

ART TECHNOLOGY GROUP INC

Form 424B3

September 22, 2004

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Registration No.: 333-118850

JOINT PROXY STATEMENT/ PROSPECTUS

We are pleased to inform you that the boards of directors of Art Technology Group, Inc. and Primus Knowledge Solutions, Inc. have agreed upon a merger combining ATG and Primus. Under the terms of the merger agreement, which was signed on August 10, 2004, Autobahn Acquisition, Inc., a wholly owned subsidiary of ATG, will merge with and into Primus, and Primus will become a wholly owned subsidiary of ATG. ATG will be the surviving publicly traded company.

We are extremely excited about this merger, which will create one of the largest online commerce and service software companies. The rapidly growing market for online commerce and online self- and assisted service software applications is fragmented, with many small enterprise software vendors offering point solutions that provide only a subset of the functionality that we believe is desired by customers. Our customers want a single application suite that integrates the full range of customer-facing applications, including commerce, marketing and service, across web, email and call center channels. Our customers want to buy from a company that has the breadth of technology and the critical mass to deliver and support a more complete solution and to compete more effectively. We believe this combination will create just such a company.

In the merger, Primus shareholders will receive 1.4169 shares of ATG common stock in exchange for each share of Primus common stock they hold. This exchange ratio will be subject to adjustment, based on the amount of Primus adjusted working capital, as defined in the merger agreement, on October 15, 2004. In no event will the exchange ratio be less than 1.2976. For a more complete description of the manner in which the exchange ratio will be determined, see the section entitled The Merger Agreement Exchange ratio and working capital adjustment beginning on page 71.

ATG's common stock is traded on the Nasdaq National Market under the symbol ARTG and Primus common stock is traded on the Nasdaq SmallCap Market under the symbol PKSI. On September 17, 2004, the last sale price of the ATG common stock was \$1.06 per share and the last sale price of the Primus common stock was \$1.33 per share.

Completion of the merger is subject to the approval of the shareholders of both companies. A special meeting of Primus shareholders has been scheduled to vote on the merger and a special meeting of ATG stockholders has been scheduled to approve issuing the shares of ATG common stock to be delivered to Primus shareholders in connection with the merger. Each of these special meetings will take place on October 22, 2004.

After careful consideration (i) the board of directors of Primus unanimously recommends that its shareholders vote ***FOR*** the adoption of the merger agreement and approval of the merger, and ***FOR*** all other proposals contained in the Primus notice of meeting; and (ii) the board of directors of ATG unanimously recommends that its stockholders vote ***FOR*** the issuance of shares of ATG common stock in connection with the merger, and ***FOR*** all other proposals in the ATG notice of meeting.

A copy of the merger agreement is included as Annex A to this joint proxy statement/ prospectus. You should carefully read this entire joint proxy statement/ prospectus, including the annexes.

Your vote is very important. Whether or not you plan to attend a special meeting, please take the time to vote by completing and mailing the enclosed proxy card or vote by telephone or by using the internet, following the instructions included with your proxy card.

For a more complete description of the merger and the risk factors you should consider in connection with your vote, see Risk Factors beginning on page 18 and The Proposed Merger beginning on page 39.

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

This joint proxy statement/ prospectus is dated September 20, 2004 and is first being mailed to stockholders of ATG and shareholders of Primus on or about September 23, 2004.

Sincerely,

Robert D. Burke
*President and Chief Executive Officer
of Art Technology Group, Inc.*

Sincerely,

Michael A. Brochu
*President and Chief Executive Officer
of Primus Knowledge Solutions, Inc.*

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ART TECHNOLOGY GROUP, INC.

**25 First Street
Cambridge, Massachusetts 02141**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held on October 22, 2004**

NOTICE IS HEREBY GIVEN THAT a special meeting of stockholders of Art Technology Group, Inc., a Delaware corporation, will be held on October 22, 2004 at the offices of Foley Hoag LLP, Seaport World Trade Center West, 155 Seaport Boulevard, Boston, Massachusetts 02210, commencing at 10:00 a.m., local time, to consider and vote upon:

1. A proposal to approve the issuance by ATG of shares of its common stock pursuant to the merger and the other transactions contemplated by the agreement and plan of merger dated as of August 10, 2004, by and among ATG, Autobahn Acquisition, Inc. and Primus Knowledge Solutions, Inc.;

2. A proposal to grant ATG's management discretionary authority to adjourn or postpone the special meeting to a date or dates not later than November 21, 2004, if necessary to enable ATG's board of directors to solicit additional proxies in favor of the proposal to approve the issuance of ATG common stock to be delivered in connection with the merger and the other transactions contemplated by the merger agreement; and

3. Such other business as shall properly be presented at the special meeting or any adjournment thereof.

ATG will conduct no other business at the special meeting, except business that may be properly brought before the special meeting and that is within the purpose of the special meeting described above.

ATG's board of directors has fixed the close of business on September 9, 2004 as the record date for the determination of the stockholders of ATG entitled to receive notice of the special meeting and to vote at the meeting or any adjournment of the meeting. Only stockholders of record at the close of business on that date are entitled to receive notice of the special meeting and to vote at the meeting and any adjournment of the meeting. ATG will make a list of the stockholders entitled to vote at the special meeting or any adjournment of the meeting available for inspection at its offices. Whether or not you plan to attend the special meeting, please promptly complete and return the enclosed proxy card in the reply envelope or vote by telephone or by using the internet, following the instructions included with your proxy card.

By Order of the Board of Directors

Paul G. Shorthose
Chairman of the Board of Directors

Dated: September 20, 2004
Cambridge, Massachusetts

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PRIMUS KNOWLEDGE SOLUTIONS, INC.

**1601 Fifth Avenue, Suite 1900
Seattle, Washington 98101**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held on October 22, 2004**

To the Shareholders of Primus Knowledge Solutions:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Primus Knowledge Solutions, Inc. will be held on October 22, 2004, at 10:00 a.m., local time, at the offices of Preston Gates & Ellis LLP, 925 Fourth Avenue, Suite 2900, Seattle, Washington 98104, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of August 10, 2004, among Art Technology Group, Inc., a Delaware corporation, Autobahn Acquisition, Inc., a Washington corporation and a wholly owned first-tier subsidiary of Art Technology Group, and Primus Knowledge Solutions, Inc., a Washington corporation, and the merger described therein. This proposal is more fully described in the attached joint proxy statement/ prospectus, which you should read carefully; and
2. To consider and vote upon a proposal to grant Primus management discretionary authority to adjourn or postpone the special meeting to a date or dates not later than November 21, 2004, if necessary to enable Primus board of directors to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement; and
3. To transact any other business that properly comes before the special meeting or any adjournment thereof.

The independent members of Primus board of directors have determined that the merger agreement is advisable and in the best interests of Primus and its shareholders. **The board of directors has adopted the merger agreement and unanimously recommends that you vote for approval of the merger agreement and the merger.**

Primus will conduct no other business at the Primus shareholders special meeting, except business that may be properly brought before the special meeting and that is within the purpose of the special meeting described above.

All Primus shareholders are cordially invited to attend the special meeting in person. However, to ensure your representation at the special meeting, Primus urges you to complete, sign and return the enclosed proxy card as promptly as possible in the enclosed postage-prepaid envelope, or follow the instructions for voting by telephone or over the internet. You may revoke your proxy in the manner described in the accompanying joint proxy statement/ prospectus at any time before it is voted at the special meeting. **If you fail to return a properly executed proxy card or to vote at the special meeting, the effect will be a vote against the proposal to adopt the merger agreement and the merger.**

Primus cannot complete the merger unless the holders of at least a majority of the shares of Primus common stock outstanding on the record date vote to approve the merger agreement. Holders of Primus common stock are entitled to assert dissenters rights with respect to the merger.

Only holders of record of Primus common stock at the close of business on September 17, 2004, the record date, are entitled to vote at the special meeting or any adjournment or postponement of the meeting.

By Order of the Board of Directors
of Primus Knowledge Solutions, Inc.

David M. Williamson
*Executive Vice President,
General Counsel and Secretary*

Seattle, Washington
September 20, 2004

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REFERENCE TO ADDITIONAL INFORMATION

This joint proxy statement/ prospectus incorporates by reference important business and financial information about ATG from documents that are not included in or delivered with this joint proxy statement/ prospectus. You may request, orally or in writing, a copy of these documents, which will be provided to you at no cost, by contacting ATG's Secretary, Edward Terino, at Art Technology Group, Inc., 25 First Street, Second Floor, Cambridge, Massachusetts 02141, telephone (617) 386-1000.

For a more detailed description of the information incorporated by reference into this joint proxy statement/ prospectus and how you may obtain it, see Documents Incorporated by Reference on page 129.

TRADEMARK MATTERS

ATG, Art Technology Group and the ATG logo are registered trademarks of Art Technology Group, Inc., and Scenario Personalization is its service mark. Primus, Primus Knowledge Solutions, Primus Answer Engine, Primus eServer, Primus eSupport, Primus eServer iView and the Primus logo are registered trademarks or service marks of Primus Knowledge Solutions, Inc. All other product names, service marks, and trademarks mentioned herein are trademarks of their respective owners.

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SUMMARY OF THE JOINT PROXY STATEMENT/ PROSPECTUS

This joint proxy statement/prospectus pertains to, among other matters, the merger of a wholly-owned subsidiary of ATG with and into Primus, and it is being sent to the holders of ATG common stock and the holders of Primus common stock. This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully, and for more complete descriptions of the terms of the merger, you should read carefully this entire joint proxy statement/prospectus, the annexes to this joint proxy statement/prospectus and the documents that we incorporate by reference. In particular, you should read the merger agreement and its exhibits, which are attached as Annex A, the voting agreement, which is attached as Annex B, the opinion of SG Cowen & Co., LLC, which is attached as Annex C and the opinion of Broadview International, which is attached hereto as Annex D.

The companies

Art Technology Group, Inc.

25 First Street
Cambridge, MA 02141
(617) 386-1000

ATG delivers innovative software to help high-end consumer-facing companies create a richer, more adaptive interactive experience for their customers and partners online and via other channels. ATG has delivered category-leading e-business solutions to many of the world's best-known brands including Best Buy, Kingfisher, Neiman Marcus, Target, Fidelity Investments, Friends Provident, Merrill Lynch, Wells Fargo, A&E Networks, Warner Music, AT&T Wireless, France Telecom, Philips, Procter & Gamble, Hewlett-Packard, American Airlines, InterContinental Hotels Group, US Army, and US Federal Aviation Administration.

ATG is headquartered in Cambridge, Massachusetts, with additional locations throughout North America and Europe. ATG was incorporated in Delaware in October 1997 and has acquired several other businesses since its inception. Its common stock is listed on the Nasdaq National Market under the symbol ARTG. Its website can be accessed at <http://www.atg.com>. The information on ATG's website is not incorporated by reference in this joint proxy statement/prospectus.

Primus Knowledge Solutions, Inc.

1601 Fifth Avenue, Suite 1900
Seattle, WA 98101
(206) 834-8100

Primus provides software solutions that enable companies to deliver a superior customer experience via contact centers, information technology help desks, and web (intranet and internet) self-service and electronic communication channels. Primus provides application software that enables companies to find, capture and communicate enterprise knowledge to deliver answers to questions and solutions to problems. Primus also offers electronic communication solutions, such as web self-service, email management, chat, and wireless communications. In addition to software applications, Primus offers professional services to assist customers with software implementation, integration, hosting, training and support. See the section entitled Primus Business, beginning on page 89, for additional information about Primus.

Headquartered in the Seattle, Washington with over 150 employees, Primus has offices throughout the United States and in the United Kingdom. Primus was incorporated in Washington State in 1986. Its common stock is listed on the Nasdaq SmallCap Market under the symbol PKSI. Its website can be accessed at <http://www.primus.com>. The information on Primus' website is not incorporated by reference in this joint proxy statement/prospectus.

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Questions and answers about the merger

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger. These questions and answers may not address all the questions that may be important to you. Please refer to the more detailed information contained elsewhere in this joint proxy statement/prospectus including the merger agreement and the annexes and other documents attached to this joint proxy statement/prospectus and the other documents referenced in it.

We are proposing a merger of ATG and Primus

Q: What is the proposed merger? (see the section entitled The Proposed Merger beginning on page 39)

A: In the proposed merger, Primus will merge with a wholly-owned subsidiary of ATG. Primus will survive the merger as a wholly-owned subsidiary of ATG. The merger agreement is attached to this joint proxy statement/prospectus as Annex A. You are encouraged to read it carefully.

Q: Why are the companies proposing a merger? (see pages 44 and 54)

A: Our customers want a single application suite that integrates the full range of customer-facing applications, including commerce, marketing and service, across web, email and call center channels. Our customers also want to buy from a company that has the breadth of technology and the critical mass to deliver and support a more complete solution and to compete more effectively. ATG brings to the combination a highly rated e-commerce platform with advanced scenario personalization technology and strong e-marketing capabilities, while Primus brings highly rated call center support, email response management and web self-service technologies. We believe that by combining the technology, research and development resources, customer relationships and sales and marketing capabilities of the two companies we will create a stronger and more competitive company, with the breadth and scale that the market demands.

Q: Does the board of directors of ATG recommend voting in favor of the issuance of ATG common stock in connection with the merger and the other proposals contained in the ATG notice of meeting? (see page 35)

A: Yes. After careful consideration, ATG's board of directors unanimously recommends that its stockholders vote ***FOR*** the issuance of shares of ATG common stock in connection with the merger and ***FOR*** all of the other proposals contained in the ATG notice of meeting.

Q: Does the board of directors of Primus recommend voting in favor of the merger agreement and the merger and the other proposals contained in the Primus notice of meeting? (see page 36)

A: Yes. After careful consideration, Primus' board of directors unanimously recommends that its shareholders vote ***FOR*** the adoption of the merger agreement and the approval of the proposed merger and ***FOR*** all of the other proposals contained in the Primus notice of meeting.

Q: What will I receive in the merger? (see page 39)

A: Following the merger:

Primus shareholders will receive, in exchange for each of their Primus shares 1.4169 shares of common stock of ATG. This exchange ratio is subject to adjustment, depending on the amount of Primus' adjusted working capital on October 15, 2004, but in no event will it be below 1.2976.

Primus shareholders will not receive fractional shares in the merger, but instead will receive cash, rounded to the nearest whole cent, in an amount equal to the fraction multiplied by the average closing price of one share of ATG common stock on the Nasdaq National Market for the fifteen trading days before the closing of the merger.

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Q: What specific proposals are Primus shareholders being asked to consider? (see pages 39 and 85)

A: Primus shareholders are being asked to approve:

the adoption of the merger agreement and the merger; and

the grant to Primus management of discretionary authority to adjourn the special meeting to a date or dates not later than November 21, 2004, if necessary to enable Primus management to solicit additional proxies in favor of the merger proposal.

Q: What specific proposals are ATG stockholders being asked to consider? (see pages 39 and 85)

A: ATG stockholders are being asked to approve:

the issuance by ATG of shares of its common stock pursuant to the merger and the other transactions contemplated by the merger agreement; and

the grant to ATG's management of discretionary authority to adjourn the special meeting to a date or dates not later than November 21, 2004, if necessary to enable ATG's board of directors to solicit additional proxies in favor of the proposal to approve the issuance of ATG common stock to be delivered in connection with the merger and the other transactions contemplated by the merger agreement.

Q: What will happen to outstanding Primus stock options and warrants? (see page 72)

A: Each option and warrant to purchase Primus common stock outstanding immediately before the completion of the merger will be accelerated and become fully vested, and will be treated as follows:

for Primus options and warrants having an exercise price per share of Primus common stock equal to or greater than \$1.33, Primus will give the holders of such options or warrants the opportunity to exercise the option or warrant in whole or in part on or before the second business day immediately before the closing of the merger, contingent upon the closing of the merger; and

for Primus options and warrants having an exercise price per share of Primus common stock less than \$1.33, each such option and warrant not exercised prior to the effective time of the merger will be assumed by ATG and will be converted into an option or warrant to purchase shares of ATG common stock, upon the same terms and conditions that were applicable to the option or warrant immediately prior to the effective time of the merger, except that the number of shares of ATG common stock purchasable upon exercise of the option or warrant, and the exercise price, will be adjusted to reflect the final exchange ratio.

Q: What will happen to rights under the Primus employee stock purchase plan? (see page 73)

A: If an offering period under Primus' 1999 employee stock purchase plan would otherwise be in progress on the date the merger is expected to close, Primus will abbreviate the offering period and set a new exercise date so that the offering period will end on the day before the closing of the merger. Each participant will have the opportunity to withdraw from the plan and be paid his or her accumulated withholdings under the plan, or to have the accumulated withholdings applied to the purchase of shares of Primus common stock on the new exercise date. Primus will notify the participants of the plan of this change before the new exercise date.

Q: When do you expect the merger to be completed? (see page 65)

A: ATG and Primus are working toward completing the merger as quickly as possible. We hope to complete the merger early in the fourth calendar quarter of 2004, promptly following the approval of the merger by the ATG stockholders and Primus shareholders. However, the merger is subject to several conditions that could affect the timing of its completion.

Q: Are there risks involved in undertaking the merger? (see page 18)

A: Yes. In evaluating the merger, you should carefully consider the factors discussed in the section of the joint proxy statement/prospectus entitled "Risk Factors" beginning on page 18.

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Q: What are the conditions to completion of the merger? (see page 80)

A: ATG's and Primus' respective obligations to complete the merger are subject to the satisfaction or waiver of certain specified closing conditions. If either ATG or Primus waives any of these conditions, each company will consider the facts and circumstances at that time and make a determination whether a resolicitation of proxies from its respective stockholders or shareholders is appropriate.

Q: Is the merger subject to governmental approvals? (see page 68)

A: This merger is not currently subject to the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. However, at any time before or after the merger, and notwithstanding that the waiting period is not applicable or that the merger may have been consummated, the U.S. Federal Trade Commission, the U.S. Department of Justice or any state could take any action under the applicable antitrust or competition laws as it deems necessary or desirable. This action could include seeking to enjoin the completion of the merger. Private parties may also institute legal actions under the antitrust laws under some circumstances.

The completion of the merger is also subject to the effectiveness of the registration statement of which this joint proxy statement/prospectus is a part and compliance with the applicable corporate laws of the State of Washington.

Q: What shareholder approvals are required for approval of the merger and the related proposals? (see pages 35 and 36)

A: ATG stockholders:

Assuming a quorum is present, approval of the issuance of the ATG common stock pursuant to the merger and the adjournment proposal will require the affirmative vote of the holders of a majority of the shares of ATG common stock present in person or represented by proxy at the special meeting and entitled to vote. Abstentions and broker non-votes will not count as votes cast on these proposals and, accordingly, will not affect the outcome of the votes on these proposals.

Directors and executive officers of ATG collectively beneficially owned approximately 0.5% of the outstanding ATG common stock entitled to vote as of the record date.

Primus shareholders:

Assuming a quorum is present, approval of the merger agreement and the merger will require the affirmative vote of a majority of the shares of Primus common stock issued and outstanding on the record date for the special meeting. Abstentions and broker non-votes will have the same effect as votes cast against the proposal to adopt the merger agreement and the merger.

Assuming a quorum is present, approval of the adjournment proposal will require the affirmative vote of the holders of a majority of the shares of Primus common stock present in person or represented by proxy at the special meeting and entitled to vote. Abstentions and broker non-votes will not count as votes cast on this proposal and, accordingly, will not affect the outcome of the votes on this proposal.

The directors and executive officers of Primus, who collectively beneficially own approximately 14.6% of the outstanding Primus common stock entitled to vote as of the record date, have agreed to vote in favor of the merger and related proposals, pursuant to the terms of the voting agreements described in this joint proxy statement/prospectus.

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Q: Are there any ATG stockholders or Primus shareholders already committed to voting in favor of the merger, the share issuance and the other proposals described in this joint proxy statement/ prospectus? (see page 83)

A: Yes. Primus shareholders who collectively hold approximately 14.6% of the outstanding shares of Primus common stock outstanding entered into voting agreements with ATG requiring them to vote all of their beneficially owned shares in favor of adoption of the merger agreement and approval of the merger and prohibiting them from selling any of their shares until termination of the voting agreement.

Q: Who will be the directors and executive officers of ATG following the merger?

A: The merger will not result in a change in the executive officers of ATG. However, immediately following the effective time of the merger, ATG's board of directors will expand from seven to nine. Daniel C. Regis, currently a director of Primus, will become a class II director of ATG and Michael A. Brochu, currently the president, chief executive officer and chairman of the board of Primus, will become a class III director of ATG.

Q: Do persons involved in the merger have interests which may conflict with mine? (see page 64)

A: Yes. When considering the recommendations of Primus' board of directors, Primus shareholders should be aware that certain Primus directors and officers have interests in the merger that are different from, or are in addition to, yours. These interests include, among other things, indemnification rights, acceleration of option vesting and other benefits and payments under some agreements and employee benefit and retention plans. For more information on these interests, see the sections entitled "The Proposed Merger - Interests of certain persons in the merger" on page 64 and "Security Ownership by Principal Shareholders, Management and Directors of Primus" beginning on page 119.

Q: Did ATG's and Primus' financial advisors render fairness opinions in connection with the merger? (see pages 47 and 56)

A: Yes.

ATG's board of directors considered the opinion, dated as of August 10, 2004, of its financial advisor, SG Cowen & Co., LLC, to the effect that, as of such date, the exchange ratio is fair to ATG from a financial point of view.

Primus' board of directors considered the opinion, dated as of August 10, 2004, of its financial advisor, Broadview International, to the effect that, as of such date, the exchange ratio is fair to Primus' shareholders from a financial point of view.

The full text of the written opinions of the financial advisors are attached to the back of this document as Annex C and Annex D, and should be read carefully in their entirety to understand the assumptions made, matters considered and limitations on the review undertaken in providing the opinions.

The opinion of SG Cowen is addressed to the ATG board and the opinion of Broadview is addressed to the Primus board. The opinions are provided to the respective addressees for their information and assistance in connection with their consideration of the transactions contemplated by the merger agreement. These opinions do not address the prices at which ATG's shares of common stock will trade at any time and do not constitute a recommendation to any shareholder as to how to vote with respect to any matter relating to the proposed merger.

Steps for you to take

Q: What do I need to do now? (see pages 33 and 37)

A: After carefully reading and considering the information contained in this joint proxy statement/ prospectus, please complete, date, sign and mail your proxy card in the enclosed return envelope or

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vote by telephone or by using the internet, following the instructions included with your proxy card, as soon as possible so that your shares will be represented at your respective special meeting.

If a Primus shareholder does not include instructions on how to vote a properly signed proxy card or proxy properly submitted electronically, such holder's common stock will be voted ***FOR*** approval of matters related to the merger, the adjournment proposal and in the discretion of management any other matters to be voted upon at the meeting.

If an ATG stockholder does not include instructions on how to vote a properly signed proxy card or proxy properly submitted electronically, such holder's common stock will be voted ***FOR*** approval of the issuance of ATG common stock, the adjournment proposal and in the discretion of management any other matters to be voted upon at the meeting.

Your vote is important regardless of the number of shares that you own.

Q: When and where will the vote take place? (see pages 33 and 36)

A: Special Meeting of ATG stockholders. The ATG special meeting will be held on October 22, 2004 at the offices of Foley Hoag LLP, Seaport World Trade Center West, 155 Seaport Boulevard, Boston, Massachusetts 02210, commencing at 10:00 a.m., local time.

Special meeting of Primus shareholders. The Primus special meeting will be held on October 22, 2004 at the offices of Preston Gates & Ellis LLP, 925 Fourth Avenue, Suite 2900, Seattle, Washington 98104, commencing at 10:00 a.m., local time.

Q: Should I send in my Primus stock certificates now? (see page 73)

A: No. After the merger is completed, EquiServe Trust Company, N.A., ATG's transfer agent, will send you written instructions for exchanging your Primus stock certificates for shares of ATG common stock.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me? (see pages 34 and 37)

A: Your broker will vote your shares only if you provide your broker with instructions on how to vote your shares by following the information provided to you by your broker.

Q: What do I do if I want to change my vote? (see pages 34 and 37)

A: You can change your vote at any time before your proxy is voted at your meeting. There are four ways for you to do this:

1. Send written notice to the secretary of ATG or Primus (as appropriate) that you wish to revoke your proxy;
2. Send a completed proxy to ATG or Primus, as applicable, bearing a date later than your original proxy prior to the vote at your meeting;
3. Log on to the internet or call the telephone number on the proxy card for ATG or Primus (as appropriate) in the same manner utilized to submit the proxy electronically and change your vote; or
4. Attend the ATG stockholder or Primus shareholder meeting and vote in person.

Q: What happens if a Primus shareholder does not vote? (see page 37)

A: If you are a Primus shareholder and you fail to submit a proxy or vote at the special meeting, your shares will not be counted as present for purposes of determining the presence or absence of a quorum and will have the same effect as a vote ***AGAINST*** adoption of the merger agreement and approval of the merger but will have no effect on the adjournment proposal.

If you sign and return your proxy or submit your proxy electronically and do not indicate how you want to vote, your proxy will be counted as present for purposes of determining the presence of a quorum and will be voted ***FOR*** adoption of the merger agreement and approval

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of the merger and ***FOR*** approval of the adjournment proposal and in the discretion of management any other matters to be voted upon at the meeting.

If you submit a proxy and affirmatively elect to ***ABSTAIN*** from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum for the special meeting but will not be voted at the special meeting. Consequently, your abstention will have the same effect as a vote ***AGAINST*** adoption of the merger agreement and approval of the merger but will have no effect on the adjournment proposal.

If you do not instruct your broker how to vote, your broker non-vote will be counted as present for the purpose of determining the presence of a quorum for the special meeting but will not be voted at the special meeting. Consequently, your broker non-vote will have the same effect as a vote ***AGAINST*** adoption of the merger agreement and approval of the merger but will have no effect on the adjournment proposal.

Q: What happens if an ATG stockholder does not vote? (see page 33)

A: If you are a ATG stockholder and you fail to submit a proxy or vote at the special meeting, your shares will not be counted as present for purposes of determining the presence or absence of a quorum and will have no effect on the outcome of the proposal to issue the ATG common stock in connection with the merger or the adjournment proposal.

If you sign and return your proxy or submit your proxy electronically and do not indicate how you want to vote, your proxy will be counted as present for the purpose of determining the presence of a quorum and will be voted ***FOR*** approval of the issuance of ATG common stock, the adjournment proposal and in the discretion of management any other matters to be voted upon at the meeting.

If you submit a proxy and affirmatively elect to ***ABSTAIN*** from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum but will not be voted at the special meeting. Consequently, your abstention will have no effect on the outcome of the proposal to issue the ATG common stock in connection with the merger or the adjournment proposal.

If you do not instruct your broker how to vote, your broker non-vote will be counted as present for purposes of determining the presence of a quorum but will not be voted at the special meeting. Consequently, your broker non-vote will have no effect on the outcome of the proposal to issue the ATG common stock in connection with the merger or the adjournment proposal.

Q: Am I entitled to dissenters or appraisal rights in connection with the merger? (see pages 35 and 38)

A: Holders of ATG common stock are not entitled to appraisal or dissenters rights in connection with the merger or other proposals described in this joint proxy statement/ prospectus. Under Washington law, Primus shareholders have the right to dissent from the merger and to receive payment for the fair value of their shares of Primus common stock, by following the procedures required under Washington law.

Shares of Primus common stock for which dissenters appraisal rights are validly exercised will not receive ATG common stock and cash in lieu of fractional shares, if any. Instead, holders of these dissenting shares will receive the cash payment that they are entitled to receive as a result of the appraisal process under the Washington Business Corporation Act. See the section entitled The Proposed Merger Rights of dissenting Primus shareholders on page 68.

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Other matters to consider

Q: How do the market prices of ATG and Primus common stock compare? (see page 15)

A: Shares of ATG common stock are listed on the Nasdaq National Market and shares of Primus common stock are listed on the Nasdaq SmallCap Market. ATG's trading symbol is ARTG, and Primus' trading symbol is PKSI. On August 10, 2004, the last full trading day prior to the public announcement of the proposed merger, the last reported sale prices were:

\$0.90 per share of ATG common stock; and

\$0.96 per share of Primus common stock.

ATG and Primus believe that the Primus common stock presently trades on the basis of the value of the ATG common stock, as affected by the expected exchange ratio, discounted primarily for the uncertainties associated with the merger, including the final exchange ratio. On September 17, 2004, the last reported sale prices were:

\$1.06 per share of ATG common stock; and

\$1.33 per share of Primus common stock.

ATG and Primus urge you to obtain current market quotations.

