

JAMES M. FISCHER, P.C.

ATTORNEY AT LAW
REGULATORY CONSULTANT

101 WEST MCCARTY, SUITE 215
JEFFERSON CITY, MO 65101

TELEPHONE (573) 636-6758
FAX (573) 636-0383

March 4, 1999

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

FILED
MAR 4 1999
Missouri Public
Service Commission

TM-99-381

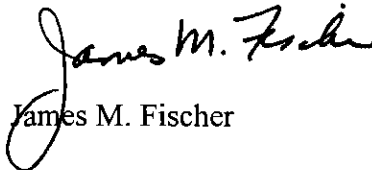
RE: *Application of Primus Telecommunications, Inc. and TresCom U.S.A., Inc. for
Approval of a Pro Forma Internal Reorganization*

Dear Mr. Roberts:

Enclosed are the original and fourteen (14) copies of the Application of Primus Telecommunications, Inc. and TresCom U.S.A., Inc. for filing in the above-referenced matter. A copy of the foregoing Application has been hand-delivered or mailed this date to parties of record.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

/jr
Enclosures

cc: Office of the Public Counsel

BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

FILED
MAR 4 1999
Missouri Public
Service Commission

Application of)

PRIMUS TELECOMMUNICATIONS, INC.)

and)

TRESCOM U.S.A., INC.)

for Approval of a *Pro Forma*)
Internal Reorganization)

Case No. TM-99-381

APPLICATION

Primus Telecommunications, Inc. ("Primus") and TresCom U.S.A., Inc. ("TresCom") (collectively "Applicants"), by their undersigned counsel and pursuant to Section 392.300(1) of the Missouri Revised Statutes and 4 CSR 240-2060(6)(H) of the Commission's Rule of Practice and Procedure, hereby notify, and to the extent required, seek authority for an intra-corporate *pro forma* reorganization (the "Reorganization"). Through the proposed reorganization, TresCom, an affiliate of Primus, will merge with and into Primus. Following the reorganization, TresCom will cease to exist and Primus will assume TresCom's operations. Primus and TresCom are both nondominant carriers authorized by the Commission to provide resold intrastate interexchange telecommunications services within the State of Missouri. As described in greater detail below, the Reorganization involves no change in the ultimate ownership or control of Primus' operations. Attached hereto as Exhibit A is a chart illustrating the corporate structure of the Applicants prior to and immediately following consummation of the proposed *pro forma* Reorganization.

Applicants respectfully request expedited treatment of this Application in order to permit them to consummate the proposed transaction no later than April 30, 1999.

In support of this Application, Applicants submit the following information:

I. THE PARTIES

A. Primus Telecommunications, Inc.

Primus is a Delaware corporation with principal business office located at 1700 Old Meadow Road, Third Floor, McLean, Virginia 22102. Primus is wholly owned by Primus Telecommunications Group, Incorporated ("PTGI"), a Delaware holding company publicly traded on the NASDAQ stock exchange under the stock symbol "PRTL."

Primus provides domestic interstate and intrastate, as well as international, long distance voice, data, and value-added services. Primus is authorized to provide resold intrastate interexchange services in 48 states pursuant to certification, registration, or tariff requirements, or it provides service on an unregulated basis.^{1/} Primus was authorized in this state in Case No. TA-96-20, on September 13, 1995. The Company also provides interstate and international telecommunications services as a nondominant common carrier pursuant to authority of the Federal Communications Commission ("FCC"), as well as a range of telecommunications services in foreign countries. Primus maintains both an international and an interstate tariff on file at the FCC.

Information demonstrating Primus' legal, technical, managerial and financial qualifications to provide service, and a tariff containing its Missouri rates and charges, was submitted with Primus' certification application filed with the Commission in TA 96-20, is therefore already a matter of public record, and is incorporated herein by reference. Current financial information for Primus' parent company, PTGI, is attached hereto as Exhibit B.

B. TresCom U.S.A., Inc.

TresCom U.S.A., Inc. is a Florida corporation headquartered in Fort Lauderdale, Florida. TresCom is wholly owned by TresCom International, Inc., a Florida holding company. TresCom International, Inc., in turn, is wholly owned by PTGI.

