$ 900,230
Operating expenses							
Cost of revenue (exclusive of depreciation included below)	861,181	767,841	668,643	786,308	821,455	613,473	596,358
Selling, general and administrative	330,411	303,026	254,152	342,350	394,050	290,162	297,576
Depreciation and amortization	120,695	157,596	82,239	86,015	92,744	69,377	66,880
Loss on sale of assets				804	1,941	1,896	14
Loss on disposal of assets							13,350