Q: What are the United States federal income tax consequences of the merger? (see pages 66 - 67)

A: On the basis of a legal opinion from its tax counsel, Primus anticipates that the acquisition of Primus by ATG through the merger described in this joint proxy statement/prospectus will constitute a tax-free reorganization for United States federal income tax purposes. The consummation of the merger is conditioned on the receipt by Primus of an opinion from its legal counsel, dated as of the effective time of the merger, to that effect. If Primus does not receive a legal opinion from its counsel, the condition may be satisfied by receiving a legal opinion from ATG's counsel. If neither counsel can issue the legal opinion, Primus and ATG will revise this joint proxy statement/prospectus and Primus will resolicit the vote of the Primus shareholders to approve the merger. Assuming the transaction qualifies as a tax-free reorganization, Primus shareholders who exchange their Primus common stock for ATG common stock in the transaction generally will not recognize gain or loss for United States federal income tax purposes, except for gain or loss recognized because of cash received instead of fractional shares. For a general discussion of the tax consequences of the transaction, see the section entitled "The Proposed Merger - Material United States federal income tax consequences of the merger" beginning on page 66. **The tax consequences to you will depend on the facts and circumstances of your own situation. Please consult your tax advisor for a full understanding of the tax consequences of the merger to you.**

Q: How will the merger be accounted for? (see page 66)

A: ATG will account for the merger in its financial statements prepared in accordance with GAAP using the purchase method of accounting pursuant to Statement of Financial Accounting Standards No. 141, *Business Combinations*. The assets acquired and liabilities assumed from Primus will be recorded at their fair values as of the date of the merger. Any excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired will be recorded as goodwill. The results of operations of Primus will be included in ATG's results of operations from the date of the closing of the merger.

Q: Does the merger agreement permit termination of the merger? (see page 82)

A: Yes. The merger agreement may be terminated prior to the effectiveness of the merger under some circumstances. For example, the merger agreement may be terminated by ATG if the adjusted working capital of Primus on October 15, 2004 is a working capital deficiency greater than \$(5.5 million).

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Q: Could payment of a termination fee be required in connection with the merger? (see page 82)

A: Yes. If the merger agreement is terminated following certain specified occurrences, Primus may be required to pay to ATG a termination fee of \$1,000,000.

Q: May Primus negotiate with other parties? (see page 77)

A: No. Primus agreed, subject to limited exceptions, not to initiate or engage in discussions with another party concerning a business combination with a party other than ATG while the merger is pending.

Q: Are there restrictions on the ability to sell shares of ATG common stock received as a result of the merger?

A: All shares of ATG common stock that Primus shareholders receive in connection with the merger will be freely transferable unless the holder is considered an affiliate of either ATG or Primus for purposes of the Securities Act of 1933, as amended. Shares of ATG common stock held by affiliates may be sold only pursuant to an effective registration statement covering the resale of the shares or an exemption under the Securities Act.

Q: Where can I find more information?

A: ATG has filed with the SEC a registration statement on Form S-4 to register the distribution to Primus shareholders of the shares of ATG common stock to be issued pursuant to the merger. The registration statement and the exhibits and schedules attached to it contain additional relevant information about ATG and its common stock. The rules and regulations of the SEC allow us to omit some of the information included in the registration statement from this joint proxy statement/ prospectus.

In addition both ATG and Primus file reports, proxy statements and other information with the SEC as required by the Securities Exchange Act of 1934. These filings are available on the SEC's website at <http://www.sec.gov>. You may also read and copy this information at these offices of the SEC:

Public Reference Office
Room 1200
450 Fifth Street, N.W.
Washington, DC 20549

Northeast Regional Office
The Woolworth Building
233 Broadway
New York, NY 10279
(646) 428-1500

Pacific Regional Office
5670 Wilshire Boulevard
Suite 1100
Los Angeles, CA 90036-3648
(323) 965-3998

You may obtain information about the operation of the SEC's public reference rooms by calling the SEC at 1-800-SEC-0330.

Q: Whom should I call with questions?

A: If you have additional questions about the merger or about the solicitation of your proxy, you should contact:

ATG stockholders:

MacKenzie Partners, Inc.
105 Madison Avenue
New York, New York 10016
(212) 929-5500 (call collect)
Email: proxy@mackenziepartners.com
or
Call toll free (800) 322-2885

Primus shareholders:

The Altman Group, Inc.
1275 Valley Brook Avenue
Lyndhurst, New Jersey 07071
Email: primusinfo@altmangroup.com
or
Call toll free (800) 762-8393

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Selected historical and unaudited consolidated financial information

ATG and Primus are providing the following consolidated financial information to aid you in your analysis of the financial aspects of the merger. This information is only a summary and you should read it in conjunction with the historical financial statements and related notes included or incorporated into this joint proxy statement/ prospectus by reference from the annual reports and other information that ATG has filed with the SEC.

ATG derived the following historical information from its consolidated financial statements as of December 31, 2002 and 2003 and for each of the years then ended, which have been audited by Ernst & Young LLP, independent registered public accounting firm, its consolidated financial statements as of December 31, 1999, 2000 and 2001, which have been audited by Arthur Andersen LLP, independent accountants, and from its unaudited consolidated financial statements as of and for the six months ended June 30, 2003 and 2004. Primus derived the following historical information from its consolidated financial statements as of December 31, 1999, 2000, 2001, 2002 and 2003 and for each of the years then ended, which have been audited by KPMG LLP, independent registered public accounting firm, and from its unaudited consolidated financial statements as of and for the six months ended June 30, 2003 and 2004.

In the opinion of management of ATG and Primus, the unaudited financial statements of ATG and Primus, respectively, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of their respective financial positions and results of operations for these periods. Operating results for the six months ended June 30, 2004 are not necessarily indicative of results that may be expected for the year ending December 31, 2004 or any other period.

Table of Contents**Selected historical consolidated financial data of ATG**

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
(in thousands, except per share data)							
Statement of operations data:							
Revenues	\$ 32,077	\$ 164,442	\$ 140,338	\$ 101,493	\$ 72,492	\$ 40,731	\$ 31,142
Costs of revenues	18,630	39,647	53,808	38,023	21,926	11,975	10,640
Gross profit	13,447	124,795	86,530	63,470	50,566	28,756	20,502
Operating expenses	28,476	115,909	223,651	95,260	48,164	26,311	26,521
Income (loss) from operations	(15,029)	8,886	(137,121)	(31,790)	2,402	2,445	(6,019)
Interest and other income, net	1,897	8,979	4,967	2,300	1,521	851	17
Net income (loss) before (benefit) provision for income taxes	(13,132)	17,865	(132,154)	(29,490)	3,923	3,296	(6,002)
(Benefit) provision for income taxes		3,378	23,851		(255)		32
Income (loss)	(13,132)	14,487	(156,005)	(29,490)	4,178	3,296	(6,034)
Accretion of dividends, discounts and offering costs on preferred stock	(4,395)						
Net income (loss) available for common stockholders	\$ (17,527)	\$ 14,487	\$ (156,005)	\$ (29,490)	\$ 4,178	\$ 3,296	\$ (6,034)
Net income (loss) per share:							
Basic	\$ (0.45)	\$ 0.22	\$ (2.27)	\$ (0.42)	\$ 0.06	\$ 0.05	\$ (0.08)
Diluted	\$ (0.45)	\$ 0.20	\$ (2.27)	\$ (0.42)	\$ 0.06	\$ 0.05	\$ (0.08)
Weighted average common shares outstanding:							
Basic	38,777	66,932	68,603	69,921	71,798	71,228	73,289
Diluted	38,777	73,138	68,603	69,921	73,768	72,324	73,289

December 31,

	1999	2000	2001	2002	2003	June 30, 2004
(in thousands)						
Consolidated balance sheet data:						
Cash, cash equivalents and short-term marketable securities	\$ 129,848	\$ 126,473	\$ 63,550	\$ 68,558	\$ 42,353	\$ 25,365
Working capital	117,727	122,422	37,993	39,993	21,046	8,234

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Restricted cash			16,757			
Long-term marketable securities	19,394	17,734				7,390
Total assets	177,735	259,515	137,488	104,835	67,360	\$53,602
Long-term obligations, less current maturities	4,000	2,000				
Total stockholders' equity	\$ 146,385	\$ 191,973	\$ 42,909	\$ 16,023	\$ 20,937	\$15,791

Table of Contents**Selected historical consolidated financial data of Primus**

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
(in thousands, except per share data)							
Statement of operations data:							
Revenues	\$ 27,318	\$ 47,669	\$ 27,550	\$ 20,942	\$ 25,051	\$ 9,205	\$ 11,829
Costs of revenues	7,725	10,892	8,107	5,025	5,404	2,535	3,899
Sales and marketing	19,180	27,653	19,812	11,519	10,434	5,125	5,207
Research and development	10,177	14,669	12,636	7,856	7,788	3,690	4,487
General and administrative	6,657	9,401	6,551	4,367	4,452	1,675	2,766
Amortization of goodwill			550				
Restructuring charges			2,530	1,227			461
Merger related costs	1,520	505					
Loss from operations	(17,941)	(15,451)	(22,636)	(9,052)	(3,027)	(3,820)	(4,991)
Other income (expense), net	1,093	2,655	1,232	202	170	67	(24)
Loss before income taxes, extraordinary item and cumulative effect of change in accounting principle	(16,848)	(12,796)	(21,404)	(8,850)	(2,857)	(3,753)	(5,015)
Income tax expense (benefit)	267	217	417	111	70	(81)	(66)
Loss before extraordinary item and cumulative effect of change in accounting principle	(17,115)	(13,013)	(21,821)	(8,961)	(2,927)	(3,834)	(5,081)
Extraordinary gain on disposal of assets			566				
Loss before cumulative effect of change in accounting principle	(17,115)	(13,013)	(21,255)	(8,961)	(2,927)	(3,834)	(5,081)
Cumulative effect of change in accounting principle				(2,281)			
Net loss	\$ (17,115)	\$ (13,013)	\$ (21,255)	\$ (11,242)	\$ (2,927)	\$ (3,834)	\$ (5,081)
Net loss available to common shareholders	\$ (18,234)	\$ (13,056)	\$ (21,255)	\$ (11,242)	\$ (2,927)	\$ (3,834)	\$ (5,081)
Basic and diluted net loss per common share:							
Loss before extraordinary item	\$ (1.81)	\$ (0.74)	\$ (1.18)	\$ (0.47)	\$ (0.15)	\$ (0.20)	\$ (0.22)
Extraordinary gain on disposal of assets			0.03				
Cumulative effect of change in accounting principle				(0.12)			
	\$ (1.81)	\$ (0.74)	\$ (1.15)	\$ (0.59)	\$ (0.15)	\$ (0.20)	\$ (0.22)
Shares used in computing basic and diluted net loss per common share	10,081	17,706	18,552	18,983	19,379	19,054	23,611

December 31,

	1999	2000	2001	2002	2003	June 30, 2004
(in thousands)						
Consolidated balance sheet data:						
Cash, cash equivalents and short-term investments	\$ 54,657	\$ 39,959	\$ 18,499	\$ 12,958	\$ 12,154	\$ 8,335
Working capital	44,538	34,398	14,288	7,604	2,980	(152)
Total assets	67,406	56,938	33,294	21,260	35,663	28,199
Total current liabilities	19,591	17,091	11,263	10,402	15,650	12,044
Long-term debt, net of current portion	60					
Redeemable convertible preferred stock	9,054					
Shareholders' equity	\$ 38,701	\$ 39,847	\$ 22,031	\$ 10,858	\$ 20,013	\$ 16,155

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Table of Contents**Summary unaudited pro forma condensed combined financial data****(in thousands, except per share data)**

The following summary unaudited pro forma condensed combined financial information of ATG and Primus has been derived from ATG's and Primus' unaudited pro forma condensed combined financial statements and related notes included elsewhere in this joint proxy statement/prospectus. This information does not incorporate or assume any cost savings or synergies of operations of the combined company. The pro forma condensed combined statement of operations data account for the merger as a purchase transaction and assume that the merger had occurred on January 1, 2003. The pro forma condensed combined balance sheet data assume that the merger occurred on June 30, 2004.

The unaudited pro forma condensed combined financial information includes estimates. For purposes of these calculations, we have assumed that there will be no working capital adjustment and, accordingly, we have used an exchange ratio of 1.4169. The final exchange ratio may differ, based on the adjusted working capital of Primus on the measurement date, as more fully described in this joint proxy statement/prospectus. The purchase price of the Primus common stock exchanged in the merger has been allocated on a preliminary basis to its assets and liabilities based on ATG management's best estimates of their fair value, and the excess of the purchase price over the net tangible and identifiable intangible assets acquired has been allocated to goodwill. This allocation is subject to change pending a final analysis of the total purchase cost and the fair value of the assets acquired and liabilities assumed. The impact of these allocation changes could be material.

The summary unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been consummated at the assumed time, nor is it necessarily indicative of the future operating results or financial position of the combined company.

	Year ended December 31, 2003	Six months ended June 30, 2004
	(in thousands, except per share data)	
Pro forma combined statement of operations data		
Revenues	\$ 100,116	\$ 42,971
Net loss	\$ (8,744)	\$ (12,093)
Basic and diluted net loss per share	\$ (0.08)	\$ (0.11)
Weighted average shares used in computing basic and diluted net loss per share	105,594	107,085
	June 30, 2004	
Pro forma combined balance sheet data		
Total assets	\$93,976	
Working capital	\$ 5,439	
Stockholders' equity	\$45,928	

Table of Contents**Comparative per share data**

The following table presents specified historical per share data of ATG and Primus and unaudited pro forma per share data of the combined company after giving effect to the merger and the issuance of 1.4169 shares of ATG common stock to be issued in exchange for each share of Primus common stock, assuming that no working capital adjustment occurs, as further described in this joint proxy statement/ prospectus. This data is derived from and should be read in conjunction with the selected historical consolidated financial data included in this joint proxy statement/ prospectus and separate historical consolidated financial statements of ATG and Primus that are included or incorporated by reference in this joint proxy statement/ prospectus. The unaudited pro forma combined financial data are not necessarily indicative of the operating results that would have been achieved had the merger occurred at the beginning of the periods presented and are not necessarily indicative of the future results of operations of the combined company.

The pro forma combined net loss per equivalent Primus share was calculated by multiplying the pro forma combined net loss per ATG share by the exchange ratio of 1.4169, assuming that no working capital adjustment occurs.

The historical book value per common share was calculated by dividing each company's stockholders' equity by the number of shares of its common stock outstanding at June 30, 2004. The pro forma combined book value per ATG common share was calculated by dividing pro forma stockholders' equity by the pro forma number of shares of ATG common stock outstanding as of June 30, 2004, assuming the merger had occurred as of that date. The pro forma combined book value per equivalent Primus common share was calculated by multiplying the pro forma combined book value per ATG common share by the exchange ratio.

No pro forma adjustments have been included in this data to reflect potential effects of:

the efficiencies which may be obtained by combining ATG and Primus operations, or

the cost of restructuring, integrating or consolidating these operations.

	Year ended December 31, 2003	Six months ended June 30, 2004
ATG		
Historical data:		
Net income (loss) per common share basic and diluted	\$ 0.06	\$(0.08)
Book value per share	\$ 0.29	\$ 0.22
Cash dividends		
Primus		
Historical data:		
Net loss per common share basic and diluted	\$(0.15)	\$(0.22)
Book value per share	\$ 1.03	\$ 0.68
Cash dividends		
Pro forma		
Combined pro forma data:		
Net loss per ATG share basic and diluted	\$(0.08)	\$(0.11)
Net loss per equivalent Primus share basic and diluted	\$(0.11)	\$(0.16)
Book value per ATG share		\$ 0.43
Book value per equivalent Primus share		\$ 0.61
Cash dividends		

Table of Contents**Comparative market price and dividend information**

ATG common stock has been traded on the Nasdaq National Market under the symbol ARTG since ATG's initial public offering in July 1999. Primus common stock has been traded on the Nasdaq National Market or the Nasdaq SmallCap Market under the symbol PKSI since Primus' initial public offering in June 1999. Primus common stock currently trades on the Nasdaq SmallCap Market.

The following table presents the high and low sale prices of ATG and Primus common stock, as reported on the Nasdaq National Market or Nasdaq SmallCap Market, as applicable, for the periods indicated. Prices have been rounded to the nearest full cent.

	ATG common stock		Primus common stock	
	High	Low	High	Low
Year ending December 31, 2004				
Third quarter (through August 31, 2004)	\$1.23	\$0.70	\$1.82	\$0.81
Second quarter	1.69	1.09	4.45	1.60
First quarter	2.25	1.35	7.49	3.85
Year ended December 31, 2003				
Fourth quarter	\$2.13	\$1.34	\$6.29	\$1.48
Third quarter	2.84	1.57	1.80	1.10
Second quarter	1.96	0.75	1.45	0.56
First quarter	1.38	0.81	0.95	0.43
Year ended December 31, 2002				
Fourth quarter	\$1.84	\$0.86	\$0.62	\$0.25
Third quarter	1.30	0.85	0.86	0.31
Second quarter	2.30	0.78	2.58	0.70
First quarter	5.15	1.85	2.50	0.83

The following table provides the closing price per share of ATG common stock and Primus common stock as reported on the Nasdaq National Market and the Nasdaq SmallCap Market, respectively, on August 10, 2004, the last full trading day preceding public announcement of the merger agreement, and September 17, 2004, the last full trading day for which closing prices were available at the time of the printing of this joint proxy statement/prospectus. This table also provides the equivalent price per share of Primus common stock on those dates. The equivalent Primus price per share is equal to the closing price of one share of ATG common stock on that date multiplied by 1.4169, the number of shares of ATG common stock to be issued in exchange for each share of Primus common stock, assuming that no working capital adjustment occurs, as further described in this joint proxy statement/prospectus.

	ATG common stock	Primus common stock	Equivalent Primus price per share
August 10, 2004	\$0.90	\$0.96	\$1.28
September 17, 2004	\$1.06	\$1.33	\$1.50

ATG and Primus believe that the Primus common stock presently trades on the basis of the value of the ATG common stock, as affected by the expected exchange ratio, discounted primarily for the uncertainties associated with the merger, including the final exchange ratio. Apart from the factors discussed in the publicly disclosed information concerning ATG that is included and incorporated by reference in this joint proxy statement/prospectus, ATG cannot state with certainty what factors account for changes in the market price of the ATG common stock.

We urge you to obtain current market quotations for ATG common stock and Primus common stock before voting on the merger. We cannot predict the market prices for either ATG common stock or Primus common stock at any time before the completion of the merger or the market price for ATG

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common stock after the completion of the merger. Although the exchange ratio may be adjusted as a result of Primus adjusted working capital as of the measurement date, as described in this joint proxy statement/ prospectus, the exchange ratio will not be adjusted to compensate Primus shareholders for decreases in the market price of ATG common stock that could occur before the merger becomes effective. If the market price of ATG common stock decreases or increases before the completion of the merger, the value of the ATG common stock to be received in the merger in exchange for Primus common stock would correspondingly decrease or increase.

Neither ATG nor Primus has declared or paid cash dividends on its capital stock. Under the merger agreement, Primus has agreed not to pay cash dividends before the completion of the merger without the written consent of ATG. The board of directors of each of ATG and Primus presently intends to retain all earnings, if any, for use in their respective companies businesses and has no present intention to pay cash dividends before or after the merger.

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STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This joint proxy statement/ prospectus contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be made directly in this joint proxy statement/ prospectus and they may be made a part of this joint proxy statement/ prospectus by reference to other documents filed with the Securities and Exchange Commission and incorporated by reference into this joint proxy statement/ prospectus. These statements may include statements regarding the period following completion of the merger.

Words such as expects, anticipates, intends, plans, believes, seeks, estimates, variations of these words and similar expressions identify these forward-looking statements. In particular, statements regarding expected strategic benefits, advantages and other effects of the merger described in The Proposed Merger ATG's reasons for the merger and The Proposed Merger Primus reasons for the merger and elsewhere in this document are forward-looking statements. All forward-looking statements describe the present expectations of ATG's and Primus' management with respect to future events and are subject to many factors and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. In addition to the risks related to the businesses of ATG and Primus, the factors discussed under Risks Factors Related to the Merger and the Combined Company, among others, could cause actual results to differ materially from those described in the forward-looking statements. ATG and Primus make no representation as to whether any projected or estimated financial information contained in any forward-looking statements will be obtained and shareholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this joint proxy statement/ prospectus or the date of the document incorporated by reference in this joint proxy statement/ prospectus. ATG and Primus are not under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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RISK FACTORS

In evaluating the proposals relating to the merger to be voted on at the special meetings, you should consider carefully the risks associated with the merger and with ownership of the ATG common stock following the merger. The risks and uncertainties described below are not the only risks that the combined company will face. If one or more of these events occurs, the combined company's results of operations, financial condition or prospects will suffer and the price of the ATG's stock is likely to fall. The value of your investment in the combined company could decline as a result.

Risks factors related to the merger and the combined company

Failure of the merger to achieve potential benefits could harm the business and operating results of the combined company.

ATG and Primus expect that the combination of ATG and Primus will result in benefits for the combined company. The merger will not achieve its anticipated benefits unless the companies are successful in combining their operations and integrating their products in a timely manner. Integration will be a complex, time consuming and expensive process and may result in disruption of the combined company's operations and revenues if not completed in a timely and efficient manner. Until the merger, ATG and Primus will operate independently, each with its own business, business culture, customers, employees and systems. Following the merger, the companies must operate as a combined organization using common:

sales, marketing, service and support organizations;

information and communications systems;

operating procedures;

accounting systems and financial controls; and

human resource practices, including benefit, training and professional development programs.

There may be substantial difficulties, costs and delays involved in integrating ATG and Primus. These could include:

distraction of management from the business of the combined company;

problems with compatibility of business cultures;

customer perception of an adverse change in service standards, business focus, billing practices or product and service offerings;

costs and inefficiencies in delivering products and services to the customers of the combined company;

problems in successfully coordinating the research and development efforts of the combined company;

difficulty in integrating sales, support and product marketing;

costs and delays in implementing common systems and procedures, including financial accounting systems; and

the inability to retain and integrate key management, research and development, technical sales and customer support personnel.

Further, we cannot assure you that the combined company will realize any of the anticipated benefits and synergies of the merger. Any one or all of the factors identified above could cause increased operating costs, lower than anticipated financial performance, or the loss of customers, employees or business

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partners. The failure to integrate ATG and Primus successfully would have a material adverse effect on the business, financial condition and results of operations of the combined company.

Uncertainty regarding the merger may cause customers, suppliers and channel partners to delay or defer decisions concerning ATG and Primus, which may negatively affect their respective businesses.

The merger will happen only if stated conditions are met, including approval of the merger by Primus' shareholders, approval of the issuance of shares in the merger by ATG's stockholders and the absence of any material adverse effect on the business of ATG or Primus. Many of these conditions are outside the control of ATG and Primus. Both parties also have stated rights to terminate the merger agreement. Accordingly, there may be uncertainty regarding the completion of the merger. This uncertainty may cause customers, suppliers and channel partners to delay or defer decisions concerning ATG or Primus, which could negatively affect their respective businesses. Customers, suppliers and channel partners may also seek to change existing agreements with ATG or Primus as a result of the merger. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on the respective businesses of ATG and Primus, regardless of whether the merger is ultimately completed.

Failure to retain key employees could diminish the anticipated benefits of the merger.

The success of the merger will depend in part on the retention of personnel critical to the business and operations of the combined company due to, for example, their technical skills or management expertise. Employees may experience uncertainty about their future role with ATG and Primus until plans with regard to these employees are announced or executed. Some ATG and Primus employees may not want to work for the combined company. In addition, competitors may seek to recruit employees during the integration, as is common in high technology mergers. If ATG and Primus are unable to retain personnel that are critical to the successful integration and future operation of the companies, ATG and Primus could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs. In addition, the loss of key personnel could diminish the anticipated benefits of the merger.

The market price of ATG's common stock may decline as a result of the merger.

The market price of ATG's common stock may decline as a result of the merger if:

the integration of ATG and Primus is unsuccessful;

ATG does not achieve or is perceived not to have achieved the expected benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts or investors; or

the effect of the merger on ATG's financial results is not consistent with the expectations of financial or industry analysts or investors.

The market price of ATG's common stock could also decline as a result of unforeseen factors related to the merger or other factors described in this section.

The merger may proceed in certain circumstances even if events unfavorable to the business of ATG or Primus have occurred.

In general, either party can refuse to complete the merger if there is a material adverse effect affecting the other party before the closing. However, the definition of material adverse effect for this purpose excludes:

adverse changes in general economic condition or changes generally affecting the industry in which such party operates, unless the change disproportionately affects the other party;

changes, effects or events resulting from the announcement or pendency of the merger or from the taking of any action required by the merger agreement;

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any change in the trading price of the common stock of the other party, in and of itself;

any failure to meet revenue or earnings predictions, in and of itself; or

in the case of Primus, its failure to have any particular amount of adjusted working capital at the measurement date, in and of itself; however, pursuant to a separate provision in the merger agreement, ATG may terminate the merger agreement if Primus' adjusted working capital at the measurement date is less than a specified minimum amount.

If unfavorable events such as those listed above occur but ATG and Primus must still complete the merger, ATG's stock price may suffer. This in turn may reduce the value of the merger to ATG and Primus shareholders.

The costs of the merger will be substantial, which could harm the financial results of the combined company.

In connection with the merger, ATG and Primus expect to incur substantial costs. These include fees to investment bankers, legal counsel, independent accountants, consultants, and printing and other fees and expenses relating to preparing and distributing this joint proxy statement/prospectus as well as costs associated with the elimination of duplicative facilities, operational realignment expenses and related workforce reductions and costs associated with the resolution of contingent liabilities of Primus. If the benefits of the merger do not exceed the costs associated with the merger, including any dilution to ATG stockholders resulting from the issuance of shares of ATG common stock in the merger, the combined company's financial results, including earnings per share, could suffer, and the market price of the combined company's common stock could decline.

The termination fee and restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire Primus.

Until the completion of the merger, with limited exceptions, the merger agreement prohibits Primus from entering into or soliciting any acquisition proposal or offer for a merger or other business combination with a party other than ATG. Primus has agreed to pay ATG a termination fee of \$1,000,000 if the merger agreement is terminated under specified circumstances. Certain shareholders have also agreed to vote their shares in favor of the merger, pursuant to the voting agreements described in this joint proxy statement/ prospectus. These provisions could discourage other companies from trying to acquire Primus even though those other companies might be willing to offer greater value to Primus shareholders than ATG has offered in the merger.

Failure to complete the merger could cause ATG's and Primus' stock price to decline and could harm ATG's and Primus' business and operating results.

The merger agreement contains conditions which ATG and/or Primus must satisfy to complete the merger. In addition, the merger agreement may be terminated by either ATG or Primus under specified circumstances. If the merger is not completed for any reason, ATG and Primus may be subject to a number of risks, including the following:

the market price of ATG and Primus common stock may decline to the extent that the relevant current market price reflects a market assumption that the merger will be completed;

many costs related to the merger, such as legal, accounting, financial advisor and financial printing fees, have to be paid regardless of whether the merger is completed; and

there may be substantial disruption to the business of ATG and Primus and distraction of their workforces and management teams.

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Officers and directors of Primus will receive benefits that may have influenced them to support or approve the merger.

Some of the officers and directors of Primus have interests in the merger that are different from the interest of the shareholders of Primus, including, among other things, indemnification rights, acceleration of option vesting and other benefits and payments under some agreements and employee benefit and retention plans. For more information on these interests, see the sections entitled "The Proposed Merger - Interests of certain persons in the merger" on page 64 and "Security Ownership by Principal Shareholders, Management and Directors of Primus" beginning on page 119.

Risk factors related to the ATG common stock and the combined business

ATG common stock price may continue to be volatile.

The market price of ATG's common stock has fluctuated in the past and is likely to continue to be highly volatile. For example, the market price of ATG's common stock has ranged from \$0.58 per share to \$126.88 per share since its initial public offering in July 1999 and has ranged from \$0.70 per share to \$2.21 per share between January 1, 2004 and September 17, 2004. Fluctuations in market price and volume are particularly common among securities of internet and software companies. The market price of ATG's common stock may fluctuate significantly in response to the following factors, some of which are beyond ATG's control:

variations in its quarterly operating results;

changes in market valuations of internet and software companies;

its announcements of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

timing of completion of significant sales;

additions or departures of its key personnel;

future sales of its common stock; or

changes in financial estimates by securities analysts.

The ATG common stock may not continue to trade on the Nasdaq National Market, which could reduce the value of your investment and make your shares more difficult to sell.