TresCom provides resold intrastate interexchange telecommunications services pursuant to certification granted by this Commission on December 1, 1996, in Case No. TA-97-150. TresCom is also currently authorized to provide resold

^{1/} Primus does not provide services in Hawaii and Alaska.

intrastate interexchange and other competitive services in 47 other states pursuant to certification, registration or tariff requirements, or it provides service on an unregulated basis. Additionally, TresCom is authorized by the FCC to provide domestic interstate and international services as a nondominant carrier throughout the United States. TresCom maintains both an international and an interstate tariff on file at the FCC.

C. Designated Contacts

The designated contacts for questions concerning this Application are:

Adam L. Kupetsky
Douglas D. Orvis
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 424-7500 (Telephone)
(202) 424-7645 (Facsimile)

with copies to:

James M. Fischer
James M. Fischer, P.C.
101 West McCarty, Suite 215
Jefferson City, MO 65101

and

Robert Stankey
General Counsel
Primus Telecommunications, Inc.
1700 Old Meadow Road
Third Floor
McLean, Virginia 22102

II. REQUEST FOR APPROVAL OF *PRO FORMA* REORGANIZATION

For internal corporate reasons, Primus and TresCom have determined that the proposed Reorganization will improve the operational efficiency of the Primus companies. The consolidation of the Applicants' technical and managerial resources will enable Primus to attract additional financing, reduce its operating expenses, and realize operational and management

efficiencies and other corporate benefits that ultimately will inure to the benefit of both Primus' and TresCom's existing customers.

Through the proposed Reorganization, TresCom will merge with and into Primus. Following the merger, TresCom will cease to exist and Primus will assume TresCom's operations and will provide continuous, high quality telecommunications services to TresCom customers. Customer notification of the Reorganization will be provided to TresCom's customers prior to consummation of the transaction.

The proposed Reorganization will not result in a change in the services, operations or service quality provided to TresCom's customers. In addition, upon consummation of the Reorganization, Primus will maintain a tariff that duplicates the service offerings, rates, terms and conditions as filed in the current tariff of TresCom. Thus, the former customers of TresCom will continue to receive the same services that they presently receive at the same tariffed rates. Primus has no pending or final decisions or judgments against it from any state or federal agency involving service to customers or rates charged.

III. PUBLIC INTEREST CONSIDERATIONS

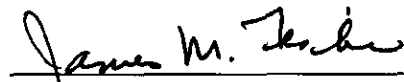
Consummation of the proposed transaction will serve the public interest in promoting competition among providers of interexchange telecommunications services. Applicants anticipate that the contemplated business combination will result in a company with a broader market base that is better equipped to accelerate its growth as a competitive telecommunications service provider. The *pro forma* Reorganization will allow the company to manage its telecommunications operations more efficiently, thereby enhancing the overall operational flexibility, efficiency and financial viability of the Primus companies. These enhancements will accrue to the benefit of Applicants' customers, who will also benefit from the expanded array of services and more cost-efficient provision of services. The proposed transaction will therefore ensure the continued provision of high quality and innovative telecommunications services to the Applicants' existing customers and should promote competition in the Missouri telecommunications service market. In sum, the proposed Reorganization will serve

the public interest by enhancing the ability of the Primus companies to offer competitively priced services in the Missouri interexchange telecommunications marketplace, as well as in the U.S. interstate and international marketplace

IV. CONCLUSION

For the reasons stated herein, Applicants respectfully request that the Commission approve this Application to permit Applicants to consummate the proposed *pro forma* Reorganization no later than April 30, 1999, and grant all other relief as necessary and appropriate to effectuate the transaction described herein.

Respectfully submitted,



James M. Fischer
James M. Fischer, P.C.
101 West McCarty, Suite 215
Jefferson City, MO 65101

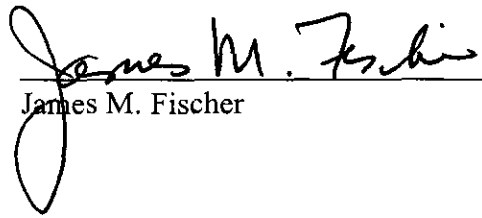
Adam L. Kupetsky
Douglas D. Orvis
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Counsel for Primus Telecommunications, Inc.

Dated: March 4th, 1999

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, postage prepaid, this 4th day of March, 1999, to:

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102


James M. Fischer

VERIFICATION

State of Virginia)
)
County of Fairfax) ss.

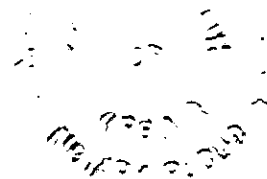
I, Robert F. Stankey, declare under penalty of perjury that I am
Secretary of Primus Telecommunications, Inc., the
Applicant in the subject proceeding; that I am authorized to make this verification on the
Applicant's behalf; that I have read the foregoing Application and know the contents thereof; and
that the same are true and correct to the best of my knowledge, information, or belief.

By: Robert F. Stankey
Title: Secretary
Primus Telecommunications, Inc.

Subscribed and sworn to before me this 28rd day of February, 1999.

Maureen P. Veletz
Notary Public

My Commission Expires: April 30, 2002

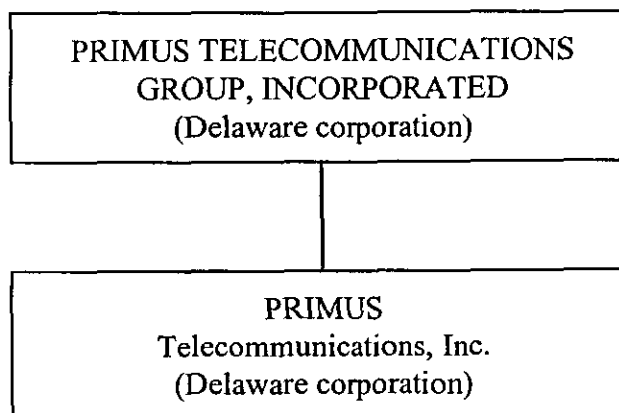


LIST OF EXHIBITS

Illustrative Chart of Proposed <i>Pro Forma</i> Reorganization	A
Primus Telecommunications Group, Incorporated Financial Statements	B
Verification	