In order for the ATG common stock to trade on the Nasdaq National Market, ATG must continue to meet the listing standards of that market. Among other things, those standards require that the ATG common stock maintain a minimum closing bid price of at least \$1.00 per share. Recently, the ATG common stock has traded at prices near and below \$1.00. If ATG does not continue to meet Nasdaq's applicable minimum listing standards, Nasdaq could delist it from the Nasdaq National Market. If ATG's common stock is delisted from the Nasdaq National Market, ATG could seek to have its common stock listed on the Nasdaq SmallCap Market, where the common stock of Primus is currently listed. However, delisting of the ATG common stock from the Nasdaq National Market could hinder your ability to sell, or obtain an accurate quotation for the price of, your shares of ATG common stock. Delisting could also adversely affect the perception among investors of ATG and its prospects, which could lead to further declines in the market price of the ATG common stock. Delisting would also make it more difficult and expensive for ATG to raise capital. In addition, delisting might subject ATG to an SEC rule that could adversely affect the ability of broker-dealers to sell or make a market in the ATG common stock, thus hindering your ability to sell your shares.

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ATG expects its revenues and operating results to continue to fluctuate for the foreseeable future, and the price of its common stock is likely to fall if quarterly results are lower than the expectations of securities analysts.

ATG's revenues and operating results have varied from quarter to quarter in the past, and are likely to vary significantly from quarter to quarter in the foreseeable future. If its quarterly results fall below its expectations and those of securities analysts, the price of its common stock is likely to fall. A number of factors are likely to cause variations in its operating results, including:

fluctuating economic conditions, particularly as they affect its customers' willingness to implement new e-commerce solutions;

the timing of sales of its products and services;

the timing of customer orders and product implementations;

delays in introducing new products and services;

increased expenses, whether related to sales and marketing, product development or administration;

the mix of revenues derived from products and services;

timing of hiring and utilization of services personnel;

cost overruns related to fixed-price services projects;

the mix of domestic and international sales; and

costs related to possible acquisitions of technologies or businesses.

Accordingly, ATG believes that quarter-to-quarter comparisons of its operating results are not necessarily meaningful. The results of one quarter or a series of quarters should not be relied upon as an indication of its future performance.

ATG may incur significant costs from class action litigation.

ATG is currently the subject of securities class action litigation. ATG and certain former officers were named defendants in seven purported class action suits currently pending in the U.S. District Court for the District of Massachusetts. Each of these cases alleged violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, which generally may subject issuers of securities and person controlling those issuers to civil liabilities for fraudulent actions or defects in the public disclosure required by securities laws. The cases were consolidated and on April 19, 2002 ATG filed a motion to dismiss the case. On September 4, 2003 the court issued a ruling dismissing all but one of the plaintiffs' allegations. The remaining allegation is based on the veracity of a public statement made by a former officer of ATG. While management of ATG believes the remaining claim to be without merit, and intends to defend the action vigorously, the litigation is still in the preliminary stage.

If a court awards damages to the plaintiffs, the total amount could exceed the limit of ATG's existing insurance. This litigation also may divert management's attention and resources. ATG may be the target of similar litigation in the future if the market for its stock becomes volatile. While ATG believes that it has an appropriate amount of insurance for class action lawsuits, it cannot be certain that the insurance coverage will be available or, if available, sufficient to cover its liability with respect to a specific future action that may be brought.

ATG could incur substantial costs protecting its intellectual property from infringement or defending against a claim of infringement.

ATG's professional services often involve the development of custom software applications for specific customers. In some cases, customers retain ownership or impose restrictions on its ability to use the technologies developed from these projects. Issues relating to the ownership of software can be

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complicated, and disputes could arise that affect its ability to resell or reuse applications ATG develops for customers.

ATG seeks to protect the source code for its proprietary software both as a trade secret and as a copyrighted work. However, because ATG makes the source code available to some customers, third parties may be more likely to misappropriate it. ATG's policy is to enter into confidentiality agreements with its employees, consultants, vendors and customers and to control access to its software, documentation and other proprietary information. Despite these precautions, it may be possible for someone to copy its software or other proprietary information without authorization or to develop similar software independently.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. ATG could incur substantial costs in prosecuting or defending any intellectual property litigation. If ATG sues to enforce its rights or is sued by a third party that claims that ATG's technology infringes its rights, the litigation could be expensive and could divert ATG's management resources.

Despite ATG's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of its products or to obtain and use information that ATG regards as proprietary. Policing unauthorized use of its products is difficult and while ATG is unable to determine the extent to which piracy of its software exists, software piracy can be expected to be a persistent problem. Litigation may be necessary in the future to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. However, the laws of many countries do not protect proprietary rights to as great an extent as the laws of the United States. Any such resulting litigation could result in substantial costs and diversion of resources and could have a material adverse effect on ATG's business, operating results and financial condition. There can be no assurance that ATG's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar technology. Any failure by ATG to meaningfully protect its intellectual property could have a material adverse effect on its business, operating results and financial condition.

In addition, ATG has agreed to indemnify customers against claims that ATG's products infringe the intellectual property rights of third parties. The results of any intellectual property litigation to which ATG might become a party may force it to do one or more of the following:

cease selling or using products or services that incorporate the challenged intellectual property;

obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or

redesign those products or services to avoid infringement.

In October 2003, Primus received notice that ServiceWare, Inc. had filed a complaint against Primus in the United States District Court for the Western District of Pennsylvania, which alleges that aspects of Primus' technology infringe one or more patents issued in 1998 alleged to be held by the plaintiff. The complaint was served on Primus on January 28, 2004. In February of 2004, Primus filed its answer, denying all substantive claims, raising multiple affirmative defenses (including that the patents are invalid and unenforceable, that Primus products do not infringe the patents in any event and that these claims on 1998 patents are barred by equitable estoppel and laches) and including a number of counterclaims. In May 2004, ServiceWare, Inc. filed counterclaims in this lawsuit, including allegations of interference, defamation and unfair competition. Primus may be required to incur substantial costs in defending this litigation, which could have a material adverse effect on ATG's operating results and financial condition after the merger.

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ATG may not be able to sustain or increase its revenue or attain profitability on a quarterly or annual basis, which could lead to a material decrease in the price of its common stock.

ATG incurred losses in the first and second quarter of 2004, in the first and third quarters of 2003 and in each quarter of 2002. As of June 30, 2004, ATG had an accumulated deficit of \$201.7 million. Its revenues decreased 24% to \$31.1 million for the six months ended June 30, 2004 compared with \$40.7 million for the six months ended June 30, 2003. Because ATG operates in a rapidly evolving industry, ATG has difficulty predicting its future operating results and ATG cannot be certain that its revenues will grow or its expenses will decrease at rates that will allow it to achieve profitability on a quarterly or annual basis. Additionally, in recent years the slowdown in the software industry and the decrease in spending by companies in ATG's target markets have reduced the rate of growth of the internet as a channel for consumer branded retail and financial services companies. If current economic conditions continue for an extended period of time or worsen, ATG may experience additional adverse effects on its revenue, net income and cash flows, which could result in a decline in the price of its common stock.

Turnover in ATG's management, sales and engineering personnel may impair its ability to develop and implement a business strategy, which could have a material adverse effect on its operating results and common stock price.

Members of its senior management team, including its two founders, its former Chief Executive Officer and President, and several senior managers, have left ATG during the past few years for a variety of reasons, and ATG cannot assure you that there will not be additional departures. As a result of this management turnover, ATG's current management team has had limited experience working together and may be unsuccessful in developing or executing a business strategy for ATG. These changes in management, and any future similar changes, may be disruptive to ATG's operations. In addition, equity incentives such as stock options constitute an important part of ATG's total compensation program for management, and the volatility or lack of positive performance of its stock price may from time to time adversely affect its ability to retain its management team.

ATG relies heavily on its direct sales force. ATG has recently restructured and reduced the size of its sales force. Changes in the structure of the sales force have generally resulted in temporary lack of focus and reduced productivity.

In addition, ATG recently restructured its research and development group, which could result in interruptions in product development and reduced productivity.

ATG's lengthy sales cycle makes it difficult to predict its quarterly results and causes variability in its operating results.

ATG's long sales cycle, which can range from several weeks to several months or more, makes it difficult to predict the quarter in which sales may occur. ATG has a long sales cycle because ATG generally needs to educate potential customers regarding the use and benefits of its products and services. Its sales cycle varies depending on the size and type of customer contemplating a purchase and whether ATG has conducted business with a potential customer in the past. In addition, ATG believes the recent economic downturn in the United States has contributed to an increase in the average length of its sales cycle as customers deferred implementing new e-commerce solutions.

ATG may incur significant sales and marketing expenses in anticipation of licensing its products, and if ATG does not achieve the level of revenues it expects, its operating results will suffer and its stock price may decline. ATG's potential customers frequently need to obtain approvals from multiple decision makers prior to making purchase decisions. Delays in sales could cause significant variability in ATG's revenues and operating results for any particular period.

Like most software companies, a significant proportion of ATG's sales are concentrated near the end of each fiscal quarter. Failure to close even a relatively small number of license deals at quarter end can

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have a significant impact on its reported operating results for that quarter. In addition, there can be no assurance that deals that are not closed at the end of a fiscal quarter, will be entered into during any subsequent quarter. Competition could materially and adversely affect ATG's ability to obtain revenues from license fees from new or existing customers and professional services revenues from existing customers. While the list price for its software generally has been maintained over the past three years, in the first quarter of 2004, ATG reduced its list prices on purchases exceeding certain volumes. Additional volume-based reductions in ATG's list price could adversely affect its business, operating results and financial condition.

ATG faces intense competition in the market for internet online marketing, sales and service applications, and expects competition to intensify in the future. This competition could cause its revenues to fall short of expectations, which could adversely affect its future operating results and ATG's ability to grow its business.

The market for online marketing, sales and services applications is intensely competitive, and ATG expects competition to intensify in the future. This level of competition could reduce its revenues and result in increased losses or reduced profits. Its primary competition currently comes from in-house development efforts by potential customers or partners, as well as from other vendors of web-based application software. ATG currently competes with internet application software vendors such as BroadVision and commerce, marketing and self-service vendors such as Chordiant, E.piphany and Kana. ATG also competes with platform application server products and vendors such as BEA Systems, IBM, and Microsoft, among others. In addition, ATG competes indirectly with portal software vendors such as Vignette (through its acquisition of Epicentric), SAP Portals, a subsidiary of SAP, and Plumtree and with customer relationship management vendors such as Siebel and PeopleSoft.

The market for Primus products is also rapidly evolving, and intensely competitive. Primus suite of products competes against various vendor software tools designed to address a specific element or elements of the complete set of eService processes, including e-mail management, support, knowledge management, and web-based customer self-service and assisted service. Primus also faces competition from in-house designed products and third-party custom development efforts. The high level of competition in Primus market has resulted in pricing pressures, which if such conditions continue or increase, could harm the combined company's results of operations. Some of the companies providing e-commerce, advanced natural language self service and traditional customer relationship management solutions that may compete with Primus include Amdocs/ Clarify, eGain, Inquire, iPhrase Technologies, Kana, Kanisa, Oracle, PeopleSoft, RightNow Technologies, ServiceWare, Siebel Systems and SupportSoft.

In addition, competition may increase as a result of current competitors expanding their product offerings, new companies entering the market, software industry consolidations and formations of alliances among industry participants or with third parties. Many of ATG's and Primus' competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than ATG does and may be able to respond more quickly to new or changing opportunities, technologies and customer requirements. Also, many current and potential competitors have greater name recognition and more extensive customer bases that they can use to gain market share. These competitors may be able to undertake more extensive promotional activities, adopt more aggressive pricing policies and offer more attractive terms to purchasers than ATG can. Moreover, its current and potential competitors, such as Microsoft, may bundle their products in a manner that may discourage users from purchasing ATG's products. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to enhance their products and expand their markets. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share.

Competition could materially and adversely affect ATG's ability to obtain revenues from license fees from new or existing customers and professional services revenue from existing customers. Further, competitive pressures could require ATG to reduce the price of its software products. In either case, ATG's business, operating results and financial condition would be materially and adversely affected.

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If ATG fails to maintain its and Primus existing customer base, its ability to generate revenues will be harmed.

Historically, each of ATG and Primus has derived a significant portion of its revenues from existing customers that purchase its support and maintenance services and enhanced versions of its products. Retention of its existing customer base requires that ATG provide high levels of customer service and product support to help its customers maximize the benefits that they derive from its products. To compete, ATG must introduce enhancements and new versions of its products that provide additional functionality. Further, ATG must manage the transition from its older products so as to minimize the disruption to its customers caused by such migration and integration with the customers information technology platform. If the combined company is unable to continue to obtain significant revenues from its existing customer base, its ability to grow its business would be harmed and its competitors could achieve greater market share.

If systems integrators or value added resellers reduce their support and implementation of ATG's products, its revenues may fail to meet expectations and its operating results would suffer.

Since its potential customers often rely on third-party systems integrators to develop, deploy and manage websites for conducting commerce on the internet, ATG cultivates relationships with systems integrators to encourage them to support its products. ATG does not, however, have written agreements with its systems integrators, and they are not required to implement solutions that include its products or to maintain minimum sales levels of its products. Its revenues would be reduced if ATG fails to train a sufficient number of systems integrators adequately or if systems integrators devote their efforts to integrating or co-selling products of other companies. Any such reduction in revenue would not be accompanied by a significant offset in its expenses. As a result, its operating results would suffer and the price of its common stock probably would fall.

Approximately 50% of ATG's product license revenues in 2003 related to its relationships with systems integrators and value added resellers. Since a substantial portion of its product license revenues are related to its relationships with systems integrators and its potential customers often rely on third-parties to develop, deploy and manage websites for conducting commerce on the internet, ATG cultivates relationships with systems integrators and value added resellers to encourage them to create demand for and support its products.

ATG's systems integrators and value added resellers are not required to implement solutions that include its products or to maintain minimum sales levels of its products. If ATG fails to train its systems integrators or value added resellers, including a sufficient number of accredited partners and certified professionals, ATG believes that the product license revenues resulting from its relationships with these channel partners will decrease. In addition, if systems integrators or value added resellers devote their efforts to integrating or reselling competitors products ATG's product revenues would decline. Any such reduction in revenue would not be accompanied by a significant offset in its expenses. As a result, ATG's operating results would suffer and the price of its common stock probably would fall.

Competition with ATG's resellers could limit its sales opportunities and jeopardize these relationships.

ATG sells products through resellers and original equipment manufacturers. In some instances, ATG targets its direct selling efforts toward markets that are also served by some of these resellers. This competition may limit its ability to sell its products and services directly in these markets and may jeopardize, or result in the termination of, these relationships.

If ATG acquires other companies or businesses, ATG will be subject to risks that could hurt its business.

In the future, ATG may pursue additional acquisitions to obtain complementary businesses, products, services or technologies. Any such acquisition may not produce the revenues, earnings or business synergies that ATG anticipated, and an acquired business, product, service or technology might not perform as ATG expected. If ATG pursues an additional acquisition, its management could spend a significant amount of

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time and effort in identifying and completing the acquisition. If ATG completes an additional acquisition, ATG may encounter significant difficulties and incur substantial expenses in integrating the operations and personnel of the acquired company into its operations while preserving the goodwill of the acquired company. In particular, ATG may lose the services of key employees of the acquired company and ATG may make changes in management that impair the acquired company's relationships with employees and customers.

Any of these outcomes could prevent ATG from realizing the anticipated benefits of its additional acquisitions. To pay for an acquisition, ATG might use stock or cash. Alternatively, ATG might borrow money from a bank or other lender. If ATG uses its stock, its stockholders would experience dilution of their ownership interests. If ATG uses cash or debt financing, its financial liquidity would be reduced. ATG may be required to capitalize a significant amount of intangibles, including goodwill, which may lead to significant amortization charges. In addition, ATG may incur significant, one-time write-offs and amortization charges. These amortization charges and write-offs could decrease its future earnings or increase its future losses.

ATG may need additional financing in the future, and any additional financing may result in restrictions on its operations or substantial dilution to its stockholders.

ATG may need to raise additional funds in the future, for example, to develop new technologies, support an expansion, respond to competitive pressures, acquire complementary businesses or respond to unanticipated situations. ATG may try to raise additional funds through public or private financings, strategic relationships or other arrangements. Its ability to obtain debt or equity funding will depend on a number of factors, including market conditions, its operating performance and investor interest. Additional funding may not be available to it on acceptable terms or at all. If adequate funds are not available, ATG may be required to revise its business plan to reduce expenditures, including curtailing its growth strategies, foregoing acquisitions or reducing its product development efforts. If ATG succeeds in raising additional funds through the issuance of equity or convertible securities, the issuance could result in substantial dilution to existing stockholders. If ATG raises additional funds through the issuance of debt securities or preferred stock, these new securities would have rights, preferences and privileges senior to those of the holders of its common stock. The terms of these securities, as well as any borrowings under its credit agreement, could impose restrictions on its operations.

Failure by ATG to comply with the financial covenants in its line of credit, or the refusal of its bank to renew this facility, could negatively impact ATG's cash, cash equivalents and marketable securities balances.

ATG renewed and amended its \$20.0 million line of credit in the fourth quarter of 2003. This line of credit is secured by all of ATG's tangible and intangible intellectual and personal property and is subject to financial covenants including liquidity coverage and profitability. While there were no outstanding borrowings under the facility at August 31, 2004, ATG has issued letters of credit totaling \$10.3 million, which are supported by this facility. The letters of credit have been issued in favor of various landlords and equipment vendors to secure obligations pursuant to leases expiring from August 2004 through August 2009. This revolving line of credit expires on November 25, 2004.

The liquidity covenant in the line of credit mandates that ATG maintain \$25.0 million in cash, which includes cash equivalents and marketable securities, at the end of each month throughout the duration of the facility. At August 31, 2004, ATG had \$27.9 million in cash, including cash equivalents and marketable securities, which represents a decrease of \$13.7 million from \$41.6 million in cash on December 31, 2003. The profitability covenant, which was modified in June 2004 pursuant to the fifth loan modification agreement, allows for net losses not to exceed: \$5.0 million for the second quarter of 2004, \$2.0 million for the third quarter of 2004 and \$1.0 million for the fourth quarter of 2004. ATG's net loss was \$4.2 million for the second quarter of 2004. In the event that ATG does not comply with any of the financial covenants under the line of credit or defaults on any of its provisions, the bank's significant

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remedies include declaring all obligations immediately due and payable and ceasing to advance money or extend credit for ATG's benefit.

Additionally, if ATG does not comply with any of the financial covenants in the line of credit or if its line of credit agreement expires, the bank may require outstanding letters of credit to be cash secured. If the bank required ATG to secure each outstanding letter of credit on a dollar for dollar basis, ATG's cash, cash equivalents and marketable securities balances would decrease substantially.

If ATG fails to adapt to rapid changes in the market for internet online marketing, sales, and service applications, its existing products could become obsolete.

The market for ATG's products is marked by rapid technological change, frequent new product introductions and internet-related technology enhancements, uncertain product life cycles, changes in customer demands, coalescence of product differentiators, product commoditization and evolving industry standards. ATG may not be able to develop and market or acquire new products or product enhancements that comply with present or emerging internet technology standards and to differentiate its products based on functionality and performance. In particular, there can be no assurance that its current or potential clients will adopt the e-commerce and self-service applications that ATG began focusing on in 2003. In addition, ATG may not be able to establish strategic alliances with operating system and infrastructure vendors that will permit migration opportunities for its current user base. New products based on new technologies or new industry standards could render its existing products obsolete and unmarketable. For example, functionality that once differentiated ATG's products has over time been incorporated into products offered by the major operating system and infrastructure providers.

To succeed, ATG will need to enhance its current products, develop new products on a timely basis to keep pace with developments related to internet technology and to satisfy the increasingly sophisticated requirements of customers and leverage strategic alliances with third parties in the e-commerce field who have complementary or competing products. E-commerce technology is complex and new products and product enhancements can require long development and testing periods. Any delays in developing and releasing new or enhanced products could cause it to lose revenue opportunities and customers.

If ATG fails to address the challenges associated with international operations, revenues from its products and services may decline or the costs of providing its products or services may increase.

As of June 30, 2004 ATG had offices in the United Kingdom, France, Germany and Italy, and additionally had sales personnel in Spain. ATG derived 35% of its total revenues in the six months ended June 30, 2004 from customers outside the United States. In December 2002, ATG initiated a restructuring plan, which included the closing of its offices in Australia, Canada, and the Netherlands at varying times during the first quarter of 2003. Its operations outside North America are subject to additional risks, including:

changes in regulatory requirements, exchange rates, tariffs and other barriers;

longer payment cycles and problems in collecting accounts receivable in Western Europe and the Far East;

difficulties in managing systems integrators and technology partners;

difficulties in staffing and managing foreign subsidiary operations;

differing technology standards;

difficulties and delays in translating products and product documentation into foreign languages to the extent that its products are sold in countries that do not have English as their primary language;

reduced protection for intellectual property rights in some of the countries in which ATG operates or plans to operate;

potentially adverse tax consequences; and

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political and economic instability.

The impact of future exchange rate fluctuations on ATG's operating results cannot be accurately predicted. ATG may increase the extent to which it denominates its arrangements with international customers in the currencies of the countries in which the software or services are provided. From time to time ATG may engage in hedges of contracts denominated in foreign currencies. Any hedging policies implemented by it may not be successful, and the cost of these hedging techniques may have a significant negative impact on its operating results.

ATG's software products may contain errors or defects that could result in lost revenues, delayed or limited market acceptance, or product liability claims with substantial litigation costs.

Complex software products such as those of ATG and Primus often contain errors or defects, particularly when first introduced or when new versions or enhancements are released. ATG began shipping the latest version of the ATG 6.3 suite of products in the first quarter of 2004. Despite internal testing and testing by customers, its current and future products may contain serious defects. Serious defects or errors could result in lost revenues or a delay in market acceptance.

Since ATG's customers use its products for critical business applications such as e-commerce, errors, defects or other performance problems could result in damage to its customers. They could seek significant compensation from it for the losses they suffer. Although its license agreements typically contain provisions designed to limit its exposure to product liability claims, existing or future laws or unfavorable judicial decisions could negate these limitations. Even if not successful, a product liability claim brought against ATG would likely be time consuming and costly.

ATG's software offerings under its agreement with IBM may not achieve market acceptance, which may harm ATG's business and operating results.

In June 2003, ATG entered into an original equipment manufacturer, or OEM, agreement with IBM under which ATG agreed to offer IBM's WebSphere internet infrastructure software as part of its packaged software offerings. Market acceptance of its relationship with IBM is important to its future success and is subject to a number of significant risks, many of which are outside its control. These risks include:

ATG's packaged software offerings must meet the requirements of its current and prospective clients. ATG is working with IBM to further integrate its applications to optimize their performance while running on IBM WebSphere, but ATG cannot assure you that its integration efforts will satisfy the needs of current and prospective customers.

IBM may determine not to devote significant resources to the arrangements contemplated by its OEM agreement or may disagree with it as to how to proceed with the integration of its products. The amount and timing of resources dedicated by IBM under the OEM agreement are not under ATG's direct control.

ATG's arrangement with IBM may cause confusion among current and prospective customers as to its product focus and direction.

If ATG's relationship with IBM does not achieve market acceptance, ATG's business and operating results may be harmed.

ATG's announced restructurings may not result in the reduced cost structure ATG anticipates and may have other adverse impacts on productivity.

During 2003, ATG had corporate restructurings involving workforce reductions and closures of excess facilities. In addition, there were changes in assumptions and estimates connected to prior restructuring charges and the leases that were settled during the period. These actions resulted in recording a net restructuring benefit of \$10.5 million during 2003. In January 2003, ATG publicly announced a corporate

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restructuring involving a workforce reduction and the closing and consolidation of office facilities in selected locations. These actions resulted in recording a restructuring charge of \$19.1 million in the fourth quarter of 2002. In addition, ATG recorded a restructuring charge of \$75.6 million in 2001. These restructuring activities require that ATG close facilities, maintain sales efforts and provide continuing customer support and service in regions where the sales and support staff has been reduced or eliminated, reallocate workload among continuing employees, and seek to reduce liability for idle lease space. The outcomes of such restructuring activities are difficult to predict. While ATG believes its restructuring and consolidation activities will reduce its cost structure, ATG may not achieve the cost reductions that ATG is expecting. In addition, its restructuring activities may result in lower revenues as a result of the decreased staff in its sales and marketing and professional services groups or other adverse impacts on productivity that ATG did not anticipate. ATG's restructuring and consolidation activities will be further complicated by the need to integrate the operations of Primus with those of ATG following the merger, which could make the risks described above more severe.

The loss of technology licensed from third parties could delay ATG's ability to deliver its products.

ATG relies in part on technology that it licenses from third parties, which is integrated into its internally developed software. For example, ATG has an agreement with a third-party vendor to supply search technology, which will terminate in December 2006 and may only be terminated for breach prior to then. Third-party technology licenses might not continue to be available to ATG on commercially reasonable terms, or at all. The loss of any significant technology license could cause delays in its ability to deliver its products or services until equivalent technology is developed internally or equivalent third-party technology, if available, is identified, licensed and integrated.

ATG uses the Java programming language to develop its products and its business could be harmed if Java loses market acceptance or if ATG is not able to continue using Java or Java-related technologies.

ATG writes its software in the Java computer programming language developed by Sun Microsystems and ATG incorporates Sun's Java 2 Platform, Enterprise Edition, or J2EE, and Sun's Java Runtime Environment, Java Naming and Directory Interface, Java Servlet Development Kit, Java Foundation Classes, JavaMail and JavaBeans Activation Framework into its products under licenses granted to it by Sun. The ATG 6.3 Relationship Management Platform has been designed to support Sun's J2EE standards. If Sun were to decline to continue to allow ATG to use these technologies for any reason, ATG would be required to (a) license the equivalent technology from another source, (b) rewrite the technology itself or (c) rewrite portions of its software to accommodate the change or no longer use the technology.

While a number of companies have introduced web applications based on Java, Java could fall out of favor, and support by Sun Microsystems or other companies could decline. Moreover, the new ATG 6.3 Relationship Management Platform is designed to support J2EE, standards for developing modular Java programs that can be accessed over a network. ATG has licensed the J2EE brand and certification tests from Sun. There can be no assurance that these standards will be widely adopted, that ATG can continue to support J2EE standards established by Sun from time to time or that the J2EE brand will continue to be made available to it on commercially reasonable terms. If Java or J2EE support decreased or ATG could not continue to use Java or related Java technologies or to support J2EE, ATG might have to rewrite the source code for its entire product line to enable its products to run on other computer platforms. Also, changes to Java or J2EE standards or the loss of its license to the J2EE brand could require it to change its products and adversely affect the perception of its products by its customers. If ATG were unable to develop or implement appropriate modifications to its products on a timely basis, ATG could lose revenue opportunities and its business could be harmed.

Many of Primus' products run on Microsoft Windows NT, Microsoft Windows 2000, Sun Solaris UNIX and Linux. Some of its products require the use of third party software. Any change to Primus' customers' operating systems could require the combined company to modify the Primus products and could cause it to delay product releases. In addition, any decline in the market acceptance of these

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operating systems Primus supports may force the combined company to ensure that all of Primus' products and services are compatible with other operating systems to meet the demands of Primus' customers. If potential customers do not want to use the Microsoft, Sun Solaris or J2EE operating systems Primus supports, the combined company will need to develop more products that run on other operating systems adopted by Primus' customers.

ATG's performance will depend on the growth of e-commerce and self-service.

ATG's success will depend heavily on the continued use of the internet for e-commerce. The recent United States economic downturn reduced demand for its products as customers and potential customers delayed or cancelled the implementation of online marketing, sales and service applications. If the market for its products and services fails to mature, ATG will be unable to execute its business plan. Adoption of electronic commerce and online marketing, sales and service applications, particularly by those companies that have historically relied upon traditional means of commerce, will require a broad acceptance of different methods of conducting business. Its future revenues and profits will substantially depend on the internet being accepted and widely used for commerce and communication. If internet commerce does not continue to grow or grows more slowly than expected, its future revenues and profits may not meet its expectations or those of analysts. Similarly, purchasers with established patterns of commerce may be reluctant to alter those patterns or may otherwise resist providing the personal data necessary to support its consumer profiling capability.

Regulations could be enacted that either directly restrict ATG's business or indirectly impact its business by limiting the growth of e-commerce.

As e-commerce evolves, federal, state and foreign agencies could adopt regulations covering issues such as user privacy, content and taxation of products and services. If enacted, government regulations could limit the market for its products and services or could impose burdensome requirements that render its business unprofitable. Although many regulations might not apply to its business directly, ATG expects that laws regulating the solicitation, collection or processing of personal and consumer information could indirectly affect its business. The Telecommunications Act of 1996 prohibits certain types of information and content from being transmitted over the internet. The prohibition's scope and the liability associated with a violation are currently unsettled. In addition, although substantial portions of the Communications Decency Act were held to be unconstitutional, ATG cannot be certain that similar legislation will not be enacted and upheld in the future. It is possible that legislation could expose companies involved in e-commerce to liability, which could limit the growth of e-commerce generally. Legislation like the Telecommunications Act and the Communications Decency Act could dampen the growth in web usage and decrease its acceptance as a medium of communications and commerce.