EXHIBIT A

**CORPORATE STRUCTURE
AFTER REORGANIZATION**



**CORPORATE STRUCTURE
PRIOR TO REORGANIZATION**

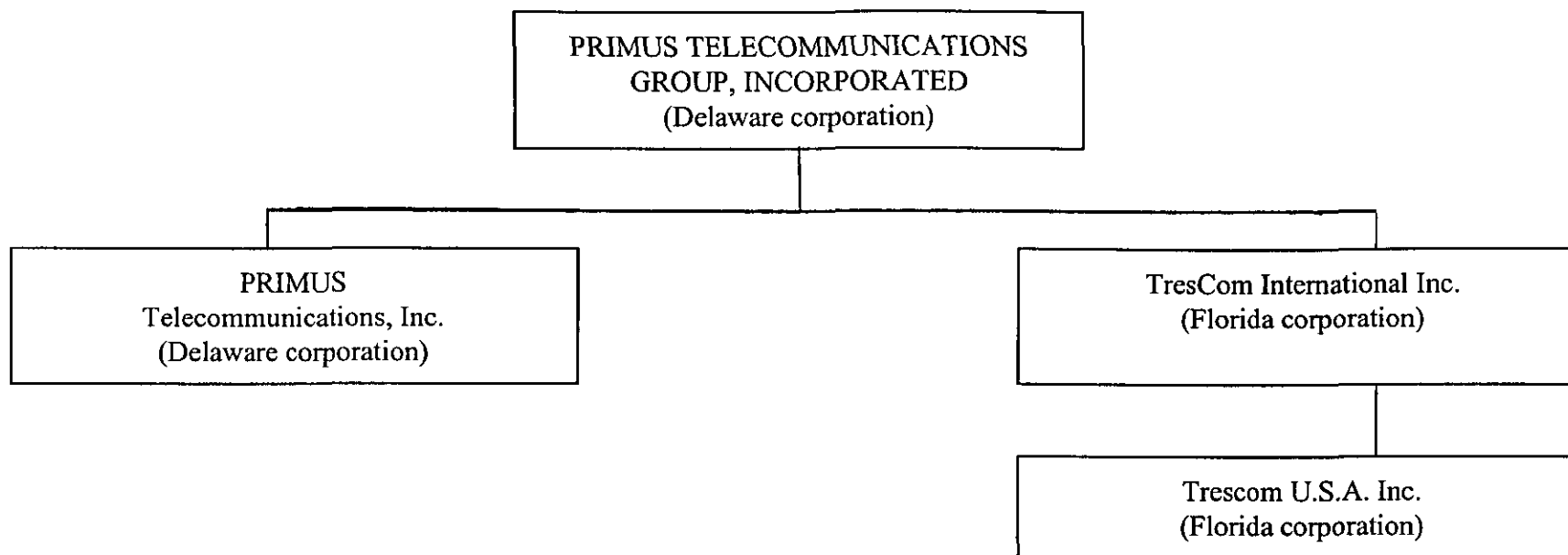


EXHIBIT B

PART 1 - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
NET REVENUE	\$116,047	\$73,018	\$295,573	\$202,099
COST OF REVENUE	<u>96,557</u>	<u>65,266</u>	<u>249,406</u>	<u>184,478</u>
GROSS MARGIN	<u>19,490</u>	<u>7,752</u>	<u>46,167</u>	<u>17,621</u>
OPERATING EXPENSES				
Selling, general and administrative	23,022	13,749	57,389	35,784
Depreciation and amortization	<u>7,411</u>	<u>1,877</u>	<u>15,322</u>	<u>4,343</u>
Total operating expenses	<u>30,433</u>	<u>15,626</u>	<u>72,711</u>	<u>40,127</u>
LOSS FROM OPERATIONS	(10,943)	(7,874)	(26,544)	(22,506)
INTEREST EXPENSE	(11,456)	(4,893)	(28,235)	(5,570)
INTEREST INCOME	3,364	2,118	8,634	3,377
OTHER INCOME (EXPENSE)	-	<u>58</u>	-	<u>407</u>
LOSS BEFORE INCOME TAXES	(19,035)	(10,591)	(46,145)	(24,292)
INCOME TAXES	-	-	-	<u>81</u>
NET LOSS	<u>\$(19,035)</u>	<u>\$(10,591)</u>	<u>\$(46,145)</u>	<u>\$(24,373)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$(0.68)</u>	<u>\$(0.60)</u>	<u>\$(1.99)</u>	<u>\$(1.37)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>27,998</u>	<u>17,781</u>	<u>23,211</u>	<u>17,780</u>

See notes to consolidated financial statements.

PRIME TELECOMMUNICATIONS GROUP, INCORPORATED
CONSOLIDATED BALANCE SHEET
(in thousands, except share amounts)

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$179,070	\$115,232
Restricted investments	25,388	22,774
Accounts receivable (net of allowance of \$10,493 and \$5,044)	98,433	58,172
Prepaid expenses and other current assets	<u>14,184</u>	<u>5,152</u>
Total current assets	317,075	201,330
RESTRICTED INVESTMENTS	24,517	50,776
PROPERTY AND EQUIPMENT - Net	127,649	59,241
INTANGIBLES - Net	203,073	33,164
DEFERRED INCOME TAXES	2,391	2,620
OTHER ASSETS	<u>15,185</u>	<u>10,882</u>
TOTAL ASSETS	<u>\$689,890</u>	<u>\$358,013</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$97,338	\$56,358
Accrued expenses and other current liabilities	32,163	13,898
Accrued interest	9,810	11,016
Deferred income taxes	2,740	3,004
Current portion of long-term obligations	<u>26,333</u>	<u>1,059</u>
Total current liabilities	168,384	85,335
LONG TERM OBLIGATIONS	384,670	230,152
OTHER LIABILITIES	<u>527</u>	-
Total liabilities	<u>553,581</u>	<u>315,487</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value - authorized 2,455,000 shares; none issued and outstanding	-	-
Common stock, \$.01 par value - authorized, 80,000,000 and 40,000,000 shares; issued and outstanding, 28,041,692 and 19,662,233 shares	280	197
Additional paid-in capital	234,405	92,181
Accumulated deficit	(94,150)	(48,005)
Accumulated other comprehensive loss	<u>(4,226)</u>	<u>(1,847)</u>
Total stockholders' equity	<u>136,309</u>	<u>42,526</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$689,890</u>	<u>\$358,013</u>

See notes to consolidated financial statements.

PRIME TELECOMMUNICATIONS GROUP, INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)
(unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(46,145)	\$(24,373)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	15,593	4,494
Sales allowance	6,592	4,211
Stock issuance - 401(k) plan employer match	70	-
Foreign currency transaction loss	-	(407)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(24,728)	(30,454)
(Increase) decrease in prepaid expenses and other current assets	(7,678)	(1,422)
(Increase) decrease in other assets	171	(766)
Increase (decrease) in accounts payable	7,116	45,798
Increase (decrease) in accrued expense, other current liabilities and other liabilities	(5,378)	1,134
Increase (decrease) in accrued interest payable	(1,476)	3,664
Net cash provided by (used in) operating activities	(55,863)	1,879
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(55,933)	(34,667)
(Purchase) sale of short-term investments	-	25,125
(Purchase) sale of restricted investments	23,644	(72,521)
Cash used in business acquisitions, net of cash acquired	(1,165)	(5,208)
Net cash provided by (used in) investing activities	(33,454)	(87,271)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital leases and long-term obligations	(4,673)	(14,968)
Sale of common stock, employee option and purchase plan	4,613	-
Proceeds from long-term obligations	159,320	225,000
Deferred financing costs	(5,500)	(9,500)
Net cash provided by (used in) financing activities	153,760	200,532
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(605)	(427)
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,838	114,713
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	115,232	35,474
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$179,070	\$150,187

See notes to consolidated financial statements.

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The results for the three months or nine months ended September 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

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

(2) Acquisition

On June 9, 1998 the Company completed its acquisition of TresCom International, Inc. ("TresCom"), a long distance telecommunications carrier focused on international long distance traffic originating in the United States and terminating in the Caribbean and Central and South America. As a result of the acquisition, all of the approximately 12.7 million TresCom common shares outstanding were exchanged for approximately 7.8 million shares of the Company's common stock valued at approximately \$138 million.

The Company has accounted for the TresCom acquisition using the purchase method. Accordingly, the results of operations of TresCom are included in the consolidated results of the Company as of June 9, 1998, the date of acquisition. Under the purchase method of accounting, the Company has preliminarily allocated the purchase price to assets and liabilities acquired based upon their estimated fair values. The purchase price allocation reflected in the financial statements is therefore tentative and is subject to changes arising from the receipt of additional valuation and other information.

Pro forma operating results for the nine months ended September 30, 1998 and the year ended December 31, 1997, as if the acquisition of TresCom had occurred as of January 1, 1997, are as follows (in thousands, except per share amounts):

	Nine Months Ended <u>September 30, 1998</u>	Year Ended <u>December 31, 1997</u>
Net revenue	\$359,141	\$428,454
Net loss	\$(55,724)	\$(54,204)
Basic and diluted net loss per share	\$(2.01)	\$(2.08)
	4	

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of future operations.

(3) Long Term Obligations

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

	September 30, 1998	December 31, 1997
	(Unaudited)	
Obligations under capital leases	\$14,003	\$8,487
Revolving Credit Agreement	23,554	-
Senior Notes 11 3/4%	222,888	222,616
Senior Notes 9 7/8%	150,000	-
Notes payable	558	-
Settlement obligation	-	108
Subtotal	411,003	231,211
Less: Current portion of long term obligations	(26,333)	(1,059)
	<u>\$384,670</u>	<u>\$230,152</u>

On May 19, 1998 the Company completed the sale of \$150 million 9 7/8% senior notes ("1998 Senior Notes Offering") due 2008 with semi-annual interest payments.

As a result of the merger with TresCom, the Company has a \$25 million revolving credit and security agreement (the "Revolving Credit Agreement") with a commercial bank secured by certain of the Company's accounts receivable.

(4) New Accounting Pronouncements

In January 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS No. 130). Under SFAS No. 130, the Company's foreign currency translation adjustments are considered to be components of other comprehensive income (loss), and the stockholders' equity section of the accompanying balance sheet has been reclassified accordingly. During the three and nine months ended September 30, 1998 and 1997, the Company's foreign currency translation adjustment totaled \$(1.2) million and \$(2.4) and \$(0.3) million and \$(0.6) million, respectively. For the year ending December 31, 1998, the Company will report its net income (loss) and its foreign currency translation income or loss within a separate statement of comprehensive income (loss).

(5) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.