The internet is generating privacy concerns that could result in legislation or market perceptions that could harm ATG's business or result in reduced sales of its products, or both.

Businesses use the ATG Adaptive Scenario Engine product to develop and maintain profiles to tailor the content to be provided to website visitors. When a visitor first arrives at a website, its software creates a profile for that visitor. If the visitor registers or logs in, the visitor's identity is added to the profile, preserving any profile information that was gathered up to that point. ATG Adaptive Scenario Engine product tracks both explicit user profile data supplied by the user as well as implicit profile attributes derived from the user's behavior on the website. Privacy concerns may cause visitors to resist providing the personal data or to avoid websites that track the web behavioral information necessary to support its profiling capability. More importantly, even the perception of security and privacy concerns, whether or not valid, may indirectly inhibit market acceptance of its products. In addition, legislative or regulatory requirements may heighten these concerns if businesses must notify website users that the data captured after visiting websites may be used to direct product promotion and advertising to that user. Other countries and political entities, such as the European Economic Community, have adopted such legislation or regulatory requirements. The United States may adopt similar legislation or regulatory requirements. If

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privacy legislation is enacted or consumer privacy concerns are not adequately addressed, its business, financial condition and operating results could be harmed.

ATG's products use cookies to track demographic information and user preferences. A cookie is information keyed to a specific user that is stored on a computer's hard drive, typically without the user's knowledge. Cookies are generally removable by the user, although removal could affect the content available on a particular site. Germany has imposed laws limiting the use of cookies, and a number of internet commentators and governmental bodies in the United States and other countries have urged passage of laws limiting or abolishing the use of cookies. If such laws are passed or if users begin to delete or refuse cookies as a common practice, demand for its personalization products could be reduced.

Anti-takeover provisions in ATG's charter documents and Delaware law could prevent or delay a change in control of ATG.

Certain provisions of ATG's charter and by-laws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable, which could reduce the market price of its common stock. These provisions include:

authorizing the issuance of blank check preferred stock;

providing for a classified board of directors with staggered, three-year terms;

providing that directors may only be removed for cause by a two-thirds vote of stockholders;

limiting the persons who may call special meetings of stockholders and prohibiting stockholder action by written consent;

establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and

authorizing anti-takeover provisions.

In addition, ATG adopted a shareholder rights plan in 2001 and Delaware law may further discourage, delay or prevent someone from acquiring or merging with ATG.

The regulatory environment surrounding accounting and corporate governance subjects the combined company to certain legal uncertainties in the operation of its business and may increase the cost of doing business.

The combined company will face increased regulatory scrutiny associated with the highly publicized financial scandals and the various accounting and corporate governance rules promulgated under the Sarbanes-Oxley Act of 2002 and related regulations. The management of the combined company will review and will continue to monitor all of the accounting policies and practices, legal disclosure and corporate governance policies under the new legislation, including those related to relationships with its independent auditors, enhanced financial disclosures, internal controls, board and board committee practices, corporate responsibility and executive officer loan practices, and intend to fully comply with such laws. Nevertheless, such increased scrutiny and penalties involve risks to both the combined company and its executive officers and directors in monitoring and ensuring compliance. A failure to properly navigate the legal disclosure environment and implement and enforce appropriate policies and procedures, if needed, could harm the combined company's business and prospects, including its ability to recruit and retain skilled officers and directors. In addition, it may be adversely affected as a result of new or revised legislation or regulations imposed by the Securities Exchange Commission, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. It also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

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SPECIAL MEETING OF ATG STOCKHOLDERS

Date, time and place

The ATG special meeting of stockholders is scheduled to be held on October 22, 2004 at the offices of Foley Hoag LLP, Seaport World Trade Center West, 155 Seaport Boulevard, Boston, Massachusetts 02210, commencing at 10:00 a.m., local time.

Matters for consideration

The following matters are scheduled to be considered and voted upon at the special meeting:

1. A proposal to approve the issuance by ATG of shares of its common stock pursuant to the merger and the other transactions contemplated by the merger agreement; and

2. A proposal to grant ATG's management discretionary authority to adjourn the special meeting to a date or dates not later than November 21, 2004, if necessary to enable ATG's board of directors to solicit additional proxies in favor of the proposal to approve the issuance of ATG common stock to be delivered in connection with the merger and the other transactions contemplated by the merger agreement.

ATG stockholders will also consider any other matters that are properly presented to the special meeting or any adjournment or postponement of the special meeting.

Record date

The record date for determining the ATG stockholders entitled to vote at the special meeting is September 1, 2004. Only holders of record as of the close of business on that date are entitled to receive notice of the special meeting and to vote at the special meeting. Each share of ATG common stock entitles the holder to one vote on each proposal and on all other matters properly brought before the special meeting. As of the close of business on the record date, there were 73,889,870 shares of ATG common stock outstanding and eligible to vote at the special meeting.

Quorum; abstentions and broker non-votes

In order to conduct business at the special meeting of stockholders of ATG, a quorum must be present. A majority of the shares of ATG common stock issued and outstanding and entitled to vote at the meeting, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the special meeting. ATG will treat shares of ATG common stock represented by a properly signed and returned proxy or proxy properly submitted electronically as present at the special meeting for purposes of determining the existence of a quorum at the meeting. In general, ATG will count abstentions and broker non-votes as present or represented in determining the existence of a quorum. A non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a proposal because the broker or nominee does not have discretionary voting power for that proposal and has not received instructions from the beneficial owner with respect to the proposal.

Voting of proxies

General. Shares represented by a proxy will be voted at the special meeting in accordance with the voting instructions specified in the proxy.

Proxies without voting instructions. Proxies that are properly signed and dated or are properly submitted electronically, but which do not contain voting instructions on one or more proposals will be voted, except as specified in the proxy, **FOR** the approval of the issuance of ATG common stock pursuant to the merger and the other transactions contemplated by the merger agreement and **FOR** the grant to ATG's management of discretionary authority to adjourn the special meeting.

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Voting shares held through broker by proxy. If your ATG shares are held by your broker, your broker will vote your shares for you if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your broker generally cannot vote your shares without specific instructions from you. If you do not instruct your broker how to vote, your shares may not participate in the votes taken at the special meeting.

Voting of shares held through broker in person. If your ATG shares are held by your broker or another nominee and you wish to vote those shares in person at the special meeting, you must obtain from the nominee holding your shares a properly executed legal proxy, identifying you as an ATG stockholder, authorizing you to act on behalf of the nominee at the special meeting and specifying the number of shares with respect to which the authorization is granted.

Other matters. If you sign and return the enclosed proxy card or submit your proxy electronically, you grant to the persons named in the proxy the authority to vote in their discretion on any other matters that are properly presented to the special meeting or any adjournment or postponement of the special meeting. ATG's management does not presently know of any other matters to be brought before the special meeting. Other matters that are properly presented to the special meeting, unless otherwise provided in ATG's certificate of incorporation or by-laws or by statute, will be approved if they receive a majority of the votes properly cast on the matter.

Revocation of proxies

Signing the enclosed proxy card or submitting your proxy electronically will not prevent you, as a record holder of ATG shares, from voting in person at the ATG special meeting or otherwise revoking the proxy. Attendance at the meeting will not by itself constitute a revocation of the proxy. A record holder may revoke a proxy at any time before the special meeting in the following ways:

filing with Edward Terino, ATG's secretary, before the vote at the special meeting, a written notice of revocation bearing a later date than the proxy;

executing a later dated proxy relating to the same shares and delivering it to ATG before the vote at the special meeting;

logging on to the internet or calling the telephone number on the proxy card in the same manner utilized to submit the proxy electronically and changing your votes; or

attending the special meeting, notifying ATG's secretary that you are present and voting in person.

Record holders should send any written notice of revocation or subsequent proxy to ATG's Secretary at 25 First Street, Cambridge, Massachusetts 02141, or hand deliver the notice of revocation or subsequent proxy to ATG's secretary before the vote at the ATG special meeting.

Solicitation of proxies; expenses

The solicitation of proxies from ATG stockholders is made on behalf of the board of directors of ATG. ATG will pay all costs of the solicitation of its stockholders, except that ATG and Primus will share the cost of printing and mailing this joint proxy statement/prospectus and the form of proxy card. ATG has retained MacKenzie Partners, Inc. to assist in the solicitation of proxies by ATG. ATG will pay MacKenzie Partners a fee of approximately \$15,000 to \$20,000, plus reimbursement of specified out-of-pocket expenses, and will indemnify MacKenzie Partners against losses arising out of its proxy solicitation services on behalf of ATG. In addition to solicitation by mail, MacKenzie Partners and ATG may request that ATG's directors, officers or employees solicit proxies from stockholders by telephone, in person or by other means. These persons will not receive additional compensation, although they will be reimbursed for any reasonable out-of-pocket expenses they incur in connection with this solicitation. MacKenzie Partners and ATG will also make arrangements with brokerage firms, fiduciaries, and other nominees who are record holders of ATG common stock to forward solicitation materials to the beneficial owners of those

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shares. ATG will reimburse those brokerage firms, fiduciaries, and other nominees for their reasonable out-of-pocket expenses in connection with this solicitation.

Vote required; tabulation of votes

The approval of the issuance of ATG common stock pursuant to the merger and the other transactions contemplated by the merger agreement and the grant of authority to adjourn the special meeting will require the affirmative vote of a majority of the shares properly cast at the special meeting. Abstentions and broker non-votes will not count as votes cast on these proposals and, accordingly, will not affect the outcome of the votes on these proposals.

It may be necessary to adjourn or postpone the special meeting. If a quorum is not present at the special meeting, the special meeting will be adjourned or postponed to enable the ATG board of directors to solicit additional proxies. If a quorum is present but the number of shares voting in favor of the issuance of the ATG common stock pursuant to the merger and the other transactions contemplated by the merger agreement is insufficient to approve the proposal, then, if the adjournment proposal has received the affirmative vote of a majority of the shares of ATG common stock properly cast on that proposal, ATG's management will have the discretion to adjourn the special meeting to a date or dates not later than November 21, 2004 to provide ATG's board of directors additional time to solicit proxies in favor of the issuance of the ATG common stock.

ATG's transfer agent, EquiServe Trust Company, N.A., will tabulate the votes on each proposal. EquiServe will tabulate the vote on each matter submitted to stockholders separately.

Recommendation of the ATG board of directors

After careful consideration, ATG's board of directors has unanimously approved the merger and the merger agreement and recommends a vote **FOR** the approval of the issuance of ATG common stock pursuant to the merger and the other transactions contemplated by the merger agreement. The ATG board also recommends that ATG stockholders vote **FOR** the adjournment proposal.

Appraisal or dissenters' rights

Holders of ATG common stock are not entitled to appraisal or dissenters' rights in connection with the transactions contemplated by the merger agreement or the adjournment proposal.

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SPECIAL MEETING OF PRIMUS SHAREHOLDERS

Date, time and place

The special meeting of Primus shareholders will be held at 10:00 a.m., local time on October 22, 2004, at the offices of Preston Gates & Ellis LLP, 925 Fourth Avenue, Suite 2900, Seattle, Washington 98104.

These joint proxy statement/prospectus materials were mailed on or about September 23, 2004 to all Primus shareholders entitled to vote at the special meeting.

Matters for consideration

At the special meeting, Primus shareholders will be asked to:

consider and vote on a proposal to approve and adopt the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus, and the merger of Primus with and into a subsidiary of ATG upon the terms and subject to the conditions of the merger agreement; and

to consider and vote upon a proposal to grant Primus management discretionary authority to adjourn or postpone the special meeting to a date or dates not later than November 21, 2004, if necessary to enable Primus board of directors to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement; and

to transact any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

Recommendation of the Primus board of directors

Primus board of directors has determined that the merger is advisable and that is in the best interests of Primus and its shareholders for Primus to enter into the merger agreement and consummate the merger. Primus board of directors has adopted the merger agreement and unanimously recommends a vote **FOR** the merger agreement and the merger.

Record date; outstanding shares; shares entitled to vote

Only holders of record of Primus common stock at the close of business on the record date, September 17, 2004, are entitled to notice of and to vote at the special meeting. As of the record date, there were 23,858,194 shares of Primus common stock outstanding, held of record by approximately 273 shareholders. Each holder of Primus common stock is entitled to one vote for each share of Primus common stock such person owned as of the record date. If you do not vote, either in person or by proxy, it will have the same effect as voting against the merger agreement.

Quorum and vote required

The required quorum for the transaction of business at the special meeting is a majority of the shares of Primus common stock outstanding on the record date, represented in person or by proxy.

Pursuant to Primus Articles of Incorporation, the affirmative vote of the holders of at least a majority of the outstanding shares of Primus common stock is required to approve the merger agreement.

As of the record date of the special meeting, shareholders of Primus holding approximately 14.6% of the outstanding shares of common stock entitled to vote at the meeting have executed voting agreements whereby they have agreed to vote in favor of the merger and these shareholders have executed a proxy in favor of ATG to this effect.

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Voting of proxies

The Primus board of directors requests that you return the proxy card accompanying this joint proxy statement/ prospectus for use at the special meeting. Please complete, date and sign the accompanying proxy and promptly return it in the enclosed envelope or otherwise mail it to Primus. All properly signed proxies that are received prior to the vote at the special meeting and that are not revoked will be voted at the meeting according to the instructions indicated on the proxies or, if no direction is indicated, to approve the proposals relating to the merger. Primus shareholders may revoke their proxies at any time before they are exercised at the meeting by taking any of the following actions:

delivering to the secretary of Primus, by any means, including facsimile, a written notice, bearing a date later than the date of proxy, stating that the proxy is revoked;

signing and so delivering a proxy relating to the same shares and bearing a later date prior to the vote at the meeting; or

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

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must bring to the meeting a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares.

Primus does not expect that any matter other than approval of the merger agreement and merger will be brought before the special meeting. If other matters are properly presented and are within the purpose of the special meeting, however, the persons named as proxies will vote in accordance with their judgment with respect to those matters.

If you need assistance in completing your proxy card, please contact Primus proxy solicitor, The Altman Group, at (800) 762-8393 or write to the following address:

The Altman Group, Inc.

1275 Valley Brook Avenue
Lyndhurst, NJ 07071

Abstentions and broker non-votes

Only shares affirmatively voted for approval of the merger agreement and the merger, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes ***FOR*** the merger agreement and the merger.

Brokers who hold shares of Primus common stock in street name for a beneficial owner of those shares may not give a proxy to vote those shares without specific instructions from the beneficial owner. These non-voted shares are referred to as broker non-votes. If your broker holds your Primus stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this joint proxy statement/ prospectus.

Abstentions and broker non-votes will be included in determining the presence of a quorum, but will have the same effect as voting against the merger agreement.

Share ownership of management

As of September 17, 2004, the record date, Primus directors and executive officers as a group beneficially owned 5,411,935 shares of Primus common stock, including shares issuable upon the exercise of stock options exercisable within 60 days from the record date, or approximately 22.7% of Primus outstanding shares on the record date. All of Primus executive officers and directors have executed the voting agreement referenced above with ATG, under which they have agreed to vote their shares in favor of the merger.

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Solicitation of proxies and expenses

The enclosed proxy is solicited by and on behalf of Primus board of directors. Primus will pay the costs of soliciting and obtaining the proxies, including, upon request, the costs of reimbursing banks, brokers, and other custodians, nominees and fiduciaries, for forwarding proxy materials to their principals. Proxies may be solicited, without additional compensation, by Primus officers, directors and employees by mail, telephone, facsimile or in person. Primus has engaged The Altman Group to assist it in the distribution and solicitation of proxies. Primus estimates that it will pay The Altman Group approximately \$6,500 for its services and will reimburse The Altman Group for reasonable out-of-pocket expenses.

Dissenters rights

Under Washington law, Primus shareholders have the right to dissent from the merger and to receive payment for the fair value of their shares of Primus common stock. To preserve your rights, if you wish to exercise your statutory dissenters rights, you must:

deliver to Primus, prior to the vote being taken at the special meeting, written notice of your intent to demand payment for your shares of Primus common stock if the merger is consummated;

not vote your shares in favor of the merger agreement; and

follow the statutory procedures for perfecting dissenters rights under Washington law.

Merely voting against the merger agreement will not preserve your dissenters rights. See The Proposed Merger Rights of dissenting Primus shareholders for a summary of the rights of Primus shareholders under Chapter 23B.13 of the Washington Business Corporation Act to dissent from the merger, receive an appraisal as to the fair value of their shares of Primus common stock and receive payment for their common stock instead of receiving the merger consideration. Chapter 23B.13 of the Washington Business Corporation Act is reprinted in its entirety and attached to this joint proxy statement/ prospectus as Annex E. Failure to precisely comply with all procedures required by Washington law will result in the loss of your dissenters rights.

You should not send in any certificates representing Primus common stock. Following the effective time of the merger, you will receive instructions for the surrender and exchange of your Primus stock certificates.

Table of Contents**THE PROPOSED MERGER**

This section of this joint proxy statement/ prospectus describes material aspects of the proposed merger, including the merger agreement. While ATG and Primus believe that this description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should read the entire merger agreement and the other documents referred to herein carefully and in their entirety for a more complete understanding of the merger.

The merger; effect of the merger

ATG, Autobahn Acquisition, Inc. and Primus entered into an agreement and plan of merger on August 10, 2004, a copy of which is attached as Annex A to this joint proxy statement/ prospectus, is incorporated herein by reference, and is referred to in this joint proxy statement/ prospectus as the merger agreement. Similarly, when we refer to the merger, we mean the merger of Autobahn Acquisition, Inc., a subsidiary of ATG, with and into Primus. As a result of the merger, the separate corporate existence of Autobahn Acquisition, Inc. will cease and Primus will survive the merger as a wholly owned subsidiary of ATG.

Merger consideration

In the merger, Primus shareholders will receive 1.4169 shares of ATG common stock in exchange for each share of Primus common stock they hold, subject to adjustment based on the amount of the adjusted working capital of Primus on the measurement date, as more fully described in The Merger Agreement Exchange ratio and working capital adjustment on page 71. In general:

If Primus adjusted working capital at the measurement date is positive, or is a deficiency not greater in magnitude than \$(1.0 million), the exchange ratio will be 1.4169.

If Primus adjusted working capital at the measurement date is a deficiency greater in magnitude than \$(1.0 million), the amount by which this deficiency exceeds the \$(1.0 million) standard is referred to for purposes of the adjustment as a working capital deficiency. If the working capital deficiency is greater than zero and less than or equal to \$2.5 million, the exchange ratio will be equal to 1.3567.

If Primus working capital deficiency, as defined above, is greater than \$2.5 million, then the exchange ratio will be equal to 1.3567 minus the product of:

0.0000004328, multiplied by

the amount by which the working capital deficiency exceeds \$2.5 million.

In no event will the exchange ratio be lower than 1.2976.

The following table presents the approximate effect on the exchange ratio of various assumptions as to the amount of Primus adjusted working capital at the measurement date.

Primus assumed adjusted working capital	Working capital deficiency	Resulting exchange ratio
\$ 1,000,000		1.4169
\$(1,000,000)		1.4169
\$(1,000,001)	\$ 1	1.3567
\$(3,500,000)	\$2,500,000	1.3567
\$(4,000,000)	\$3,000,000	1.3351
\$(4,500,000)	\$3,500,000	1.3134
\$(5,000,000)	\$4,000,000	1.2976

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In addition, the number of shares of ATG common stock that Primus shareholders will receive in the merger will be appropriately adjusted for any stock splits, combinations and other similar events that occur between the date of the merger agreement and the completion of the merger. ATG will not issue fractional shares of its common stock in the merger. Instead, each Primus shareholder otherwise entitled to a fractional share will receive cash, without interest, in lieu of a fraction of a share of ATG common stock. Specifically, the exchange agent in the merger will, as promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, notify ATG of such amount, and ATG will deposit such amount with the exchange agent and will cause the exchange agent to forward payments to the owners of fractional interests.

ATG executive officers and directors after the merger

The merger will not result in a change in the executive officers of ATG. However, immediately following the effective time of the merger, ATG's board of directors will expand from seven to nine. Daniel C. Regis, currently a director of Primus, will become a class II director of ATG and Michael A. Brochu, currently the president, chief executive officer and chairman of the board of Primus, will become a class III director of ATG. For more information on Messrs. Regis and Brochu, see "New Additions to ATG's Board of Directors" on page 86.

Treatment of Primus stock options and warrants

At the effective time of the merger, each outstanding Primus stock option and warrant that is outstanding immediately prior to the closing will cease to represent a right to acquire shares of Primus common stock and will be converted into an option or warrant to purchase a number of shares of ATG common stock equal to the number of shares of Primus common stock subject to such option or warrant multiplied by the final exchange ratio, at a per share exercise price equal to the per share exercise price of such option divided by the final exchange ratio, as more fully described in "The Merger Agreement - Treatment of Primus stock options and warrants" on page 72.

Treatment of rights under Primus' employee stock purchase plan

If an offering period under Primus' 1999 employee stock purchase plan is in progress on the date the merger is expected to close, Primus will abbreviate the offering period and set a new exercise date so that the offering period will end on the day before the closing of the merger, as more fully described in "The Merger Agreement - Treatment of rights under Primus' employee stock purchase plan" on page 73.

Background of the merger

As part of ATG's fiscal 2003 strategic planning process, in May 2003 ATG management presented to the ATG board a plan that included expansion of its product offering into the self-service application market. ATG's plan was to pursue an organic development strategy in the self-service market, complemented by strategic acquisitions that would allow ATG to gain more critical mass and establish itself as a market leader in the self-service market. To this end, ATG management recommended to the board that it pursue selective acquisitions with the assistance of an investment banker. On July 14, 2003, ATG engaged SG Cowen & Co., LLC to assist the company with its merger and acquisition activity. In September 2003, ATG management met with the ATG board to present a list of possible transaction candidates in the self-service market. A number of candidates were identified, including Primus.

As part of ATG's strategic plan, in November 2003, Robert D. Burke, ATG's president and chief executive officer, met in Seattle, Washington with Michael A. Brochu, Primus' president and chief executive officer, and David B. Ridout, Primus' vice president, marketing and business development, to explore the possibility of a business relationship between the two companies. The two companies executed a bi-lateral nondisclosure agreement and Messrs. Burke, Brochu and Ridout discussed the enterprise software market generally, mergers and acquisitions activity in their industry and the potential for joint marketing efforts, a strategic partnership or a business combination between the two companies.

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In December 2003, Mr. Burke updated the ATG board regarding ATG's merger and acquisition activities.

On April 30, 2004, the Primus board of directors held a regularly scheduled, quarterly meeting in Seattle, Washington. The meeting was also attended by members of Primus senior management. At the meeting, senior management briefed the Primus board of directors regarding the status of the ongoing discussions between Primus and third parties who had expressed recent interest in exploring strategic alternatives. After discussion, the board determined that it would look to a previously established Primus strategic committee to work with senior management to further evaluate these alternatives.

On May 12, 2004, Mr. Ridout called Mr. Burke to follow up on their November 2003 conversation.

On May 13, 2004, ATG management met with the ATG board to update its strategic plan, including merger and acquisition activity. Mr. Burke discussed meetings that he had completed with various candidates and identified several leading candidates for potential acquisition, including Primus.

During the week of May 17, 2004, Mr. Burke, Edward Terino, ATG's senior vice president and chief financial officer, and Cliff Conneighton, ATG's senior vice president, marketing had a number of telephone conversations with Messrs. Brochu and Ridout and with Ron Stevens, Primus chief financial officer, in which they discussed a possible strategic relationship or combination.

On May 21, 2004, the ATG board met and Mr. Burke and representatives of SG Cowen reported to the board on management's preliminary discussions with Primus regarding a possible combination and on the strategic rationale and potential benefits of such a transaction, and the board authorized management to pursue discussions with Primus concerning a business combination.

On May 24, 2004, Mr. Burke sent Mr. Brochu an email, which included a PowerPoint presentation describing the benefits of a combination between ATG and Primus.

On May 26, 2004, the Primus Strategic Committee held a meeting to discuss the various strategic alternatives available to Primus and agreed to engage Broadview International to assist in the evaluation of strategic opportunities. On May 28, 2004, Primus formally engaged Broadview to assist in analyzing, structuring, negotiating and effecting a business combination or other transaction (including both buy side and sell side transactions).

On June 3, 2004, Broadview spoke with ATG and other third parties to discuss the next steps necessary in order for the parties to commence merger discussions.

On June 8, 2004, ATG management provided the ATG board with an update on the discussions between ATG and Primus.

During the weeks of June 7 and June 14, 2004, Mr. Burke spoke with Mr. Brochu, representatives of SG Cowen and Broadview discussed process and timing issues relating to a possible transaction, and Messrs. Burke and Terino conferred with representatives of SG Cowen and Foley Hoag LLP, counsel to ATG, to initiate the preparation of a term sheet and exclusivity agreement for a possible transaction.

On June 15, 2004, Broadview spoke with SG Cowen to discuss a possible proposal from ATG to acquire Primus.

On June 17, 2004, Broadview participated in a conference call with Primus senior management and the Primus Strategic Committee to discuss the status of various strategic opportunities, including the opportunity presented by ATG. The Primus strategic committee unanimously authorized Primus senior management and Broadview to negotiate with ATG and other third parties the terms of a potential combination. The Primus strategic committee also directed Broadview to conduct a market check by contacting a number of other companies that Broadview and senior management had identified as either other potential acquirers or business combination opportunities to determine the level of interest of those third parties.

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From June 24, 2004 through July 6, 2004, Mr. Burke and Mr. Brochu held various calls to discuss the opportunity and details necessary to proceed.

On July 7, 2004, the Primus board held a meeting in Seattle, Washington that Mr. Burke attended at which he made a presentation concerning the possible benefits of a business combination between ATG and Primus and discussed on a preliminary basis the possible structure and key terms of a potential combination. After Mr. Burke was excused from the meeting, Broadview briefed the Primus board and management regarding the status of the ongoing exchange of information between ATG and Primus, as well as ongoing discussions with other third parties that had expressed recent interest in exploring a potential business combination with Primus. As a result of this update, the Primus board authorized Broadview and senior management to continue negotiations with ATG and such other third parties.

On July 9, 2004, at the direction of ATG's board and management, SG Cowen sent to Broadview a proposed term sheet setting forth principal terms of a potential acquisition by ATG of Primus, including a proposed exchange ratio of 1.35 shares of ATG common stock for each Primus share, subject to adjustment based on Primus' cash and working capital at closing, along with a form of exclusivity agreement. On the same date, Mr. Stevens communicated with Messrs. Burke and Terino by email and telephone concerning arrangements for commencement of the parties' respective due diligence investigations of each other. Later that evening, representatives of Broadview and SG Cowen discussed Primus' response to ATG's proposals, and subsequently Broadview forwarded to SG Cowen written comments of Preston Gates & Ellis LLP, counsel to Primus, on the proposed term sheet and exclusivity agreement.

On July 10, 2004, Messrs. Burke and Terino and representatives of SG Cowen and Foley Hoag conferred by telephone to discuss Primus comments, the most significant of which were Primus' objection to the exchange ratio adjustment provision and to a related closing condition, and its proposal for a shorter exclusivity period. Later that day, SG Cowen forwarded to Broadview revised drafts of the proposed term sheet and exclusivity agreement.

On July 13, 2004, Messrs. Burke and Brochu spoke by telephone and discussed the proposed working capital adjustment and the term of the exclusivity agreement, and SG Cowen subsequently sent to Broadview further revised versions of the term sheet and exclusivity agreement. Mr. Terino spoke by telephone with Mr. Stevens regarding the due diligence process. Later that day, Mr. Stevens sent to Mr. Burke additional suggested revisions to the term sheet.

On July 14, 2004, Messrs. Burke and Terino conferred by telephone with representatives of SG Cowen and Foley Hoag. SG Cowen forwarded to Broadview a further revised version of the term sheet, and representatives of Broadview and SG Cowen spoke by telephone about the working capital adjustment.

On July 15, 2004, Broadview and SG Cowen exchanged further revisions to the term sheet and exclusivity agreement, and these were discussed by telephone by representatives of ATG and Primus and their respective legal and financial advisors. Later that day, SG Cowen sent to Broadview a final version of the term sheet. On the same day, Mr. Brochu executed the exclusivity agreement, which provided that until August 6, 2004, Primus would negotiate exclusively with ATG with respect to any business combination involving Primus.

On July 16, 2004, representatives of ATG and its legal and financial advisors commenced ATG's due diligence investigation of Primus, which continued through August 10, 2004. During the weeks of July 19 and July 26, 2004, they interviewed members of Primus management, including Mr. Stevens, David M. Williamson, Primus' vice president of business affairs and general counsel, and other Primus executives, in Seattle, Washington, Washington, DC and Belfast, Northern Ireland. They also met with representatives of their financial advisors and of Preston Gates & Ellis, and reviewed documents made available by Primus and its counsel and accountants.

From July 16, 2004 through August 10, 2004, Primus' senior management, their financial advisors and Preston Gates & Ellis performed legal and financial due diligence on ATG, including a reviewing records and interviewing ATG management at ATG's headquarters in Cambridge, Massachusetts.

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On July 20, 2004, ATG management met with the ATG board and discussed the status of its activities with Primus, including the term sheet, due diligence process, and a calendar for completing the transaction.

On July 27, 2004, Foley Hoag sent to Primus and to Preston Gates & Ellis a draft of a proposed definitive merger agreement.

On July 27, 2004, Mr. Burke met with Mr. Brochu in Seattle, and on July 28 and 29, 2004 Messrs. Burke and Terino met with Messrs. Brochu, Stevens, Williamson and other members of Primus management. They discussed the two companies' products, customers and personnel and issues relating to integration of the two companies. They also discussed matters relating to the proposed merger agreement.

On July 30, 2004, the Primus board held a meeting in Seattle, Washington at which members of Primus' senior management and Broadview were present. The board discussed the most recent proposal from ATG and Broadview advised the board that, despite making a number of contacts with potential third-party acquirers, there were no third parties that were reasonably likely to make an offer that would be superior to the one proposed by ATG within a time frame that would not jeopardize Primus' ability to act on the ATG opportunity.

On August 2, 2004, Preston Gates & Ellis forwarded to Foley Hoag its preliminary comments on the proposed definitive merger agreement, and Foley Hoag forwarded to Preston Gates & Ellis a draft of the proposed voting agreement.

During the week of August 2, 2004, representatives of ATG continued their due diligence investigation of Primus, and representatives of Primus and of Preston Gates & Ellis continued Primus' due diligence investigation of ATG.

On August 3, 2004, the ATG board met and received a report from Messrs. Burke and Terino, other members of ATG management, and representatives of SG Cowen and ATG's financial and legal advisors on the status of negotiations with Primus and ATG's due diligence investigation of Primus.

On August 4 and 5, 2004, Messrs. Terino and Stevens and representatives of Foley Hoag and Preston Gates & Ellis met in Cambridge, Massachusetts to negotiate the terms of the definitive merger agreement and the voting agreement.

On August 5, 2004, a proposed form of merger agreement and related ancillary agreements and schedules were forwarded by Preston Gates & Ellis to the Primus board for review and consideration. In addition, Broadview forwarded a copy of its financial presentation to the Primus board for review and consideration.

On August 5, 2004, the Primus board held a meeting at which members of the Primus management team, Preston Gates & Ellis and Broadview participated. Management discussed with the board ATG's and Primus' separate and pro forma combined financial and business information, the strategic rationale for a combination of the two companies, and the results of Primus' due diligence review of ATG. Broadview then presented its financial analysis of the proposed merger to the board. Preston Gates & Ellis then discussed with the board the proposed terms of the merger agreement and the ancillary agreements referred to therein and the board's fiduciary duties in considering approval of the proposed merger and related proposals. After deliberations, the independent members of the Primus board (all directors present, excluding Mr. Brochu) unanimously approved the proposed merger and the terms in substantially the form set forth in the agreement presented to the board, declared it to be advisable and in the best interest of Primus shareholders, resolved to recommend that Primus shareholders vote in favor of the merger, and authorized management to proceed with the transaction. The board authorized the strategic committee to approve the final terms of the merger agreement upon delivery of a fairness opinion by Broadview.

On August 6, 2004, the ATG board met and received a briefing from Messrs. Burke and Terino and representatives of SG Cowen and Foley Hoag on the status of the negotiations. Following this meeting, Mr. Burke telephoned Mr. Brochu and they discussed various issues relating to the merger agreement.

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Between August 6, 2004 and August 10, 2004, representatives of ATG, Primus, SG Cowen, Broadview, Foley Hoag and Preston Gates & Ellis participated in a series of conference calls to finalize the definitive merger agreement and related schedules.

On August 10, 2004, the strategic committee of the Primus board held a meeting at which Broadview delivered both an oral and written opinion to the Primus board that, based upon and subject to the matters described in the opinion, the proposed exchange ratio was fair, from a financial point of view, to Primus shareholders. Thereafter, the strategic committee approved the final terms of the merger agreement and authorized Mr. Brochu to execute and deliver the merger agreement and various related agreements on behalf of Primus.

On August 10, 2004, the ATG board met to consider the revised merger agreement and the merger. Messrs. Burke and Terino summarized the manner in which the principal open issues had been resolved, as set forth in the proposed definitive merger agreement. SG Cowen delivered its opinion that, based upon the analytical procedures performed by it and subject to the various assumptions and limitations set forth in the opinion, the exchange ratio set forth in the definitive merger agreement is fair, from a financial point of view, to ATG. Following these presentations, the ATG board voted unanimously to approve the merger and the issuance of ATG common stock pursuant to the merger, and to authorize Messrs. Burke and Terino to finalize, execute and deliver the merger agreement and various related agreements on behalf of ATG.

During the course of the day on August 10, 2004, Primus delivered to ATG the voting agreements contemplated by the merger agreement, certain key executives of Primus signed and delivered employment agreements with ATG, to take effect upon the consummation of the merger, and the form of the definitive merger agreement was finalized.

After the close of trading of ATG's common stock on the Nasdaq National Market and of Primus' common stock on the Nasdaq SmallCap Market on August 10, 2004, ATG, its subsidiary, Autobahn Acquisition, Inc. and Primus signed the merger agreement, and ATG and Primus announced the execution of the merger agreement in a joint press release. On the morning of August 11, 2004, ATG and Primus' management teams conducted a joint conference call about the transaction that was open to the public.

ATG's reasons for the merger

The ATG board believes that the market for online commerce and online self- and assisted service software applications is poised for rapid growth and is highly fragmented, and that consolidation in its industry is likely in the near term. The ATG board believes that an opportunity exists, through the proposed combination with Primus, for ATG to become the leader in online business applications software.

Online consumer commerce is increasingly prevalent, driven by numerous factors, including rapid growth in the number of consumers with broadband access and intense competition among retailers, financial institutions, telecommunications providers, travel and hospitality businesses and media and entertainment companies, among others, to reach consumers through online channels. As a result, according to industry analysts, expenditures on e-commerce information technology have been outpacing overall information technology spending, as companies engaged in online commerce seek to compete with each other by providing consumers with improved ease of use, better self-service capabilities and a more relevant and personalized customer experience.

To date, participants in ATG's industry generally have consisted of a number of small enterprise software vendors, typically with annual revenues of less than \$100 million, each of which offers a subset of the functionality that ATG believes is necessary to address the above requirements. The ATG board believes that a software vendor that can offer an enterprise application suite combining commerce, marketing and service applications in an integrated, cross-channel environment including the web, email and call centers will have a significant competitive advantage.

ATG brings to the proposed combination a highly rated e-commerce platform with advanced scenario personalization technology and strong e-marketing capabilities, while Primus brings highly rated call center

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support, email response management and web self-service technologies. The ATG board believes that combining the technology, research and development resources, customer relationships and sales and marketing capabilities of the two companies will create a stronger and more competitive company, with the breadth and scale that the market demands. The ATG board believes that the combined company will have better prospects for long-term growth and profitability than either company would have alone, would offer a broad set of product offerings focused on customer interaction and experience desired by ATG's customers, and have the critical mass in revenues and in research and development, sales and marketing and professional services and support resources to compete more effectively against its competitors.

In reaching its decision to enter into the merger agreement and the merger and to unanimously recommend that ATG stockholders approve the issuance of ATG common stock pursuant to the merger agreement and the merger, the ATG board identified a number of additional specific reasons why the merger should be beneficial to ATG and its stockholders. These potential benefits include the following:

its belief that the acquisition of Primus will better enable ATG to satisfy demand by ATG's customers for a single, integrated application suite that includes functionality for online commerce and customer service and covers the full range of customer interactions including call centers, e-mail and the internet;

the fact that the product offerings of ATG and Primus are largely complementary, with only limited functional overlap, and utilize compatible technology;

the opportunity to increase ATG's revenues by combining Primus' more than 200 enterprise class customers, most of which are not current customers of ATG, with ATG's customer base, and by cross selling each company's product set to the customers of the other company;

its belief that enlarging ATG's installed base and adding to its stream of relatively stable and predictable maintenance and support revenue would benefit ATG's results of operations;

the opportunity to achieve expense reduction synergies through elimination of duplicative functions and expenses, including reductions in staffing costs, operating expenses, facilities costs and information technology costs, which ATG management expected would result in combined savings in the range of \$10 million to \$15 million in 2005;

its belief that the combined experience, research and development resources and sales and marketing capabilities of the two companies will better enable ATG to respond quickly and effectively to rapid changes in technology, customer requirements and competitive landscape which characterize ATG's industry; and

the possibility that the increased float of ATG common stock resulting from the merger will enable stockholders of the combined companies to benefit from greater trading liquidity and may, with the greater size of the combined companies, lead to increased research coverage.

The ATG board also considered and balanced against the potential benefits of the merger a number of potentially negative factors, including, without limitation, the following:

the possibility that ATG might not be successful in integrating Primus' business with its own, or that the expected benefits of the merger may not be achieved;

the risk that ATG's relationships with its customers, suppliers, employees and investors might be disrupted by the announcement of the proposed merger;

the possibility that the market value of ATG common stock might increase, causing a higher than expected aggregate value to be paid to Primus shareholders;

the fact that substantial expenses will be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger, many of which will need to be paid whether or not the merger is consummated;

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the substantial costs expected to be incurred in connection with the merger, primarily in the quarter in which the merger is consummated and the possibility that depreciation, amortization and potential impairment charges associated with the acquisition could adversely affect ATG's results of operations in future periods;

the potential dilutive effect of the issuance of ATG common stock in the merger and the risk that, if the combined companies' revenues and costs savings from synergies are less than expected, or are achieved more slowly than expected, the transaction may not be accretive beginning in the first quarter of 2005, or at all;

the risks and costs associated with litigation pending against Primus, including a securities class action commenced against Primus in 2000 and a patent infringement suit commenced against Primus in 2004;

the risk that, despite terms of the merger agreement that provide for a downward adjustment to the exchange ratio if Primus' adjusted working capital declines below a specified amount, deterioration in Primus' balance sheet prior to the consummation of the acquisition could require ATG to divert its own working capital to support the operations of Primus; and

other factors described in the section entitled "Risk Factors" on page 18.

In the course of its deliberations, the ATG board also reviewed with ATG's executive management team and its legal and financial advisors information from a number of sources relating to the merger, including:

the terms and conditions of the merger agreement, including the parties' respective representations and warranties, covenants and closing conditions which, after consulting its legal and financial advisors, ATG's board considered to be reasonable and consistent in form and substance with those customarily entered into in transactions of this kind described herein;

the opinion of SG Cowen that, as of the date of the merger agreement and subject to the considerations set forth in the opinion, the exchange ratio is fair to ATG from a financial point of view. A copy of the opinion of SG Cowen is attached to this joint proxy statement/prospectus as Annex C. This written opinion should be read in its entirety for a description of the procedures followed, assumptions and qualifications made, matters considered and limitations of the review undertaken by SG Cowen;

historical and current information about ATG and Primus' respective businesses, prospects, financial performance and condition, operations, technology, management and competitive position, including public reports concerning results of operations during the most recent fiscal year and fiscal quarter of each company filed with the SEC, analyst estimates, market data and management's knowledge of the industry;

current economic and financial market conditions and historical market prices, volatility and trading information for ATG common stock and Primus common stock;

discussions with management, and with ATG's legal and financial advisors as to their due diligence investigations of Primus, which provided significant information to ATG's board concerning Primus' management, business and financial condition; and

strategic alternatives to the merger available to ATG, including operating as an independent company without acquiring Primus.

The above discussion of the information and factors considered by the ATG board is not intended to be exhaustive but is believed to include all material factors considered by the board. In view of the complexity and wide variety of information and factors, both positive and negative, considered by the ATG board, it did not find it practical to quantify, rank or otherwise assign relative or specific weights to the factors considered. In addition, the ATG board did not reach any specific conclusion with respect to each of the factors considered, or any aspect of any particular factor, but, rather, conducted an overall analysis

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of the factors described above, including discussions with ATG's management and legal, financial and accounting advisors. In considering the factors described above, individual members of the ATG board may have given different weight to different factors. The ATG board considered all these factors as a whole and believed the factors supported its determination to approve the mergers.

Taking into account all of the material facts, matters and information, including those described above, the ATG board of directors believes that the merger and the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of, ATG and its stockholders. **The ATG board of directors unanimously recommends that the ATG stockholders vote FOR the issuance of ATG common stock pursuant to the merger agreement and the merger.**

Opinion of ATG's financial advisor

Pursuant to an engagement letter dated July 14, 2004, ATG retained SG Cowen & Co., LLC to render an opinion to the board of directors of ATG as to the fairness, from a financial point of view, to ATG of the exchange ratio in the transaction.

On August 10, 2004, SG Cowen delivered certain of its written analyses and its oral opinion to the ATG board of directors, subsequently confirmed in writing as of the same date, to the effect that and subject to the various assumptions set forth therein, as of August 10, 2004, the exchange ratio in the transaction was fair, from a financial point of view, to ATG. **The full text of the written opinion of SG Cowen, dated August 10, 2004, is attached as Appendix C and is incorporated by reference. Holders of ATG common stock are urged to read the opinion in its entirety for the assumptions made, procedures followed, other matters considered and limits of the review by SG Cowen. The summary of the written opinion of SG Cowen set forth herein is qualified in its entirety by reference to the full text of such opinion. SG Cowen's analyses and opinion were prepared for and addressed to the ATG board of directors and are directed only to the fairness, from a financial point of view, of the exchange ratio in the transaction, and do not constitute an opinion as to the merits of the transaction or a recommendation to any stockholder as to how to vote on the proposed transaction. The exchange ratio in the transaction was determined through negotiations between ATG and Primus and not pursuant to recommendations of SG Cowen.**

In arriving at its opinion, SG Cowen reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

a draft of the merger agreement dated August 9, 2004;

certain publicly available financial and other information for ATG, and certain other relevant financial and operating data furnished to SG Cowen by ATG management;

certain publicly available financial and other information for Primus, and certain other relevant financial and operating data furnished to SG Cowen by Primus management;

certain internal financial analyses, financial forecasts, reports and other information concerning ATG and Primus prepared by the management of ATG, including the amounts and timing of the cost savings and related expenses expected to result from the transaction furnished to us by the management of ATG, referred to below as the expected synergies, and reserves for contingent liabilities, referred to below as the reserves;

discussions SG Cowen had with certain members of the management teams of each of ATG and Primus concerning the historical and current business operations, financial conditions and prospects of ATG and Primus, the expected synergies, the reserves and such other matters SG Cowen deemed relevant;

the financial performance of ATG and Primus and the prices and trading activity of the common stock of ATG and Primus in comparison with those of other publicly traded companies SG Cowen deemed relevant;

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certain financial terms of the transaction as compared to the financial terms of certain selected business combinations SG Cowen deemed relevant;

certain pro forma financial effects excluding goodwill of the transaction on an accretion/dilution basis; and

such other information, financial studies, analyses and investigations and such other factors that SG Cowen deemed relevant for the purposes of its opinion.

In conducting its review and arriving at its opinion, SG Cowen, with ATG's consent, assumed and relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided to it by ATG and Primus or which was publicly available, SG Cowen did not undertake any responsibility for the accuracy, completeness or reasonableness of, or independently to verify, this information. In addition, SG Cowen did not conduct any physical inspection of the properties or facilities of ATG or Primus. SG Cowen further relied upon the assurance of management of ATG that they were unaware of any facts that would make the information provided to SG Cowen incomplete or misleading in any respect. SG Cowen, with ATG's consent, assumed that the financial forecasts and description of expected synergies and the estimate of reserves provided to SG Cowen were reasonably prepared by the management of ATG, and reflected the best available estimates and good faith judgments of such management as to the future performance of ATG, the expected synergies and the reserves. Management of ATG confirmed to SG Cowen, and SG Cowen assumed, with ATG's consent, that each of the financial forecasts, expected synergies and reserves, with respect to ATG and Primus provided a reasonable basis for its opinion.

SG Cowen did not make or obtain any independent evaluations, valuations or appraisals of the assets or liabilities of ATG or Primus, nor was SG Cowen furnished with these materials. With respect to all legal matters relating to ATG and Primus, SG Cowen relied on the advice of legal counsel to ATG. SG Cowen expresses no opinion with respect to such legal matters. SG Cowen's services to ATG in connection with the transaction were comprised of rendering an opinion from a financial point of view of the exchange ratio in the transaction. SG Cowen's opinion was necessarily based upon economic and market conditions and other circumstances as they existed and could be evaluated by SG Cowen on the date of its opinion. It should be understood that although subsequent developments may affect its opinion, SG Cowen does not have any obligation to update, revise or reaffirm its opinion and SG Cowen expressly disclaims any responsibility to do so.

In rendering its opinion, SG Cowen assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the merger agreement and that all conditions to the consummation of the transaction will be satisfied without waiver thereof. SG Cowen assumed that the final form of the merger agreement would be substantially similar to the last draft received by SG Cowen prior to rendering its opinion. SG Cowen also assumed that all governmental, regulatory and other consents and approvals contemplated by the merger agreement would be obtained and that, in the course of obtaining any of those consents, no restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the transaction. ATG informed SG Cowen, and SG Cowen assumed, that the transaction will be treated as a tax free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

SG Cowen's opinion does not constitute a recommendation to any stockholder as to how the stockholder should vote on the proposed transaction. SG Cowen's opinion does not imply any conclusion as to the likely trading range for ATG common stock following consummation of the transaction or otherwise, which may vary depending on numerous factors that generally influence the price of securities. SG Cowen's opinion is limited to the fairness, from a financial point of view, of the exchange ratio in the transaction. SG Cowen expresses no opinion as to the underlying business reasons that may support the decision of the ATG board of directors to approve, or ATG's decision to consummate, the transaction.

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The following is a summary of the principal financial analyses performed by SG Cowen to arrive at its opinion. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. SG Cowen performed certain procedures, including each of the financial analyses described below, and reviewed with the management of ATG the assumptions on which such analyses were based and other factors, including the historical and projected financial results of ATG and Primus. No limitations were imposed by the ATG board with respect to the investigations made or procedures followed by SG Cowen in rendering its opinion.

Analysis of selected transactions.

SG Cowen reviewed the financial terms, to the extent publicly available, of nine precedent transactions involving the acquisition of companies in the software industry, which were announced or completed since January 1, 2001. These precedent transactions were (listed as acquiror/ target):

Siebel Systems, Inc./ Eontec Limited

chinadotcom corporation/ Pivotal Corporation

Melita International Ltd/ Concerto Software, Inc.

Interwoven, Inc./ iManage, Inc.

ScanSoft, Inc./ SpeechWorks International, Inc.

Witness Systems, Inc./ Eyretel plc

Open Text Corporation/ Centrinity, Inc.

divine, Inc./ Delano Technology Corp.

Chordiant Software, Inc./ Prime Response, Inc.

SG Cowen reviewed the market capitalization of common stock plus total debt less cash and equivalents, referred to below as enterprise value, paid in the precedent transactions as a multiple of latest reported twelve month revenues, referred to below as LTM revenues, and next twelve month revenues, referred to below as NTM revenues.

The following table presents, for the periods indicated, the multiples implied by the ratio of enterprise value to LTM revenues and NTM revenues. The information in the table is based on the closing stock price of ATG and Primus stock on August 9, 2004.

	Multiples for precedent transactions				Multiple implied by exchange ratio
	Low	Median	Mean	High	
Enterprise value as a ratio of:					
LTM revenue	0.2x	1.1x	1.8x	5.8x	1.0x
NTM revenue	0.3x	1.0x	1.5x	2.9x	0.9x

Although the precedent transactions were used for comparison purposes, none of those transactions is directly comparable to the transaction, and none of the companies in those transactions is directly comparable to ATG or Primus. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and

projected financial and operating characteristics of the companies involved and other factors that could affect the acquisition value of such companies.

Table of Contents***Analysis of premium/ (discount) paid in selected transactions.***

SG Cowen reviewed the premium/ (discount) of the offer price over the trading prices one trading day, one month and three months prior to the announcement date of 118 acquisition transactions in the software industry, referred to below as the software industry transactions, announced since January 1, 2001, which included 67 transactions between \$20 million and \$100 million, referred to below as the small cap software industry transactions, and the nine precedent transactions referred to above.

The following tables present the premium/ (discount) of the offer prices over the trading prices one trading day, one month and three months prior to the announcement date for the software industry transactions, the small cap software industry transactions and the precedent transactions and the premium/ (discount) implied for Primus, based on the exchange ratio in the transaction pursuant to the merger agreement. The information in the tables is based on the closing stock price of ATG and Primus stock on August 9, 2004.

Premium/(discount) paid to stock price:	Premium/ (discount) paid for:								Premium/ (discount) implied by exchange ratio
	Software industry transactions				Small cap software industry transactions				
	Low	Median	Mean	High	Low	Median	Mean	High	
One day prior to announcement	(31)%	29%	47%	260%	(31)%	28%	52%	244%	22%
One month prior to announcement	(61)%	49%	58%	298%	(61)%	49%	59%	298%	30%
Three months prior to announcement	(81)%	59%	65%	362%	(81)%	62%	63%	285%	(44)%

Premium/(discount) paid to stock price:	Premium/(discount) paid for:				Premium/ (discount) implied by exchange ratio
	Precedent transactions				
	Low	Median	Mean	High	
One day prior to announcement	7%	22%	36%	91%	22%
One month prior to announcement	(13)%	29%	41%	133%	30%
Three months prior to announcement	(51)%	84%	57%	110%	(44)%

Analysis of selected publicly traded companies.

To provide contextual data and comparative market information, SG Cowen compared selected historical operating and financial data and ratios for Primus and ATG to the corresponding financial data and ratios of certain other selected companies whose securities are publicly traded and which SG Cowen believes have operating, market valuation and trading valuations similar to what might be expected of Primus and ATG. These companies were:

BroadVision, Inc.

Chordiant Software, Inc.

E.piphany, Inc.

KANA Software, Inc.

Edgar Filing: ART TECHNOLOGY GROUP INC - Form 424B3

Onyx Software Corporation

ServiceWare Technologies, Inc.

Siebel Systems, Inc.

Vignette Corporation

The data and ratios included the enterprise value of the selected companies as multiples of LTM revenues, calendar year 2004 estimated revenues, calendar year 2005 estimated revenues, LTM EBITDA, calendar year 2004 estimated EBITDA and calendar year 2005 estimated EBITDA.

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The following table presents, for the periods indicated, the multiples implied by the ratio of enterprise value to LTM revenues, calendar year 2004 estimated revenues, calendar year 2005 estimated revenues, LTM EBITDA, calendar year 2004 estimated EBITDA and calendar year 2005 estimated EBITDA. The information in the table is based on the closing stock price of ATG and Primus stock on August 9, 2004.

	Selected company multiples				Multiple implied by exchange ratio	ATG multiples
	Low	Median	Median	High		
Enterprise value as a ratio of:						
LTM revenue	0.2x	0.8x	0.8x	1.5x	1.0x	0.5x
2004E revenue	0.3x	0.7x	0.7x	1.3x	1.1x	0.5x
2005E revenue	0.2x	0.6x	0.7x	1.2x	0.9x	0.4x
LTM EBITDA	3.7x	16.1x	15.4x	31.8x	NM	NM
2004E EBITDA	4.3x	7.7x	7.6x	10.6x	NM	NM
2005E EBITDA	1.8x	6.1x	5.3x	9.2x	NM	6.6x

Although the selected companies were used for comparison purposes, none of those companies is directly comparable to Primus or ATG. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies.

Historical stock trading and exchange ratio analyses.

SG Cowen analyzed the closing prices of Primus common stock and the ratios of the closing prices of ATG common stock to those of Primus common stock over various periods ending August 9, 2004. The table below illustrates the stock prices for those periods and the premium/ (discount) implied by the offer price in the transaction to the historical stock price.

Period	Primus common stock price	Premium/(discount) implied by exchange ratio
Latest six months average	\$2.83	(55)%
Latest three months average	\$1.72	(27)%
Latest three months prior	\$2.26	(44)%
Latest one month average	\$1.10	14%
Latest one month prior	\$0.97	30%
High (latest twelve months)	\$7.33	(83)%
Low (latest twelve months)	\$0.97	30%
Current	\$1.03	22%
Implied offer price for Primus	\$1.26	

The table below illustrates the implied exchange ratios over various periods ended August 9, 2004.

Period	Implied exchange ratio
Latest twelve month average	2.084x
Latest six month average	2.069x
Latest three month average	1.455x
Latest one month average	1.128x
Latest five day average	1.147x
Current	1.157x
Exchange ratio for Primus	1.417x

Table of Contents**Stock trading history.**

To provide contextual data and comparative market data, SG Cowen reviewed the historical market prices of Primus common stock for the twelve month and twenty-four month periods ended August 9, 2004. SG Cowen noted that over the indicated periods the high and low prices for shares of Primus were:

\$7.33 and \$0.97 for the last twelve month period; and

\$7.33 and \$0.27 for the last twenty-four month period.

SG Cowen also reviewed the historical market prices of ATG common stock for the twelve month period ended August 9, 2004. SG Cowen noted that over the indicated periods the high and low prices for shares of ATG were:

\$2.84 and \$0.85 for the last twelve month period.

Contribution analysis.

SG Cowen analyzed the respective contributions of LTM revenues, calendar year 2004 estimated revenues, calendar year 2005 estimated revenues, LTM gross profit, calendar year 2004 estimated gross profit, calendar year 2005 estimated gross profit of ATG and Primus to the combined company, based upon the historical and projected financial results of ATG and Primus as prepared by management of ATG.

	% of combined company	
	ATG contribution	Primus contribution
Operating results		
LTM		
Revenue	69.4%	30.6%
Gross profit	66.2%	33.8%
CY 2004E		
Revenues	72.6%	27.4%
Gross profit	71.1%	28.9%
CY 2005E		
Revenues	72.0%	28.0%
Gross profit	70.5%	29.5%

Pro forma ownership analysis.

SG Cowen analyzed the pro forma ownership in the combined company by the holders of Primus and noted that holders of Primus common stock would own approximately 32.0% of the combined company.

Pro forma earnings analysis.

SG Cowen analyzed the potential effect of the proposed transaction on the projected combined income statement of operations of ATG and Primus for the quarter ended December 31, 2004 and the calendar years ended December 31, 2004 and December 31, 2005. This analysis was based upon (1) the projected financial forecasts of ATG and Primus and (2) 23,855,394 shares of Primus common stock outstanding and options and warrants to purchase 748,975 shares of Primus common stock outstanding based on the treasury stock method as of August 9, 2004. This analysis, with ATG management's consent, used ATG management's forecasts for ATG and Primus for the quarter ended December 31, 2004 and calendar year ended December 31, 2005.

This analysis indicated that the proposed transaction could increase ATG's projected earnings per share, on an after-tax basis, for the year ended December 31, 2005 by \$0.02 on a GAAP basis and \$0.04

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on a cash basis and could decrease ATG's projected earnings per share, on an after-tax basis, for the quarter ended December 31, 2004 by \$0.01 on a GAAP and cash basis. The table below summarizes the results.

ATG after-tax earnings per share	Accretion/(dilution) \$	Accretion/(dilution) %
Quarter ended December 31, 2004 GAAP and cash basis	\$(0.01)	NM
Calendar year ended December 31, 2005 GAAP basis	\$ 0.02	86.2%
Calendar year ended December 31, 2005 cash basis	\$ 0.04	143.6%

The summary set forth above does not purport to be a complete description of all the analyses performed by SG Cowen. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. SG Cowen did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, notwithstanding the separate factors summarized above, SG Cowen believes, and has advised the ATG board of directors, that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the process underlying its opinion. In performing its analyses, SG Cowen made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of ATG and Primus. These analyses performed by SG Cowen are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses or securities may actually be sold. Accordingly, such analyses and estimates are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors. None of ATG, Primus, SG Cowen or any other person assumes responsibility if future results are materially different from those projected. The analyses supplied by SG Cowen and its opinion were among several factors taken into consideration by the ATG board of directors in making its decision to enter into the merger agreement and should not be considered as determinative of such decision.

SG Cowen was selected by the ATG board of directors to render an opinion to the ATG board because SG Cowen is a nationally recognized investment banking firm and because, as part of its investment banking business, SG Cowen is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. SG Cowen is providing financial services for ATG for which it will receive customary fees. In addition, in the ordinary course of its business, SG Cowen and its affiliates may trade the equity securities of ATG and Primus for their own account and for the accounts of their customers, and, accordingly, may at any time hold a long or short position in such securities. SG Cowen and its affiliates in the ordinary course of business have from time to time provided, and in the future may continue to provide, commercial and investment banking services to ATG, including serving as a financial advisor on potential acquisitions and as an underwriter on equity offerings, and have received, and may in the future receive, customary fees for the rendering of such services.

Pursuant to the SG Cowen engagement letter, if the transaction is consummated, SG Cowen will be entitled to receive a customary transaction fee. ATG has also agreed to pay a fee to SG Cowen for rendering its opinion, which fee shall be credited against any transaction fee that SG Cowen is entitled to receive. Additionally, ATG has agreed to reimburse SG Cowen for its out-of-pocket expenses, including attorneys fees, and has agreed to indemnify SG Cowen against certain liabilities, including liabilities under the federal securities laws. The terms of the fee arrangement with SG Cowen, which are customary in transactions of this nature, were negotiated at arm's length between ATG and SG Cowen, and the ATG

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board of directors was aware of the arrangement, including the fact that a significant portion of the fee payable to SG Cowen is contingent upon the completion of the transaction.

Primus reasons for the merger

The Primus board of directors has from time to time reviewed Primus strategic alternatives, including the possibility of a business combination. Among the considerations Primus board believed were most important in connection with this review were:

achieving growth through a combination with strategic partners;

expanding its suite of products in certain key business areas, including a broader eService offering, which the board believed would be challenging to achieve on a stand-alone basis;

responding to the trend of increasing consolidation in its industry which has resulted in larger, better-financed competitors with increasingly broad and deep product lines and increasing demands by customers for fewer suppliers of more comprehensive solutions; and

addressing the challenges presented by the financial markets and the impact on Primus shareholders from raising any capital or issuing securities to continue to grow the business.

The Primus board believes that consolidation with a complementary enterprise software company would be preferable to the dilution to Primus existing shareholders from any equity-based acquisitions or incurring equity or debt financing to fund growth. Pursuing a stand-alone strategy was considered to be a viable option, but one which the Primus board viewed as increasingly challenging due to the consolidation trend in Primus industry and due to the rising costs of doing business as a public company.

In reaching its decision to approve and adopt the merger agreement and the merger and to unanimously recommend that Primus shareholders approve the merger agreement and the merger, the Primus board identified reasons why the merger should be beneficial to Primus and its shareholders. These potential benefits include the following:

the opportunity for Primus shareholders to receive a premium over the market price for shares of Primus common stock existing before the public announcement of the merger. Based on the closing price for ATG common stock on August 10, 2004, the last full trading day prior to the public announcement of the merger, the exchange ratio range in the merger represented a premium of 27% over the closing price for Primus common stock on August 10, 2004, as well as a premium of 10% over the average closing price of Primus common stock for the 20 trading days ending on August 10, 2004. The premiums above are calculated using the range of possible exchange ratios of 1.2976 to 1.4169, which corresponds to Primus shareholder ownership of 30% to 32% of the combined entity;

through the receipt of ATG common stock in the merger, Primus shareholders will have the opportunity to participate in the potential for the greater growth, operational efficiencies, financial strength, and earning power of the combined company after the merger; and

the increased float of ATG common stock resulting from the merger may afford shareholders of the combined companies an opportunity to benefit from greater trading liquidity and may, with the greater size of the combined companies, increase research coverage.

In the course of deliberations, the Primus board also reviewed with its executive management team and its legal and financial advisors a number of additional factors relevant to the merger, including:

the terms and conditions of the merger agreement including termination fees and closing conditions;

the likelihood that the merger would be completed;

the expected qualification of the merger as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, or the tax code;

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the opinion of Broadview International that, as of the date of the merger agreement and subject to the considerations set forth in the opinion, the exchange ratio is fair to holders of Primus common stock from a financial point of view. A copy of the opinion of Broadview is attached to this joint proxy statement/ prospectus as Annex D. This written opinion should be read in its entirety for a description of the procedures followed, assumptions and qualifications made, matters considered and limitations of the review undertaken by Broadview;

historical and current information about ATG's and Primus' businesses, prospects, financial performance and condition, operations, technology, management and competitive position, including public reports concerning results of operations during the most recent fiscal year and fiscal quarter of each company filed with the SEC, analyst estimates, market data and management's knowledge of the industry;

current economic and financial market conditions and historical market prices, volatility and trading information for Primus common stock and ATG common stock;

the belief, based on presentations by Primus' legal and financial advisors, that the terms of the merger agreement, including the ability of Primus to consider proposed alternative business combinations under some circumstances generally customary for transactions such as the merger;

whether strategic alternatives to the merger, including operating as an independent company, would enhance long-term shareholder value; and

discussions with management and Broadview as to their investigations of ATG.

The Primus board also considered and balanced against the potential benefits of the merger a number of potentially negative factors, including, without limitation, the following:

the possibility that the merger might not be consummated and the possibility that the public announcement of the merger could adversely impact Primus:

revenues and other operating results, resulting potentially in a downward adjustment in the exchange ratio;

ability to attract and retain key management, sales and technical personnel, and

customer and strategic partner relationships;

the possibility that the market value of ATG common stock might decrease, causing less aggregate value to be paid to Primus shareholders;

the substantial expenses to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger;

the fact that shareholders of Primus will not receive the full benefit of any future growth in the value of their equity that Primus may have achieved as an independent company, and the potential disadvantage to Primus shareholders who receive ATG common stock in the event that ATG does not perform as well in the future as Primus may have performed as an independent company;

the possibility that some provisions of the merger agreement, including the termination fee provisions, would have the effect of discouraging other persons potentially interested in merging with or acquiring Primus from pursuing such an opportunity; and

other matters described in the section entitled "Risk Factors" on page 18.

The above discussion of the information and factors considered by the Primus board is not intended to be exhaustive but is believed to include all material factors considered by the board. In view of the complexity and wide variety of information and factors, both positive and negative, considered by the Primus board, it did not find it practical to quantify, rank or otherwise assign relative or specific weights to the factors considered. In addition, the Primus board did not reach any specific conclusion with respect to each of the factors considered, or any aspect of any particular factor, but, rather, conducted an overall

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analysis of the factors described above, including discussions with Primus management and legal, financial and accounting advisors. In considering the factors described above, individual members of the Primus board may have given different weight to different factors. The Primus board considered all these factors as a whole and believed the factors supported its determination to approve the mergers. After taking into consideration all of the factors set forth above, Primus board concluded that the merger was fair to, and in the best interests of, Primus and that Primus should proceed with the merger.

Taking into account all of the material facts, matters and information, including those described above, the Primus board of directors believes that the merger and the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of, Primus and its shareholders. **The Primus board of directors unanimously recommends that the Primus shareholders vote FOR approval of the merger agreement and the merger.**

In connection with your consideration of the Primus board's recommendation to vote in favor of the merger, you should be aware that certain directors and officers of Primus have certain interests in the merger that are different from, and in addition to, the interests of Primus shareholders generally. These interests are discussed in more detail in the section entitled "The Proposed Merger - Interests of certain persons in the merger" on page 64 of this joint proxy statement/prospectus.

Opinion of Primus financial advisor

Pursuant to a letter agreement dated as of May 28, 2004 Broadview International was engaged to act as financial advisor to the board of directors of Primus. The board of directors selected Broadview based on Broadview's reputation and experience in the information technology, communications, healthcare technology and media industry in particular. Broadview focuses on providing merger and acquisition advisory services to information technology, communications, healthcare technology and media companies. In this capacity, Broadview is continually engaged in valuing these businesses and maintains an extensive database of information technology, communications, healthcare technology and media mergers and acquisitions for comparative purposes. At the meeting of the Primus board of directors on August 10, 2004, Broadview rendered its opinion that, based upon and subject to the various factors and assumptions described in the Broadview opinion, the per share exchange ratio to be received by holders of Primus common stock under the merger agreement was fair, from a financial point of view, to holders of Primus common stock.

Broadview's opinion, which describes the assumptions made, matters considered and limitations on the review undertaken by Broadview, is attached as Appendix D to this joint proxy statement/prospectus. Primus shareholders are urged to, and should, read the Broadview opinion carefully and in its entirety. Broadview's opinion is directed to Primus board of directors and addresses only the fairness of the exchange ratio from a financial point of view to holders of Primus common stock as of the date of the opinion. The Broadview opinion does not address any other aspect of the merger consideration and does not constitute a recommendation to any Primus shareholder as to how to vote at the Primus shareholder meeting. The summary of the Broadview opinion set forth in this joint proxy statement/prospectus, although materially complete, is qualified in its entirety by reference to the full text of such opinion.

In rendering its opinion, Broadview, among other things:

reviewed the terms of the draft definitive merger agreement furnished to Broadview by Primus legal counsel on August 10, 2004;

reviewed certain publicly available financial statements and other information with respect to Primus;

reviewed draft financial results for Primus for the quarter ended June 30, 2004, prepared and provided to Broadview by Primus management;

reviewed certain internal financial and operating information for Primus, including certain projections prepared and provided to Broadview by Primus management;

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participated in discussions with Primus management concerning the operations, business strategy, current financial performance and prospects for Primus;

discussed with Primus management its view of the strategic rationale for the merger;

reviewed the recent reported closing prices and trading activity for Primus common stock;

compared certain aspects of Primus financial performance with other comparable public companies;

reviewed certain equity research analyst reports covering Primus;

analyzed available information, both public and private, concerning other comparable mergers and acquisitions;

reviewed certain publicly available financial statements and other information with respect to ATG;

reviewed draft financial results for ATG for the quarter ended June 30, 2004, prepared and provided to Broadview by ATG management;

reviewed certain internal financial and operating information for ATG, including certain projections prepared by ATG management and furnished to Broadview by Primus management;

reviewed the recent reported closing prices and trading activity for ATG common stock;

discussed with ATG management its view of the strategic rationale for the merger;

compared certain aspects of the financial performance of ATG with comparable public companies;

analyzed the anticipated effect of the merger on the future financial performance of the consolidated entity;

participated in discussions with ATG management concerning the operations, business strategy, financial performance and prospects for ATG;

reviewed certain equity research analyst reports covering ATG;

assisted in negotiations and discussions related to the merger among Primus, ATG and their respective financial and legal advisors; and

conducted other financial studies, analyses and investigations as Broadview deemed appropriate for purposes of its opinion.

In rendering its opinion, Broadview relied, without independent verification, on the accuracy and completeness of all the financial and other information, including without limitation the representations and warranties contained in the definitive merger agreement, that was publicly available or furnished to Broadview by Primus, ATG or their respective advisors. With respect to the financial projections examined by Broadview, Broadview assumed that they were reasonably prepared and reflected the best available estimates and good faith judgments of the management of Primus and ATG as to the future performance of Primus and ATG, respectively. Broadview did not make or take into account any independent appraisal or valuation of any of Primus or ATG's assets.

For purposes of its opinion, Broadview assumed that, as of the date of the opinion, neither Primus nor ATG was involved in any material transaction other than the merger, other publicly announced transactions and those activities undertaken in the ordinary course of conducting their respective businesses. Broadview's opinion is necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated as of the date of the opinion, and any change in such conditions would require a reevaluation of the opinion. Broadview expressed no opinion as to the price at which ATG common stock will trade at any time in the future.

The following is a brief summary of some of the sources of information and valuation methodologies employed by Broadview in rendering its opinion. These analyses were presented to the Primus board of directors at its meeting on August 10, 2004. This summary includes the financial analyses used by

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Broadview and deemed to be material, but does not purport to be a complete description of analyses performed by Broadview in arriving at its opinion. Broadview did not explicitly assign any relative weights to the various factors of analyses considered. This summary of financial analyses includes information presented in tabular format. In order to fully understand the financial analyses used by Broadview, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Primus stock performance analysis

Broadview compared the recent stock performance of Primus with that of the NASDAQ Composite and Primus comparable index. The Primus comparable index is comprised of public companies that Broadview deemed comparable to Primus. Broadview selected companies competing in the customer relationship management software industry with trailing twelve month, referred to below as TTM, revenue between \$10 million and \$100 million and negative TTM earnings before interest and taxes margin. The customer relationship management software comparable index consists of the following companies: Chordiant Software, Inc.; ServiceWare Technologies, Inc.; Astea International Inc.; Art Technology Group, Inc.; KANA Software, Inc.; Selectica, Inc.; and E.piphany, Inc.

Primus financial performance analysis

Broadview examined the actual and projected quarterly and annual financial performance of Primus, adjusted for non-recurring events identified through discussions with Primus management where appropriate, for the fiscal periods ending June 30, 2004 and December 31, 2004. Broadview examined Primus total trailing twelve months revenue; last half year revenue; last quarter revenue; projected revenue; gross margin; and earnings before interest and tax margin.

Public company comparables analysis

Broadview considered ratios of share price and market capitalization, adjusted for cash and debt when necessary, to selected historical operating and balance sheet results in order to derive multiples placed on a company in a particular market segment. In order to perform this analysis, Broadview compared financial information of Primus with publicly available information for the companies comprising the Primus comparable index. For this analysis, as well as other analyses, Broadview examined publicly available information.

The following table presents, as of delivery, the median multiples and the range of multiples for the Primus comparable index of total market capitalization, referred to below as TMC which is defined as equity market capitalization plus total debt minus cash and cash equivalents, divided by selected operating metrics:

	Median multiple	Range of multiples
TTM TMC/ R	0.53 x	0.14 x - 1.45 x
LHA TMC/ R	0.53 x	0.16 x - 1.48 x
LQA TMC/ R	0.58 x	0.16 x - 1.34 x
Projected 12/31/04 TMC/ R	0.28 x	0.16 x - 1.26 x
TTM TMC/gross profit	0.78 x	0.20 x - 2.76 x
LHA TMC/gross profit	0.81 x	0.22 x - 2.18 x
LQA TMC/gross profit	0.93 x	0.22 x - 2.03 x

The exchange ratio implied an aggregate ownership percentage in the consolidated entity represented by shares of ATG common stock receivable in the merger by holders of Primus stock of between 30% and

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32%. In this regard, Broadview noted that the above comparables imply the following medians and ranges for per share value according to 32%, 31%, and 30% target ownership scenarios:

Note: The net cash balances used in each scenario are Broadview's best estimates of the maximum cash balance possible under each scenario.

32% target ownership scenario

	Median implied value	Range of implied values
TTM TMC/ R	\$0.92	\$0.48 - \$1.96
LHA TMC/ R	\$0.84	\$0.47 - \$1.75
LQA TMC/ R	\$0.87	\$0.47 - \$1.58
Projected 12/31/04 TMC/ R(1)	\$0.61	\$0.48 - \$1.61
Projected 12/31/04 TMC/ R(2)	\$0.67	\$0.52 - \$1.90
TTM TMC/gross profit	\$1.01	\$0.50 - \$2.75
LHA TMC/gross profit	\$0.88	\$0.48 - \$1.83
LQA TMC/gross profit	\$0.96	\$0.48 - \$1.71

31% target ownership scenario

	Median implied value	Range of implied values
TTM TMC/ R	\$0.89	\$0.45 - \$1.93
LHA TMC/ R	\$0.80	\$0.44 - \$1.72
LQA TMC/ R	\$0.83	\$0.44 - \$1.55
Projected 12/31/04 TMC/ R(1)	\$0.58	\$0.45 - \$1.58
Projected 12/31/04 TMC/ R(2)	\$0.64	\$0.49 - \$1.87
TTM TMC/gross profit	\$0.98	\$0.46 - \$2.72
LHA TMC/gross profit	\$0.85	\$0.45 - \$1.80
LQA TMC/gross profit	\$0.93	\$0.44 - \$1.68

30% target ownership scenario

	Median implied value	Range of implied values
TTM TMC/ R	\$0.73	\$0.29 - \$1.77
LHA TMC/ R	\$0.65	\$0.28 - \$1.56
LQA TMC/ R	\$0.67	\$0.28 - \$1.39
Projected 12/31/04 TMC/ R(1)	\$0.42	\$0.29 - \$1.42
Projected 12/31/04 TMC/ R(2)	\$0.48	\$0.33 - \$1.72
TTM TMC/gross profit	\$0.82	\$0.30 - \$2.57
LHA TMC/gross profit	\$0.69	\$0.29 - \$1.65
LQA TMC/gross profit	\$0.77	\$0.28 - \$1.52

(1) Figure based on analyst projections

(2) Figure based on Primus management projections

Table of Contents***Transaction comparables analysis***

Broadview considered ratios of equity purchase price, adjusted for the seller's cash and debt when appropriate, to selected historical operating metrics indicate the value strategic and financial acquirers have been willing to pay for companies in a particular market segment. A handful of companies involved in recent transactions are comparable to Primus based on market focus, business model and size. Broadview reviewed six comparable merger and acquisition transactions from January 1, 2002 through August 9, 2004 involving customer relationship management software transactions with seller revenue greater than \$10 million, excluding equity investments and divestitures. Transactions were selected from Broadview's proprietary database of published and confidential merger and acquisition transactions in the information technology, communications, healthcare technology, and media industries. These transactions consisted of the acquisition of:

- 1) Delano Technology Corporation by divine, inc.;
- 2) Concerto Software, Inc. by Melita International, Ltd.;
- 3) Software Associates International LLC by Dendrite International, Inc.;
- 4) Pivotal Corporation by chinadotcom corporation;
- 5) SYNAVANT Inc. by Dendrite International, Inc.; and
- 6) Eyretel plc by Witness Systems, Inc.

These comparables exhibit the following median and range for the applicable multiple:

	Median multiple	Range of multiples
Adjusted price/TTM revenue	0.8 x	0.1 x - 1.3 x

These comparables imply the following medians and ranges for per share value according to 32%, 31%, and 30% target ownership scenarios:

Note: The net cash balances used in each scenario are Broadview's best estimates of the maximum cash balance possible under each scenario.

32% target ownership scenario

	Median implied value	Range of implied values
Adjusted price/TTM revenue	\$ 1.22	\$0.49 - \$1.84

31% target ownership scenario

	Median implied value	Range of implied values
Adjusted price/TTM revenue	\$ 1.19	\$0.46 - \$1.81

30% target ownership scenario

	Median implied value	Range of implied values
Adjusted price/TTM revenue	\$ 1.03	\$0.30 - \$1.66

Transaction premiums paid analysis

Broadview considered the premiums paid above a seller's share price in order to determine the additional value that strategic and financial acquirers, when compared to public stockholders, are willing to pay for companies in a particular market segment. In order to perform this analysis, Broadview reviewed a

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number of transactions involving publicly-held North American enterprise software sellers. Broadview selected these transactions from its proprietary database by choosing transactions since January 1, 2003 with an equity purchase price between \$10 million and \$100 million. These transactions consisted of the acquisition of:

- 1) Catalyst International, Inc. by ComVest Investment Partners;
- 2) SciQuest, Inc. by Trinity Ventures;
- 3) Basis 100 Inc. by First American Corporation;
- 4) ON Technology Corporation by Symantec Corporation;
- 5) Resonate Inc. by Gores Technology Group;
- 6) EXE Technologies, Inc. by SSA Global Technologies, Inc.;
- 7) Rogue Wave Software, Inc. by Quovadx, Inc.;
- 8) Made2Manage Systems, Inc. by Battery Ventures VI, L.P.;
- 9) SYNAVANT Inc. by Dendrite International, Inc.;
- 10) Latitude Communications, Inc. by Cisco Systems, Inc.;
- 11) Timberline Software Corporation by Sage Group plc (Best Software, Inc.);
- 12) Comshare, Incorporated by Geac Computer Corporation Limited;
- 13) Corel Corporation by Vector Capital Corporation;
- 14) Elevon, Inc. by SSA Global Technologies, Inc.;
- 15) Valicert Inc. by Tumbleweed Communications Corp.;
- 16) Ross Systems, Inc. by chinadotcom corporation (CDC Software Corporation);
- 17) Optika Inc. by Stellent, Inc.;
- 18) Printcafe Software, Inc. by Electronics For Imaging, Inc.;
- 19) Pivotal Corporation by chinadotcom corporation (CDC Software Corporation);
- 20) Virage, Inc. by Autonomy Corporation plc;
- 21) Triple G Systems Group, Inc. by General Electric Company (GE Medical Systems Information Technologies);
- 22) Tangram Enterprise Solutions, Inc. by Opware Inc.; and
- 23) Landacorp, Inc. by SHPS Holdings, Inc.

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The following table presents, as of August 10, 2004, the median premium and the range of premiums for these transactions calculated by dividing:

(1) the offer price per share minus the closing share price of the seller's common stock twenty trading days or one trading day prior to the public announcement of the transaction, by

(2) the closing share price of the seller's common stock twenty trading days or one trading day prior to the public announcement of the transaction:

	Median premium	Range of premiums
	<hr/>	<hr/>
Premium paid to seller's EMC 1 trading day prior to announcement	20.0%	1.9% - 92.3%
Premium paid to seller's EMC 20 trading days prior to announcement	36.9%	(4.0)% - 78.6%

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The following table presents the median implied value and the range of implied values of Primus stock, calculated by using the premiums shown above and Primus share price twenty trading days and one trading day prior to August 10, 2004 for the 32%, 31%, and 30% target ownership scenarios:

32%, 31%, and 30% target ownership scenarios

	Median implied value	Range of implied values
Premium paid to seller's EMC 1 trading day prior to announcement	\$ 1.24	\$ 1.05 - \$1.98
Premium paid to seller's EMC 20 trading days prior to announcement	\$ 1.41	\$ 0.99 - \$1.84

Present value of future potential share price analysis

Broadview calculated the present value of the future potential share price of shares of Primus common stock using analyst projections for revenue for the twelve months ending December 31, 2004. The implied share price calculated using the median TTM TMC/ R for Primus public company comparables applied to analyst estimates and discounted based on the capital asset pricing model using the median capital-structure adjusted beta for the public company comparables is \$0.79. The implied share price calculated using the median TTM TMC/ R for the public company comparables and discounted based on the capital asset pricing model using the median capital-structure adjusted beta for the public company comparables is \$0.82.

Relative share price analysis

Broadview considered the relative value public equity markets have placed on ATG's and Primus common stock from August 8, 2003 through August 9, 2004. For comparative purposes, the implied historical exchange ratio was examined in contrast with the implied exchange ratios under 32%, 31%, and 30% ownership scenarios implied by the exchange ratio. Based on this analysis, the historical exchange ratio has ranged from 0.51 to 4.61 with an average of 2.08.

Relative contribution analysis

Broadview examined the relative contribution analysis measures each of the merging companies' contribution to selected combined historical and projected operating metrics on a percentage basis. In this analysis, projected figures for Primus and ATG are derived from management estimates. Broadview assumed for the purposes of this analysis that ATG's proposed acquisition of Primus will be consummated before October 31, 2004.

The following reflect the relative contribution of ATG and Primus for each operating metric:

	ATG	Primus
TTM revenue	69.4%	30.6%
TTM gross profit	66.2%	33.8%
LHA revenue	72.5%	27.5%
LHA gross profit	70.7%	29.3%
LQA revenue	71.3%	28.7%
LQA gross profit	67.9%	32.1%
Projected 12/31/04 revenue(1)	69.6%	30.4%
Projected 12/31/04 gross profit(1)	67.7%	32.3%

(1) Figures based on management projections

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ATG stock performance analysis and ATG public company comparables analysis

Broadview compared the recent stock performance of ATG with that of the NASDAQ composite and ATG comparable indices. The ATG comparable indices are comprised of public companies that Broadview deemed comparable to ATG. Broadview selected companies competing in the customer relationship management industry with trailing twelve month revenue between \$10 million and \$100 million and negative trailing twelve month earnings before interest and taxes margin. The customer relationship management comparable index consists of the following companies: Chordiant Software, Inc., Inc.; ServiceWare Technologies, Inc.; Astea International Inc.; KANA Software, Inc.; Selectica, Inc.; and E.piphany, Inc.

Broadview considered ratios of share price and market capitalization, adjusted for cash and debt when necessary, to selected historical operating results in order to derive multiples placed on a company in a particular market segment. In order to perform this analysis, Broadview compared financial information of ATG with publicly available information for public companies comprising the ATG comparable indices. For this analysis, as well as other analyses, Broadview examined publicly available information.

Pro forma combination analysis

Broadview calculated the GAAP earnings per share and cash earnings per share accretion or dilution of the pro forma combined entity taking into consideration various financial effects that will result from a consummation of the merger agreement. This analysis relies upon certain financial and operating assumptions provided by publicly available data about Primus and ATG as well as information provided by Primus and ATG management. Broadview examined a purchase scenario under the assumption that no opportunities for net synergies exist. Based on this scenario, the pro forma purchase model indicates that GAAP earnings per share decreases \$0.019 and cash earnings per share increases \$0.018 for the calendar year ending December 31, 2004.

Consideration of the discounted cash flow valuation methodology

While discounted cash flow is a commonly used valuation methodology, Broadview did not employ such an analysis for the purposes of this opinion. Discounted cash flow analysis is most appropriate for companies that exhibit relatively steady or somewhat predictable streams of future cash flow. Given the uncertainty in estimating both the future cash flows and a sustainable long-term growth rate for Primus, Broadview considered a discounted cash flow analysis inappropriate for valuing Primus.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Broadview considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Furthermore, Broadview believes that selecting any portion of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion.

In performing its analyses, Broadview made numerous assumptions with respect to industry performance and general business and economic conditions and other matters, many of which are beyond the control of Primus. The analyses performed by Broadview are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. The consideration to be received by Primus pursuant to the definitive merger agreement and other terms of the definitive merger agreement were determined through arm's length negotiations between Primus and ATG, and were approved by the board of directors of Primus. Broadview did not recommend any specific consideration to the board of directors or that any specific consideration constituted the only appropriate consideration for the merger consideration. In addition, Broadview's opinion and presentation to the board of directors was one of many factors taken into consideration by the board of directors in making its decision to approve the merger transaction. Consequently, the Broadview analyses as described above should not be viewed as determinative of the opinion of the board of directors with respect to the value of Primus or of whether the board of directors would have been willing to agree to a different consideration.

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Pursuant to the Broadview engagement letter, if the transaction is consummated, Broadview will be entitled to receive a customary transaction fee. Primus has also agreed to pay a fee to Broadview for rendering its opinion, which fee shall be credited against any transaction fee that Broadview is entitled to receive. Primus has also agreed to reimburse Broadview for its out-of-pocket expenses, and has agreed to indemnify Broadview against certain liabilities, including liabilities under the federal securities laws. The terms of the fee arrangement with Broadview, which are customary in transactions of this nature, were negotiated at arm's length between Primus and Broadview. Broadview, in the ordinary course of business, has from time to time provided commercial and investment banking services to Primus, including serving as a financial advisor on potential transactions, and has received customary fees for the rendering of such services.

Interests of certain persons in the merger

When considering the recommendation of Primus' board of directors, you should be aware that some of Primus' directors and executive officers have interests in the merger and have arrangements that are different from, or are in addition to, your interests, and that may create potential conflicts of interest. These interests include, among other things, indemnification rights, acceleration of option vesting and other benefits and payments under some agreements and employee benefit and retention plans. For example, each of the options held by the executive officers and directors listed in the table under the heading "Security Ownership by Principal Shareholders, Management and Directors of Primus" on page 119, will be accelerated and become vested as a result of the merger.

The Primus board of directors was aware of and considered the interests of Primus' directors, executive officers and affiliates in approving the merger agreement and merger and recommending that Primus' shareholders approve the merger agreement and merger. Because of his separate interest in the approval of the merger agreement and the merger, Mr. Brochu did not participate in the Primus board vote on the resolutions approving the merger.

Change in control arrangements

In connection with their initial employment as officers of Primus, Primus entered into agreements with each of its current executive officers: Michael A. Brochu, Ronald M. Stevens and David M. Williamson. The agreements provide for certain compensation arrangements upon and following a change of control of Primus and expire one year following a change of control. A change of control occurs under the agreements when:

Primus completes a merger, consolidation or share exchange after which its prior shareholders own less than a majority of the surviving corporation;

Primus sells substantially all of its assets not in the ordinary course of business; or

one person or entity acquires a majority of Primus' outstanding shares.

Immediately upon a change of control, 50% of the unvested options of each executive become exercisable. Primus' 1995 and 1999 stock option plans also provide for vesting of all unvested options in certain circumstances involving a merger, sale or liquidation of Primus.

If one of Messrs. Brochu, Stevens or Williamson is terminated by Primus without cause or terminates his employment due to a substantial change in his position or responsibilities during the year following a change of control, he will be entitled to his accrued annual base salary, bonus and commissions through the date of termination plus severance pay equal to one-half of annual base salary. Further, all of his outstanding options will become immediately exercisable. To the extent the employee regularly receives commissions as part of his compensation, he will be paid commissions for sales to his former accounts that occur during the six months following termination.

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In connection with the merger, Primus has agreed in principle to amend Mr. Brochu's change of control agreement, and ATG has agreed in principle to enter into retention agreements with Messrs. Stevens and Williamson. Under these arrangements:

Mr. Brochu's employment by Primus will terminate thirty days after the effective date of the merger, and his severance pay will be increased from six to twelve months' annual base salary;

Mr. Stevens' employment by Primus will terminate three months after the effective date of the merger and, in consideration of his transition services during that three month period, he will receive, in addition to any severance pay to which he would otherwise be entitled, a retention bonus equal to \$50,000; and

if the effective date of the merger is prior to December 1, 2004, Mr. Williamson's employment by Primus will terminate on December 31, 2004 and he will receive, in consideration of his transition services through December 31, 2004 and in addition to any severance pay to which he would otherwise be entitled, a retention bonus equal to \$25,000.

Post-merger board membership

As of the effective time of the merger, it is expected that Mr. Brochu, and Daniel C. Regis will be appointed to serve on the board of directors of ATG. Mr. Brochu and Mr. Regis will be eligible to receive non-employee director compensation in the same manner as the other outside directors of ATG.

Assumption and acceleration of stock options

Under the terms of the merger agreement and the applicable Primus stock option plans, all Primus stock options will accelerate and become fully vested at the time of closing. All options to purchase Primus common stock with exercise prices below \$1.33 per share will be assumed by ATG. As a result, stock options priced under \$1.33 that have been issued to Primus' executive officers and directors will be assumed by ATG.

Indemnification

The merger agreement provides that, from and after the effective time of the merger, ATG will cause the surviving corporation to fulfill and honor all obligations of Primus under any indemnification agreements between Primus and its directors and officers and the indemnification provisions of Primus' articles of incorporation and bylaws as in effect on the date of the merger agreement.

ATG has agreed to maintain in effect, or cause the surviving corporation to use commercially reasonable efforts to maintain in effect, for a period of six years after the effective time of the merger, if available, directors' and officers' liability insurance covering those persons who are covered by Primus' directors' and officers' liability insurance policy as of immediately prior to the effective time of the merger on terms not substantially less advantageous than those applicable to Primus' existing directors and officers. However, neither ATG nor the surviving corporation, as the case may be, is required to expend annually an amount in excess of 150% of the annual premium currently paid by Primus.

Completion and effectiveness of the merger

The merger will be completed if and after all the conditions to the merger are satisfied or waived, including the adoption and approval of the merger agreement and the merger by the Primus shareholders and the approval by the ATG stockholders of the issuance of shares of ATG common stock in the merger. The merger will become effective upon the filing of articles of merger with the Secretary of the State of Washington. ATG will issue a press release promptly after the merger closes. ATG and Primus are working toward closing the merger as soon as possible and currently expect the merger to be completed in the fourth calendar quarter of 2004. However, the merger is subject to various conditions, and ATG and Primus cannot predict the exact timing of the closing of the merger or whether the merger will close at all.

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Exchange of Primus stock certificates

Promptly after the closing of the merger, ATG will cause the exchange agent, EquiServe, to send to each Primus shareholder a letter of transmittal and instructions for use in exchanging Primus stock certificates for certificates representing shares of ATG common stock and, if applicable, for a check for the fractional share amount to which the shareholder is entitled. See The Merger Agreement Exchange of certificates on page 73 for more details about this topic.

Accounting treatment

ATG will account for the merger in its financial statements prepared in accordance with GAAP using the purchase method of accounting pursuant to Statement of Financial Accounting Standards No. 141, *Business Combinations*. The assets acquired and liabilities assumed from Primus will be recorded at their fair values as of the date of the merger. Any excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired will be recorded as goodwill. The results of operations of Primus will be included in ATG's results of operations from the date of the closing of the merger. A final determination of the required purchase accounting adjustments and the fair value of the assets and liabilities of Primus has not yet been made. Accordingly, the purchase accounting adjustments reflected in the unaudited pro forma condensed combined financial information and the comparative pro forma per share financial information appearing elsewhere in this joint proxy statement/ prospectus are preliminary and subject to change.

Material United States federal income tax consequences of the merger

The following discussion sets forth the material United States federal income tax consequences of the merger to Primus shareholders.

Primus shareholders should be aware that this discussion does not deal with all United States federal income tax considerations that may be relevant to them in light of their particular circumstances. For example, the discussion may not be applicable to insurance companies, tax-exempt organizations, financial institutions, mutual funds or those who are not United States persons for United States federal income tax purposes. The discussion does not address all the United States federal income tax consequences relevant to Primus shareholders subject to special rules, including shareholders who are subject to the alternative minimum tax provisions of the Internal Revenue Code, who acquired their shares in connection with stock options or in other compensatory transactions, who hold shares in a hedging transaction or as part of a straddle or conversion transaction, who have a functional currency other than the United States dollar, who are dealers in securities, who are traders in securities that elect to use a mark-to-market method of accounting, who hold Primus stock options to be assumed by ATG in the merger, who hold Primus common stock as qualified small business stock under the Internal Revenue Code or who are members of a partnership for United States federal income tax purposes that holds Primus common stock. In addition, the following discussion does not address the tax consequences of the merger under foreign, state, local and other tax laws. This discussion assumes that the Primus common stock is a capital asset in the hands of the holder.

Accordingly, Primus shareholders are urged to consult their own tax advisers with respect to the specific tax consequences of the merger to them, in view of their particular circumstances.

No ruling has been or will be sought from the Internal Revenue Service as to the federal income tax consequences of the merger, and the following summary is not binding on the Internal Revenue Service or the courts. The Internal Revenue Service could adopt a contrary position, and a contrary position could be sustained by a court. This discussion is based upon the Code, laws, regulations, rulings and decisions in effect as of the date of this joint proxy statement/ prospectus, all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and the conclusions discussed below and the tax consequences of the merger.

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The consummation of the merger is conditioned on the receipt by Primus of an opinion of counsel, dated as of the effective time of the merger, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. The opinion is expected to be based on the merger agreement, this joint proxy statement/prospectus, the representation letters of Primus, ATG and Autobahn Acquisition, Inc., and such other documents deemed necessary or appropriate to provide the opinion, all of which must continue to be true and accurate in all respects as of the closing date of the merger, and on certain factual assumptions referred to in the opinion. The opinion will not be binding on the courts or the Internal Revenue Service, nor will it preclude the Internal Revenue Service from adopting a position contrary to that expressed in the opinion.

Tax implications for Primus shareholders

Subject to the limitations and qualifications set forth above, Preston Gates & Ellis LLP, counsel to Primus, has issued an opinion to Primus to the effect that the merger of ATG's wholly owned subsidiary with and into Primus will be a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Code. This means that:

Primus shareholders will not recognize gain or loss when they receive ATG common stock solely in exchange for their shares of Primus common stock in the merger, except for cash received in lieu of a fractional share of ATG common stock.

Cash payments received by Primus shareholders in lieu of a fractional share of ATG common stock should be treated as if these fractional shares had been issued in the merger and then redeemed by ATG. The Primus shareholders should generally recognize capital gain or loss with respect to these cash payments, measured by the difference if any between the amount of cash received and the basis in such fractional share.

The aggregate tax basis of the ATG common stock received by holders of Primus common stock will be the same as the aggregate tax basis of the Primus common stock surrendered in exchange for the ATG common stock.

The holding period of the ATG common stock received by holders of the Primus stock in the merger will include the period the exchanged Primus common stock was considered to be held, provided that the Primus common stock surrendered is held as a capital asset at the time of the merger.

Gain or loss generally will not be recognized by ATG, Autobahn Acquisition, or Primus as a result of the merger.

The opinion is based on the merger agreement, this joint proxy statement/prospectus, the representation letter of Primus addressed to Preston Gates & Ellis LLP, the representation letters of ATG and Autobahn Acquisition, Inc. addressed to Preston Gates & Ellis LLP, and such other documents deemed necessary or appropriate to provide the opinion, all of which must continue to be true and accurate in all respects as of the closing date of the merger, and on certain factual assumptions referred to in the opinion. The opinion is not binding on the courts or the Internal Revenue Service, nor does it preclude the Internal Revenue Service from adopting a position contrary to that expressed in the opinion.

The preceding discussion is not a complete analysis of all potential tax effects relevant to the merger. Primus shareholders are urged to consult their own tax advisers as to the specific tax consequences of the merger to them, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws, and the effects of any changes in the tax laws.

Regulatory approvals

This merger is not currently subject to the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. However, at any time before or after the merger, and notwithstanding that the waiting period is not applicable or that the merger may have been consummated,

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the U.S. Federal Trade Commission, the U.S. Department of Justice or any state could take any action under the applicable antitrust or competition laws as it deems necessary or desirable. This action could include seeking to enjoin the completion of the merger. Private parties may also institute legal actions under the antitrust laws under some circumstances.

The completion of the merger is also subject to the effectiveness of the registration statement of which this joint proxy statement/ prospectus is a part and compliance with the applicable corporate laws of the State of Washington.

Listing on Nasdaq of the ATG common stock to be issued in the merger

ATG has agreed to cause the shares of ATG common stock to be issued and to be reserved for issuance in connection with the merger to be approved for listing on the Nasdaq National Market, or, if applicable, the Nasdaq SmallCap Market, subject to official notice of issuance.

Delisting and deregistration of shares of Primus common stock

If the merger is completed, Primus common stock will be delisted from the Nasdaq SmallCap Market and will be deregistered under the Securities Exchange Act of 1934, as amended.

Rights of dissenting Primus shareholders

The following is a brief summary of the rights of holders of Primus common stock to dissent from the merger and receive cash equal to the fair value of their Primus common stock instead of receiving shares of ATG common stock. This summary is not exhaustive, and you should read the applicable sections of Chapter 23B.13 of the Washington Business Corporation Act, which is attached to this joint proxy statement/ prospectus as Annex E.

IF YOU ARE CONTEMPLATING THE POSSIBILITY OF DISSENTING FROM THE MERGER, YOU SHOULD CAREFULLY REVIEW THE TEXT OF ANNEX E, PARTICULARLY THE PROCEDURAL STEPS REQUIRED TO PERFECT DISSENTERS RIGHTS, WHICH ARE COMPLEX. YOU SHOULD ALSO CONSULT YOUR LEGAL COUNSEL. IF YOU DO NOT FULLY AND PRECISELY SATISFY THE PROCEDURAL REQUIREMENTS OF WASHINGTON LAW, YOU WILL LOSE YOUR DISSENTERS RIGHTS.

Requirements for exercising dissenters rights

To exercise dissenters rights, you must:

deliver to Primus before the vote is taken at the special meeting written notice of your intent to demand the fair value for your Primus common stock if the merger is consummated and becomes effective, and

not vote your shares of Primus common stock in favor of the proposal to approve the merger agreement.

If you do not satisfy each of these requirements, you cannot exercise dissenters rights and will be bound by the terms of the merger agreement.

Submitting a proxy card that does not direct how the Primus common stock represented by that proxy is to be voted will constitute a vote in favor of the merger and a waiver of your statutory dissenters rights. In addition, voting against the proposal to approve the merger will not satisfy the notice requirement referred to above. You must file the written notice of the intent to exercise dissenters rights with Primus at: Primus Knowledge Solutions, Inc., 1601 Fifth Avenue, Suite 1900, Seattle, WA 98101, Attn: General Counsel.

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Dissenters' rights procedure

Within ten days after the proposed merger agreement has been approved, Primus will send written notice to all shareholders who have given written notice in accordance with the dissenters' rights provisions described above and who have not voted in favor of the merger agreement. The notice will contain:

the address where the demand for payment and certificates representing shares of Primus common stock must be sent and the date by which they must be received;

any restrictions on transfer of uncertificated shares that will apply after the demand for payment is received;

a form for demanding payment that states the date of the first announcement to the news media or to shareholders of the proposed merger and requires certification by the dissenting shareholder of the date such shareholder, or the beneficial owner on whose behalf such shareholder dissents, acquired the Primus common stock or an interest therein; and

a copy of the dissenters' rights provisions under the Washington Business Corporation Act, attached as Annex E.

If you wish to assert dissenters' rights, you must demand payment and deposit your Primus certificates within 30 days after the notice is given. **IF YOU FAIL TO MAKE DEMAND FOR PAYMENT AND DEPOSIT YOUR PRIMUS CERTIFICATES WITHIN THE 30-DAY PERIOD, YOU WILL LOSE THE RIGHT TO RECEIVE PAYMENT FOR YOUR SHARES UNDER THE DISSENTERS' RIGHTS PROVISIONS, EVEN IF YOU FILED A TIMELY NOTICE OF INTENT TO DEMAND PAYMENT.**

Except as provided below, within 30 days of the later of the effective time of the merger or Primus' receipt of a valid demand for payment, Primus will remit to each dissenting shareholder who complied with the requirements of Washington law the amount Primus estimates to be the fair value of the shareholder's Primus common stock, plus accrued interest. Primus will include the following information with the payment:

financial data relating to Primus;

Primus' estimate of the fair value of the shares and a brief description of the method used to reach that estimate;

a copy of Chapter 23B.13 of the Washington Business Corporation Act; and

a brief description of the procedures to be followed in demanding supplemental payment.

For dissenting shareholders who were not the beneficial owner of their shares of Primus common stock before September 17, 2004, Primus may withhold payment and instead send a statement setting forth its estimate of the fair value of their shares and offering to pay such amount, with interest, as a final settlement of the dissenting shareholder's demand for payment.

Procedure if you are dissatisfied with payment or offer

If you are dissatisfied with your payment or offer, you may, within 30 days of the payment or offer for payment, notify Primus in writing and demand payment of your estimate of the fair value of your shares and the amount of interest due. If any dissenting shareholder's demand for payment is not settled within 60 days after receipt by Primus of such shareholder's payment demand, Washington law requires that Primus commence a proceeding in King County Superior Court and petition the court to determine the fair value of the shares and accrued interest, naming all the dissenting shareholders whose demands remain unsettled as parties to the proceeding.

The court may appoint one or more appraisers to receive evidence and make recommendations to the court as to the amount of the fair value of the shares. The fair value of the shares as determined by the court is binding on all dissenting shareholders and may be less than, equal to, or greater than the market

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price of the ATG common stock to be issued to non-dissenting shareholders for their Primus common stock if the merger is consummated. If the court determines that the fair value of the shares is in excess of any amount remitted by Primus, then the court will enter a judgment for cash in favor of the dissenting shareholders in an amount by which the value determined by the court, plus interest, exceeds the amount previously remitted.

The court will determine the costs and expenses of the court proceeding and assess them against Primus, except that the court may assess part or all of the costs against any dissenting shareholders whose actions in demanding supplemental payments are found by the court to be arbitrary, vexatious or not in good faith. If the court finds that Primus did not substantially comply with the relevant provisions of Washington law, the court may also assess against Primus any fees and expenses of attorneys or experts that the court deems equitable. The court may also assess those fees and expenses against any party if the court finds that the party has acted arbitrarily, vexatiously or not in good faith in bringing the proceedings. The court may award, in its discretion, fees and expenses of an attorney for the dissenting shareholders out of the amount awarded to the shareholders, if it finds the services of the attorney were of substantial benefit to the other dissenting shareholders and that those fees should not be assessed against Primus.

Dissent by nominees and beneficial owners

A shareholder of record may assert dissenters' rights as to fewer than all of the shares registered in the shareholder's name only if he or she dissents with respect to all shares beneficially owned by any one person and notifies Primus in writing of the name and address of each person on whose behalf he or she asserts dissenters' rights. The rights of the partial dissenting shareholder are determined as if the shares as to which he or she dissents and his or her other shares were registered in the names of different shareholders. Beneficial owners of Primus common stock who desire to exercise dissenters' rights themselves must obtain and submit the registered owner's written consent at or before the time they file the notice of intent to demand fair value.

For purposes of Washington law, fair value means the value of Primus common stock immediately before the effective time of the merger, excluding any appreciation or depreciation in anticipation of the merger, unless that exclusion would be inequitable. Under Washington law, a Primus shareholder has no right, at law or in equity, to set aside the approval and adoption of the merger or the consummation of the merger except if the approval, adoption or consummation fails to comply with the procedural requirements of Washington law, Primus' articles of incorporation or Primus' bylaws or was fraudulent with respect to that shareholder or Primus.

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THE MERGER AGREEMENT

The following is a brief summary of the material provisions of the merger agreement. You are urged to read the full text of the merger agreement, which is attached as Annex A to this joint proxy statement/ prospectus.

General

The merger agreement provides for the acquisition of Primus by ATG through the merger of Autobahn Acquisition, Inc., a wholly owned subsidiary of ATG, into Primus. Primus will be the surviving corporation in the merger. When the merger is effective, each outstanding share of Primus common stock will be converted automatically into a number of shares of ATG common stock, based on the applicable exchange ratio, as described below under Exchange ratio and working capital adjustment. No fractional shares of ATG common stock will be issued. In lieu of a fractional share, ATG will pay in cash, rounded to the nearest whole cent, an amount equal to the fraction multiplied by the average closing price of one share of ATG common stock on the Nasdaq National Market for the fifteen trading days before the closing of the merger.

Consideration

The consideration paid to Primus shareholders in the merger, other than cash in lieu of fractional shares, will consist entirely of shares of ATG common stock. The aggregate number of shares of ATG common stock actually issued will vary based upon the applicable exchange ratio, which may change based on changes in Primus working capital as described below, and the number of shares of Primus common stock outstanding at the completion of the merger, which may change between signing and closing for a number of reasons, including option exercises, stock repurchases and warrant exercises. The per-share value of ATG common stock may also change based on changes in its trading price in the same time period. Primus is not permitted to terminate its obligation to complete the merger, nor may Primus resolicit the vote of its shareholders, based solely on changes in the value of ATG common stock.

Exchange ratio and working capital adjustment

The exchange ratio, which represents the number of shares of ATG common stock to be issued in exchange for each share of Primus common stock, will be between 1.4169 and 1.2976. The final exchange ratio will be determined based upon the amount of Primus adjusted working capital, as defined in the merger agreement, immediately prior to the commencement of business on October 15, 2004, which is the fifth business day prior to the date fixed for the Primus shareholder meeting. This date is referred to in the merger agreement as the measurement date.

If Primus adjusted working capital at the measurement date is positive, or is a working capital deficiency equal to or lesser in magnitude than \$(1.0 million), the exchange ratio will be 1.4169. If Primus adjusted working capital at the measurement date is a working capital deficiency greater in magnitude than \$(1.0 million), the merger ratio will be adjusted downward. The amount by which Primus adjusted working capital deficiency exceeds the \$(1.0 million) standard is referred to in the merger agreement as a working capital deficiency. If a working capital deficiency, as defined in the merger agreement, exists, the exchange ratio is determined as follows:

If the working capital deficiency is greater than zero and less than or equal to \$2.5 million, the exchange ratio will be equal to 1.3567;

If the working capital deficiency is greater than \$2.5 million, the exchange ratio will be equal to 1.3567 minus the product of:

0.00000004328 multiplied by;

the amount by which such working capital deficiency exceeds \$2.5 million.

In no event will the exchange ratio be less than 1.2976.

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In general, Primus adjusted working capital is an amount equal to the sum of:

Primus current assets plus the amount of any permitted transaction expenses that were paid by Primus before the measurement date;

minus Primus current liabilities, excluding any accruals for permitted transaction expenses;

plus or minus any other adjustments agreed upon in writing by ATG and Primus.

The merger agreement provides that in determining the amount of Primus adjusted working capital as of the measurement date, Primus permitted transaction expenses are limited to a maximum of \$1.25 million, and certain other changes in the current assets and liabilities of Primus, in comparison with their amounts as reflected on Primus balance sheet at June 30, 2004, are to be excluded.

On or before October 8, 2004, the tenth business day preceding the date fixed for the Primus shareholder meeting, Primus is required to deliver to ATG a preliminary closing certificate setting forth its calculation of its adjusted working capital, determined in the manner specified in the agreement, as of the most recent practicable date, together with Primus good faith estimate of the adjusted working capital as of the measurement date. At or before the close of business on the measurement date, Primus is required to deliver to ATG a definitive closing certificate setting forth Primus calculation of its adjusted working capital as of the measurement date, to be used in determining the final exchange ratio. Primus must provide such substantiating documents and information relating to each certificate as ATG may reasonably request, and such cooperation and access to the books and records and financial personnel of Primus as ATG may reasonably request in order to confirm that the certificate has been prepared in accordance with the merger agreement.

Treatment of Primus stock options and warrants

Prior to the effective time of the merger, Primus will take all actions necessary to cause all outstanding stock options and warrants to purchase Primus common stock to become vested and exercisable. At the effective time of the merger, each outstanding Primus stock option and warrant will be treated in one of two ways, depending on the exercise price of the option or warrant.

In the case of options and warrants that have an exercise price per share of Primus common stock equal to or greater than \$1.33, Primus will give notice to the holders of such options and warrants of the accelerated vesting prior to the effective time of the merger, indicating in such notice that the holder will be given the opportunity to exercise the option or warrant in whole or in part on or before the second business day immediately before the closing of the merger, contingent upon the closing of the merger. If and to the extent that such option or warrant is unexercised prior to the effective time of the merger, the option or warrant will be terminated by Primus prior to the closing, to the extent permitted by the terms of the applicable options, warrants and option plans, and will not be assumed by ATG.

In the case of options and warrants outstanding immediately before the effective time of the merger that have an exercise price per share of Primus common stock less than \$1.33, each such option and warrant that is not exercised prior to the merger will be assumed by ATG and will be converted into an option or warrant to purchase shares of ATG common stock, upon the same terms and conditions that were applicable to the option or warrant immediately prior to the effective time of the merger. As a result of this assumption and conversion:

each assumed Primus option and warrant will become exercisable for the purchase of ATG common stock;

the number of shares of ATG common stock issuable on exercise of the assumed Primus option or warrant will be determined by multiplying the number of shares of Primus common stock subject to the Primus option or warrant by the final exchange ratio and rounding down to the nearest whole share of ATG common stock; and

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the exercise price of the assumed Primus option or warrant will be determined by dividing the exercise price of the Primus option or warrant by the final exchange ratio and rounding up to the nearest whole cent.

The following table illustrates the impact of this assumption and conversion, at various possible exchange ratios, on an option to purchase 10,000 shares of Primus common stock at an original exercise price of \$1.00 per share:

Exchange ratio	Shares of ATG common stock issuable upon exercise	Exercise price
1.4169	14,169	\$0.71
1.3567	13,567	0.74
1.2976	12,976	0.78

Primus has informed ATG that as of August 31, 2004, there were outstanding options to acquire 5,788,633 shares of Primus common stock and warrants to acquire 11,921 shares of Primus common stock. Of those options and warrants, 2,596,590 shares of common stock are issuable at exercise prices below \$1.33. Assuming that at the completion of the merger the number of shares of Primus common stock subject to outstanding options and warrants at an exercise price below \$1.33 is the same as the number on August 31, 2004, and assuming none of such options and warrants are exercised prior to the merger and assuming a final exchange ratio of 1.4169, in the aggregate, those Primus options and warrants would be converted into options and warrants to acquire approximately 3,679,108 shares of ATG common stock at the completion of the merger.

Treatment of rights under Primus employee stock purchase plan

If an offering period under Primus 1999 employee stock purchase plan would otherwise be in progress on the date the merger is expected to close, Primus will abbreviate the offering period and set a new exercise date so that the offering period will end on the day before the closing of the merger. Each participant will have the opportunity to withdraw from the plan and be paid his or her accumulated withholdings under the plan, or to have the accumulated withholdings applied to the purchase of shares of Primus common stock on the new exercise date. Primus will notify the participants of the plan of this change before the new exercise date.

Exchange of certificates

Promptly after the closing of the merger, ATG will cause the exchange agent, EquiServe, to send to each Primus shareholder a letter of transmittal and instructions for use in exchanging Primus stock certificates for certificates representing shares of ATG common stock and, if applicable, a check for the fractional share amount to which the shareholder is entitled.

Each Primus shareholder must surrender to the exchange agent all of his or her Primus stock certificates along with a properly executed and completed letter of transmittal before he or she can receive certificates representing shares of ATG common stock and cash in lieu of fractional shares, if any. Until surrendered, outstanding Primus stock certificates will be treated for all corporate purposes, other than payment of dividends, as evidence of ownership of the shares of ATG common stock into which the shares of Primus common stock have been automatically converted by operation of the merger. If after August 10, 2004, the date of the merger agreement, ATG declares or makes any dividends or other distributions on its common stock with a record date after the date of the closing of the merger, then any holder of record of Primus common stock will not be paid these dividends or other distributions until he or she surrenders his or her Primus stock certificate along with a properly executed and completed letter of transmittal. When the shareholder surrenders his or her Primus stock certificates, ATG will pay the dividends or other distributions, without interest, to the record holder. No transfer of shares of Primus common stock will be made on the stock transfer books of Primus after the closing of the merger.

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Primus shareholders should not surrender their Primus stock certificates for exchange until they receive the letter of transmittal and instructions from the exchange agent. However, Primus shareholders are urged to notify EquiServe immediately if their Primus stock certificates are lost, stolen, destroyed or not properly registered, in order to begin the process of obtaining replacement Primus stock certificates. EquiServe can be reached at 150 Royall Street, Canton, Massachusetts 02021, (781) 575-2000.

None of ATG, Autobahn Acquisition, Inc., Primus, and the exchange agent will be liable to any Primus shareholder or ATG shareholder for any undistributed shares of ATG common stock or cash amounts that are delivered to a public official under applicable abandoned property or similar laws.

Dissenters' rights

The merger agreement provides that shares of Primus common stock for which dissenters' appraisal rights are validly exercised will not receive ATG common stock and cash in lieu of fractional shares, if any. Instead, holders of these dissenting shares will receive only the payment that they are entitled to receive as a result of the appraisal process under the Washington Business Corporation Act. See "The Proposed Merger Rights of dissenting Primus shareholders" on page 68.

Representations and warranties

Representations and warranties of Primus

The merger agreement contains various representations and warranties of Primus, including representations and warranties as to:

Primus' due organization, valid existence and good standing and its corporate power and authority to own and operate its properties and carry on its business;

Primus' capitalization and the ownership of Primus capital stock and obligations with regard to Primus capital stock;

Primus' power and authority to enter into and perform its obligations under the merger agreement and related agreements;

third party consents required for the merger and the absence of conflict between (a) the merger agreement and related agreements, on the one hand, and (b) Primus' corporate documents, applicable law and Primus material contracts on the other;

the accuracy of Primus' securities filings, and Primus' financial statements included in them;

Primus' compliance with the Sarbanes-Oxley Act;

absence of certain changes in Primus' business since June 30, 2004, the date of the last Primus financial statements filed with the SEC prior to the execution of the merger agreement;

Primus' timely filing of tax returns and Primus' liabilities for taxes, and the absence of facts which might prevent the merger from qualifying as a reorganization under the Internal Revenue Code;

Primus' good, unencumbered title to its property and the good condition of its leases;

Primus' ownership of intellectual property, the absence of infringement of third party intellectual property rights by Primus and the absence of any litigation or decree related to Primus' intellectual property or its products or services;

Primus' compliance with all applicable laws, including employment, health and safety, environmental, and immigration laws and regulations;

the absence of any pending or threatened litigation against Primus, its subsidiaries, their properties and their businesses;

Primus material contracts;

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Primus insurance coverage and the absence of claims under its insurance policies;

brokers fees or finders fees;

Primus accounts receivable;

the receipt by Primus board of directors from Broadview of an opinion to the effect that the exchange ratio is fair to Primus shareholders from a financial point of view;

Primus accounting system and internal controls over financial reporting;

board action to prevent and applicable corporate laws impeding business combinations from applying to the merger agreement, the merger and the voting agreements; and

the identity of affiliates of Primus.

Representations and warranties of ATG and Autobahn Acquisition, Inc.

The merger agreement contains various representations and warranties of ATG and Autobahn Acquisition, Inc., including representations and warranties as to:

their due organization, valid existence and good standing and their corporate power and authority to own and operate their properties and carry on their business;

their capitalization and the ownership of their capital stock and obligations with regard to ATG capital stock;

ATG's and Autobahn's power and authority to enter into and perform their obligations under the merger agreement;

the third party consents required for the merger and the absence of conflict between the merger agreement and ancillary agreements, on the one hand, and ATG's and Autobahn's corporate documents, applicable law and material contracts, on the other;

the accuracy of ATG's securities filings and the financial statements included in them;

ATG's compliance with the Sarbanes-Oxley Act;

absence of certain changes in ATG's business since June 30, 2004, the date of the last ATG financial statements filed with the SEC prior to the execution of the merger agreement;

absence of any pending or threatened litigation against ATG, its subsidiaries, their properties and their businesses;

ATG's accounts receivable;

ATG's ownership of intellectual property, the absence of infringement of third party intellectual property rights by ATG and the absence of any litigation or decree related to ATG's intellectual property or its products or services;

ATG's compliance with applicable laws;

brokers fees or finders fees; and

absence of facts which might prevent the merger from qualifying as a reorganization pursuant to the Internal Revenue Code.

Conduct prior to the effective time

Conduct of business of Primus

In the merger agreement, Primus agreed to conduct its business in the ordinary course pending the completion of the merger and not to take various actions that could affect its business without the prior

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consent of ATG. For instance, until the termination of the merger agreement or completion of the merger, Primus will not, except as previously disclosed to ATG:

waive any stock repurchase rights, accelerate, amend or change the vesting of options or repurchase rights of restricted stock, or reprice options granted to any employee, consultant or director, or pay cash in exchange for any options or take these actions with regard to warrants or other rights to acquire Primus stock;

grant any severance or termination pay to any officer or employee, except under existing agreements or policies, or adopt any new severance plan;

transfer to any person or modify existing rights to any of Primus intellectual property, except for non-exclusive licenses in the ordinary course of business consistent with past practice;

declare or pay any dividends or make other distributions on Primus capital stock or split, combine or reclassify any capital stock or issue or authorize the issuance of any securities with regard to any capital stock;

purchase, redeem or otherwise acquire any shares of Primus capital stock or of the capital stock of its subsidiaries, except repurchases of unvested shares at cost in connection with termination of employment with employees pursuant to agreements in effect on the date of the merger agreement;

issue, deliver, sell, authorize, pledge or encumber any shares of Primus capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire any shares of its capital stock, or enter into other agreements obligating it to issue these types of securities, except for:

those issuable under existing options or warrant agreements or Primus employee stock purchase plan, and

additional options to acquire up to 150,000 shares of Primus common stock granted to employees;

amend the articles of incorporation or bylaws of Primus or any of its subsidiaries;

acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, any material business or any corporation, partnership, association or other business organization or otherwise acquire or agree to sell any assets which are material to Primus business or enter into any joint venture, strategic relationships or alliances or make any material loan or advance;

sell, lease, license, encumber or dispose of any properties or assets which are material to the business of Primus;

borrow any money or guarantee any indebtedness of another person or issue or sell any debt securities, options, warrants, calls or other rights to acquire debt securities of Primus, enter into any keep well or other agreement to maintain any financial statement condition other than ordinary course financing of trade payables consistent with past practice or pursuant to existing credit agreements in the ordinary course of business;

adopt or amend any employee benefit or stock purchase or stock option plan, or enter into any employment contract or collective bargaining agreement, pay any special bonus or remuneration to any director or employee (other than under an existing target bonus plan), or increase salaries, wage rates or fringe benefits of directors, officers, employees or consultants other than in the ordinary course of business consistent with past practices or materially change any management procedures;

make capital expenditures outside of the ordinary course of business in excess of \$50,000 in the aggregate;

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amend or terminate any material contract to which Primus or any of its subsidiaries is a party or enter into any agreement which requires Primus to pay more than \$600,000 over the life of the agreement;

enter into, modify, amend or cancel any development services, licensing, distribution, sales, sales representation or other similar agreement with respect to any material intellectual property other than in the ordinary course of business consistent with past practice;

materially revalue any of its assets or, except as required by generally accepted accounting principles, make any change in its accounting methods;

settle any material litigation or waive, release or assign any material rights or claims in litigation;

take any action that would be reasonably likely to interfere with the treatment of the merger as a reorganization under the Internal Revenue Code; or

take any action intended to adversely impact any of the transactions contemplated by the merger agreement and the stock option agreement, including with respect to any poison pill plan or corporate laws impeding business combinations.

Conduct of business of ATG

ATG agreed in the merger agreement that until the termination of the merger agreement or the completion of the merger, ATG:

will use commercially reasonable efforts to obtain all consents and approvals required for consummation of the merger; and

will not take any action that would be reasonably likely to interfere with the treatment of the merger as a reorganization under the Internal Revenue Code.

No solicitation by Primus; superior offers

The merger agreement contains detailed provisions prohibiting Primus from seeking an alternative transaction regarding the acquisition of Primus. Under these non-solicitation provisions, Primus has agreed that until the merger is completed or until the merger agreement is terminated, neither Primus nor any of its affiliates will take any of the following actions and they will not authorize or permit any of their officers, directors, employees, representatives or agents to do so:

solicit, initiate or encourage any acquisition proposal, as described below;

participate in any negotiations or discussions of any acquisition proposal;

furnish any nonpublic information with respect to any acquisition proposal;

approve, endorse or recommend any acquisition proposal; or

enter into any letter of intent or any similar agreement contemplating or relating to an acquisition proposal.

However, if Primus receives an unsolicited, written, bona fide acquisition proposal prior to the Primus shareholders meeting that its board of directors reasonably concludes, based upon the written advice of Broadview or another financial advisor of national standing, constitutes, or is likely to lead to, a superior offer, as described below, Primus may furnish nonpublic information regarding itself and may enter into discussions with the person who has made the acquisition proposal, if:

neither Primus nor any representative of Primus or its subsidiaries have violated the provisions of the merger agreement related to nonsolicitation;

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Primus board of directors concludes in good faith, after consultation with outside legal counsel, that this action is required for the board to comply with its fiduciary obligations to Primus shareholders under applicable law;

prior to furnishing nonpublic information to, or entering into any discussion with, a person making the acquisition proposal, Primus gives ATG written notice of the acquisition proposal, including the identity of the person making the acquisition proposal and the material terms and conditions of the acquisition proposal;

Primus gives ATG at least three days advance written notice of its intention to furnish nonpublic information or enter into discussions regarding an acquisition proposal;

Primus obtains a confidentiality agreement at least as protective as the confidentiality agreement it signed with ATG in connection with the merger; and

at the same time Primus furnishes nonpublic information to a person making an acquisition proposal, it furnishes the same information to ATG if it has not already done so.

An acquisition proposal is any proposal with respect to:

the acquisition of securities of Primus that would result in any person or group beneficially owning 15% or more of the voting securities of Primus or any of its subsidiaries;

a tender offer or exchange offer that would result in any person or group beneficially owning 15% or more of the voting securities of Primus or any of its subsidiaries;

a merger, consolidation, business combination, or similar transaction involving Primus and any person after which the holders of Primus voting stock, immediately before the transaction, will not own 85% of the equity interests in the surviving entity immediately after the transaction;

the sale, lease, exchange, license, other than in the ordinary course of business, or disposition of any material assets of Primus; or

the dissolution or liquidation of Primus.

A superior offer with respect to Primus means an unsolicited, bona fide written offer from a third party to complete any of the following transactions:

a merger or consolidation involving Primus after which the shareholders of Primus immediately preceding the transaction own less than 50% of the equity interests in the surviving entity immediately after the transaction; or

the acquisition by any person or group, including by way of a tender offer or an exchange offer or two-step transaction involving a tender offer followed with reasonable promptness by a merger involving Primus, directly or indirectly, of 100% of the then outstanding shares of Primus;

on terms that the board of Primus determines, in its reasonable judgment, based upon the written advice of Broadview or another financial advisor of national standing, are more favorable to Primus shareholders than the terms of the merger. An offer will not be a superior offer unless any financing required to complete the proposed transaction is committed, or unless, in the reasonable judgment of Primus board, based upon the advice of Broadview or another financial advisor of national standing, such financing is likely to be obtained by the person making the offer on a timely basis.

Primus board may, without breaching the merger agreement, withhold, withdraw, amend or modify its recommendation in favor of the merger if:

a superior offer is made and not withdrawn;

Primus has provided written notice to ATG advising ATG that it has received a superior offer, including the identity of the person making the superior offer and the material terms and conditions of the superior offer;

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ATG does not, within five written days of receipt of this written notice, make an offer that the board of Primus determines, by majority vote in its reasonable judgment, based on the written advice of Broadview or another financial advisor of national standing, is at least as favorable to Primus shareholders as the superior offer;

the board of Primus reasonably concludes, after consultation with its outside counsel, that in light of the superior offer, the withholding, withdrawing, amending or modifying of its recommendation in favor of the merger is required for the board to comply with its fiduciary obligations to the Primus shareholders under applicable law; and

Primus has not violated the nonsolicitation provisions in the merger agreement or the provisions requiring Primus to call and convene the special meeting of Primus shareholders described in this joint proxy statement/ prospectus.

Primus has agreed to provide ATG with three days prior notice (or such lesser notice as the Primus board receives but in no event less than 24 hours) of any board meeting at which Primus is expected to consider any acquisition proposal to determine whether it is a superior offer. Even if the board's recommendation is withheld, withdrawn, amended or modified, Primus must still call and convene the Primus shareholders meeting to consider approval of the merger with ATG.

The merger agreement also does not prevent Primus or the Primus board from disclosing to Primus shareholders a position contemplated by Rules 14d-9 and 14e-2(a) under the Securities Exchange Act of 1934 if the board determines in its good faith judgment, after consultation with and advice from its outside counsel, it is required for the board to comply with its fiduciary obligations, or is otherwise required, under applicable law.

Employee benefits

Primus and ATG have agreed to work together in good faith to agree upon mutually acceptable compensation arrangements for those Primus employees who will be offered employment with ATG in connection with the merger. In this regard, to the extent that ATG's benefit plans permit it to do so, and will give each of these employees full credit for his or her service with Primus or one of its subsidiaries in determining eligibility, vesting, benefit accrual and benefit levels under ATG's benefit plans. Primus has agreed that it will terminate its and its subsidiaries' 401(k) retirement plans effective immediately before the termination of the merger.

Indemnification of Primus directors and officers

ATG has agreed to cause the corporation surviving the merger to honor all of Primus' obligations to indemnify any person who served as a director or officer of Primus for liabilities arising as a result of this service. In addition, the surviving corporation's articles of incorporation will contain provisions releasing these persons from liability arising as a result of service as directors and officers of Primus which are at least as favorable as those in Primus' articles of incorporation and bylaws. Finally, for six years after the completion of the merger, ATG will cause the corporation surviving the merger to maintain directors and officers liability insurance for the former directors and officers of Primus on terms comparable to those in effect when the merger agreement was signed, except that ATG and the surviving corporation will not be required to spend annually more than 150% of the annual premium paid by Primus for this coverage.

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Conditions to the completion of the merger

Conditions to obligations of each party to the merger agreement

None of ATG, Autobahn Acquisition, Inc. or Primus is obligated to complete the merger unless various conditions are satisfied or waived, including:

the Primus shareholders shall have approved the merger agreement and the merger;

the ATG shareholders shall have approved the issuance of shares of ATG common stock in the merger;

ATG's registration statement, of which this joint proxy statement/ prospectus is a part, shall be effective and no stop order or proceeding for suspending its effectiveness shall be pending before or threatened in writing by the SEC;

no law, order or injunction shall prohibit completion of the merger; and

no action or proceeding shall be pending before any governmental entity seeking to:

restrain or prohibit the ownership or operation by ATG of all or any portion of Primus' business or to require ATG to dispose of or hold separately all or any portion of the business or assets of Primus, ATG or their subsidiaries;

impose limitations on ATG's ability to exercise full rights of ownership of the shares of Primus common stock acquired in the merger; or

require ATG to divest shares of Primus common stock that it acquires in the merger.

Conditions to obligations of Primus

Primus is not obligated to complete the merger unless various conditions are satisfied or waived, including:

the representations and warranties of ATG and Autobahn Acquisition, Inc. in the merger agreement must be true and correct as of the date of the merger agreement and as of the time of completion of the merger. However, if any of these representations and warranties are not then true and correct, this condition will be satisfied if the inaccuracies, or breaches of representations and warranties, taken together, do not cause a material adverse effect, as defined below, on ATG, other than with regard to the following representations and warranties, each of which must be materially correct at the time of completion of the merger:

those concerning ATG's and Autobahn Acquisition, Inc.'s capital stock; and

those concerning ATG's and Autobahn Acquisition, Inc.'s legal power to enter into the merger, board approval of the merger, lack of breach of laws or conflicts with ATG or Autobahn Acquisition, Inc. material agreements and lack of need for governmental approvals for the merger;

ATG and Autobahn Acquisition, Inc. have performed and complied in all material respects with all covenants, obligations and conditions of the merger agreement that they are required to perform and comply with by the completion of the merger;

Primus has received a written opinion of counsel that the merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

no material adverse effect on ATG has occurred and is continuing;

the Nasdaq Stock Market shall have approved the listing of ATG common stock to be issued in the merger; and

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ATG shall have taken all steps necessary to appoint Michael A. Brochu and Daniel C. Regis to ATG's board, effective immediately following the effective time.

Conditions to obligations of ATG and Autobahn

ATG and Autobahn are not obligated to complete the merger unless various conditions are satisfied or waived, including:

the representations and warranties of Primus in the merger agreement must be true and correct as of the date of the merger agreement and as of the time of completion of the merger. However, if any of these representations and warranties are not then true and correct, this condition will be deemed satisfied if those inaccuracies, or breaches of representations and warranties, taken together, do not cause a material adverse effect on Primus, other than with regard to the following representations and warranties, each of which must be materially correct upon the completion of the merger:

those concerning Primus' capital stock;

those concerning Primus' legal power to enter into the merger, board approval of the merger, lack of breach of laws or conflicts with Primus' material agreements and lack of need for governmental approvals for the merger; and

those concerning receipt by Primus' board of directors from Broadview of an opinion to the effect that the exchange ratio is fair to Primus' shareholders from a financial point of view;

Primus has performed and complied in all material respects with all covenants, obligations and conditions of the merger agreement that it is required to perform and comply with by the completion of the merger;

no material adverse effect on Primus has occurred and is continuing;

Primus has received consents, approvals and waivers with regard to the merger from certain parties to other agreements with Primus;

shares of Primus common stock for which dissenters' appraisal rights have been validly exercised will not be more than 5% of all outstanding shares of Primus common stock immediately before the completion of the merger; and

all of Primus' options and warrants are vested and exercisable immediately prior to the effective time.

The term "material adverse effect" in the merger agreement means any change, event, violation, inaccuracy, circumstance or effect that is or is reasonably likely to be materially adverse to the business, assets, capitalization, financial condition, operations or results of operations of a party and its direct and indirect subsidiaries, taken as a whole, except that it does not include:

changes in general economic conditions;

changes generally affecting the participants in the industries in which ATG and Primus operate unless the change disproportionately affects ATG or Primus, as the case may be;

changes resulting from the announcement or pendency of the merger;

changes in the trading prices of the capital stock of ATG or Primus, in and of themselves; or

failure of any party to meet any particular revenue or earnings forecast or estimate, or, in the case of Primus, failure to have any particular amount of adjusted working capital, in and of themselves.

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Termination of the merger agreement

The merger agreement may be terminated at any time prior to the completion of the merger, whether before or after approval of the merger by the ATG and Primus shareholders:

by the mutual written consent of ATG and Primus;

by either ATG or Primus if:

the merger has not been completed by March 31, 2005, except that a party may not terminate the merger agreement if that party's action or failure to act resulted in the merger not being completed by that date;

a governmental authority has issued a final, non-appealable order, decree or ruling, or taken any other action, that would permanently prohibit the merger;

the shareholders of Primus fail to approve the merger agreement and the merger, except that Primus may not terminate the merger agreement if the shareholder approval was not obtained either because of Primus' action or failure to act, which constitutes a material breach of the merger agreement, or a breach by one of the Primus shareholder parties to the voting agreements, described below; or

the stockholders of ATG fail to approve the issuance of the shares of ATG common stock in the merger, except that ATG may not terminate the merger agreement if the stockholder approval was not obtained either because of ATG's action or failure to act, which constitutes a material breach of the merger agreement;

by ATG if:

Primus has breached any representation, warranty, covenant or agreement in the merger agreement and the breach would cause Primus to fail to satisfy a closing condition, and the breach is not cured within 30 days after written notice to Primus if the breach is curable, except that ATG cannot terminate the merger agreement if it is at that time in material breach;

at any time before the approval of the merger agreement and the merger by the Primus shareholders, a triggering event, as defined below, occurs; or

Primus' adjusted working capital on the applicable measurement date is a working capital deficiency greater in magnitude than \$(5.5 million);

by Primus if ATG has breached any representation, warranty, covenant or agreement in the merger agreement and the breach would cause ATG to fail to satisfy a closing condition, and the breach is not cured within 30 days after written notice to ATG if the breach is curable, except that Primus cannot terminate the merger agreement if it is at that time in material breach.

Termination of the merger agreement will generally terminate the obligations of the parties to perform their covenants in the merger agreement, except that the parties must continue to comply with various miscellaneous provisions, including continuing mutual confidentiality provisions, and, if applicable, concerning the termination fee, as described below.

Termination fee; fees and expenses

Primus has agreed to pay ATG a termination fee of \$1,000,000 if:

either ATG or Primus terminates the merger agreement after the Primus shareholders vote against approval of the merger agreement and the merger or after March 31, 2005, but only if after the date of the merger agreement and prior to its termination, an acquisition proposal has been announced, and either Primus enters into a binding agreement or completes a transaction in which majority control of Primus voting stock or more than 50% of its assets are acquired by a third party within 18 months after termination of the merger agreement; or

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before a shareholder vote is taken, a triggering event, as described below, occurs and ATG terminates the merger agreement. Other than with regard to the termination fee, ATG and Primus have generally agreed that each party will bear its own costs and expenses.

A triggering event means any of the following:

Primus board withdraws, amends or modifies adversely to ATG its recommendation to the Primus shareholders to approve and adopt the merger agreement or the merger;

Primus fails to include in this joint proxy statement/ prospectus the recommendation of Primus board in favor of the approval of the merger agreement and the merger;

if an acquisition proposal, as defined above, is announced and Primus board does not publicly reaffirm its recommendation in favor of approval of the merger agreement and the merger within 10 business days after ATG requests that it do so;

Primus board approves or publicly recommends an acquisition proposal;

Primus enters into a letter of intent or any similar agreement accepting an acquisition proposal;

Primus breaches any of its obligations related to the calling and convening of the Primus shareholders meeting, its recommendation for approval of the merger agreement and the merger or the nonsolicitation of acquisition proposals; or

Primus fails to send a statement to Primus shareholders within 10 business days after the commencement of a tender or exchange offer, recommending rejection of the tender or exchange offer.

Amendment of the merger agreement; waivers

ATG and Primus may amend the merger agreement by signing a written agreement to do so, provided that they comply with applicable state law with respect to amending the agreement. ATG and Primus may each extend the other's time to perform any obligation under the merger agreement, waive inaccuracies in the other's representations and warranties and waive compliance by the other with any of the agreements or conditions in the merger agreement.

AGREEMENTS RELATED TO THE MERGER

This section of the joint proxy statement/ prospectus describes agreements related to the merger agreement, including the Primus shareholders' voting agreements. The following is not a complete statement of all the provisions of these agreements. Detailed terms and conditions are contained in these agreements. A copy of the form of voting agreement is attached to this document as Annex B and is incorporated by reference. For a complete presentation of this information, please read the full text of the form of voting agreement.

Primus shareholders' voting agreements

ATG required all of Primus' executive officers and directors, as well as Primus shareholders Transcosmos USA, Inc., US Information Technology Financing, LP, Transcosmos, Inc. and Norwest Equity Partners V, to enter into voting agreements. These voting agreements require these Primus shareholders to vote all of the shares of Primus common stock beneficially owned by them in favor of the merger and against any competing acquisition proposal or superior offer, each as described above, and against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation of Primus under the merger agreement or of the shareholder under his voting agreement. The voting agreements apply only to the exercise of voting rights attaching to Primus shares

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and shall not limit the discretion of any shareholder who is a director of Primus with respect to his duties as a director of Primus.

In addition, each Primus shareholder who is a party to a voting agreement agreed not to sell the Primus stock and options owned, controlled or acquired, either directly or indirectly, by that person until the termination of the voting agreement.

The Primus shareholders' voting agreements will terminate upon the earliest to occur of the termination of the merger agreement in accordance with its terms or the completion of the merger.

As of the record date, the Primus shareholders who entered into voting agreements collectively beneficially owned 3,471,778 shares of outstanding Primus common stock, which represented approximately 14.6% of the outstanding Primus common stock. None of the Primus shareholders who are parties to the voting agreements were or will be paid additional consideration in connection with them.

Employment agreements

Concurrent with the execution of the merger agreement, ATG entered into employment agreements with some of Primus' employees. These employment agreements become effective upon the closing of the merger and were not entered into with any of the executive officers of Primus. However, the executive officers of Primus have been offered additional incentives to remain employed for a transition period following the merger as explained in the section entitled "The Proposed Merger - Interests of certain persons in the merger" on page 64. None of the employees who executed the agreements described above will become an executive officer of ATG as a result of the merger.

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THE ADJOURNMENT PROPOSALS

If at the Primus special meeting the number of shares of Primus common stock voting in favor of the adoption of the merger agreement is insufficient to approve the merger under Washington law, Primus management intends to move to adjourn the special meeting in order to enable the Primus board of directors to solicit additional proxies in favor of the merger. In that event, Primus will ask its shareholders to vote only upon the adjournment proposal, and not upon the merger proposal.

Similarly, if at the ATG special meeting the number of shares of ATG common stock voting in favor of the issuance of the ATG common stock pursuant to the merger and the other transactions contemplated by the merger agreement is insufficient to approve the proposal under Delaware law, ATG's management intends to move to adjourn the special meeting in order to enable the ATG board of directors to solicit additional proxies in favor of the proposal. In that event, ATG will ask its stockholders to vote only upon the adjournment proposal.

In the adjournment proposal, Primus and ATG are asking their respective shareholders to authorize the holder of any proxy solicited by the ATG board of directors or the Primus board of directors to vote in favor of granting management discretionary authority to adjourn the ATG special meeting or the Primus special meeting, as the case may be, and any later adjournments of those meetings, in each case to a date or dates not later than November 21, 2004, in order to enable the ATG board of directors or the Primus board of directors, or both, as the case may be, to solicit additional proxies in favor of the merger and the other transactions contemplated by the merger agreement.

If the shareholders of either company approve the adjournment proposal, management could adjourn either meeting of shareholders and any adjourned session of that meeting to a date or dates not later than November 21, 2004 and use the additional time to solicit additional proxies in favor of the merger or the proposal to approve the merger and the transactions contemplated by the merger agreement, as the case may be, including the solicitation of proxies from shareholders that have previously voted against the relevant proposal. Among other things, approval of the adjournment proposals could mean that, even if ATG or Primus have received proxies representing a sufficient number of votes against the merger-related proposals to defeat them, ATG's management or Primus management, or both, as the case may be, could adjourn the ATG special meeting or the Primus special meeting, or both, as the case may be, without a vote on the merger proposals for up to 30 days and seek during that period to convince the holders of those shares to change their votes to votes in favor of the proposals.

Under Primus bylaws, the adjournment proposal will require a majority of the votes properly cast on the proposal at the special meeting. Under ATG's bylaws, the adjournment proposal will require a majority of the votes properly cast on the proposal at the special meeting.

The Primus board of directors believes that if the number of shares of Primus common stock voting in favor of the adoption of the merger agreement is insufficient to approve the merger, it is in the best interests of the Primus shareholders to enable the Primus board of directors, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes in favor of the merger to approve it.

The Primus board of directors recommends that Primus shareholders vote *FOR* the proposal to grant management discretionary authority to adjourn the special meeting to a date or dates not later than November 21, 2004.

The ATG board of directors believes that if the number of shares of ATG common stock voting in favor of the issuance of the ATG common stock in the merger and the other transactions contemplated by the merger agreement is insufficient to approve the proposal, it is in the best interests of the ATG stockholders to enable the ATG board of directors, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes in favor of the merger proposal to approve it.

The ATG board of directors recommends that ATG stockholders vote *FOR* the proposal to grant management discretionary authority to adjourn the special meeting to a date or dates not later than November 21, 2004.

Table of Contents**NEW ADDITIONS TO ATG S BOARD OF DIRECTORS**

Immediately following the effective time of the merger, the ATG board of directors will expand from seven to nine members. Daniel C. Regis, currently a director of Primus, will join the ATG board as a class II director and Michael A. Brochu, currently the president, chief executive officer and a director of Primus, will join the ATG board as a class III director. Set forth below is information regarding the background, executive compensation and relationships/related transactions for Messrs. Regis and Brochu:

Daniel C. Regis

Daniel C. Regis has served as one of Primus' directors since April 2003. Mr. Regis presently serves as a managing director of Digital Partners, a mid-sized venture capital fund specializing in Northwest emerging technology companies. From 1996 to 1999, he was with Kirlan Venture Capital Inc. where he served as managing partner of venture funds with a similar focus. Prior to 1996, Mr. Regis was the managing partner of Price Waterhouse LLP in Seattle and previously for the Northwest and Portland. Mr. Regis is a member of the board of directors of Cray, Inc. Mr. Regis holds a bachelor of commercial science from Seattle University with a major in accounting and a minor in philosophy. Mr. Regis is 64 years old.

Commencing with the second quarter of 2003, as a director of Primus, Mr. Regis received a quarterly retainer fee of \$3,000, an additional \$500 fee for each board meeting attended in excess of four per year and \$500 for each board committee meeting attended. Mr. Regis currently serves on the Primus Audit Committee, which held four meetings during the last fiscal year and he has been identified by Primus as an audit committee financial expert under the applicable SEC rules. As a board member, Mr. Regis is eligible to participate in Primus' 1999 stock incentive compensation plan and in 2003 he received an initial stock option grant of 50,000 shares. Mr. Regis is an independent director of Primus under the applicable rules of the Nasdaq Stock Market, Inc. No family relationship exists between Mr. Regis and any of the other Primus or ATG directors or executive officers.

Michael A. Brochu

Michael A. Brochu has served as Primus' president, chief executive officer and chairman of the board since November 1997. Mr. Brochu was president and chief operating officer of Sierra On-Line, Inc., an interactive software publisher, from June 1994 until October 1997. Mr. Brochu received his B.B.A. in accounting and finance from the University of Texas at El Paso. Mr. Brochu is 51 years old.

The following table lists all compensation earned by Mr. Brochu during the years ended December 31, 2003, December 31, 2002 and December 31, 2001:

Year	Annual compensation		Long-term compensation awards	
	Salary	Bonus	Securities underlying options	All other compensation
2003	\$ 303,333			\$ 1,307,968
2002	\$ 290,000		1,200,000	
2001	\$ 290,000	\$ 14,500	200,000	

Other Compensation for Mr. Brochu in 2003 consisted of \$997,968 in consideration of Primus' purchase of 1,239,165 of Mr. Brochu's outstanding stock options, which constituted all of his options with an exercise price over \$0.86 per share and \$310,000 in consideration of a three-year non-competition and non-solicitation agreement signed by Mr. Brochu.

No options were granted to Mr. Brochu during the year ended December 31, 2003. The following table provides information regarding stock options exercised by Mr. Brochu during fiscal 2003 and stock

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options held by Mr. Brochu at December 31, 2003. The value of unexercised in-the-money options at fiscal year-end is based on \$6.15 per share, the average of the high and low sale price of Primus common stock on December 31, 2003 as reported on the Nasdaq SmallCap Market.

Shares Acquired on Exercise	Value Realized	Total number of unexercised options at fiscal year-end(#)		Value of unexercised in-the-money options at fiscal year-end(\$)	
		Exercisable	Unexercisable	Exercisable	Unexercisable
50,000	\$ 169,500	716,666	433,334	\$3,791,163	\$2,292,337

On June 30, 1999, Mr. Brochu entered into an agreement with Primus providing for certain compensation arrangements upon a change of control of Primus, including a merger of the type contemplated in this joint proxy statement/ prospectus. If Mr. Brochu is terminated by Primus without cause or terminates his employment due to a substantial change in his position or responsibilities during the year following a change of control, he will be entitled to his accrued annual base salary, bonus and commissions through the date of termination plus severance pay equal to one-half of annual base salary, all of his outstanding options will become immediately exercisable, and commissions on his former accounts, occurring during the six months following termination, if any, will be paid. Primus has agreed in principal to amend Mr. Brochu's change of control agreement to provide that his severance pay will be equal to one year's annual base salary. In addition, immediately upon a change of control, 50% of Mr. Brochu's unvested stock options become exercisable.

Mr. Brochu has been a party to the following transactions with Primus since January 1, 2001:

An unsecured loan to from Primus for \$750,000 bearing interest at 4.9% granted in April 2001. The maturity date of the loan was April 16, 2007 with principal and accrued interest payments due annually starting on April 16, 2005 and subject to full forgiveness in the event of Mr. Brochu's termination of employment without cause or for good reason following a change of control. Mr. Brochu prepaid the loan and all accrued interest in 2003.

Agreement dated October 31, 2003, pursuant to which Primus agreed to purchase all of Mr. Brochu's outstanding stock options with an exercise price above \$0.86, or 1,239,165 stock options. Mr. Brochu elected to apply the proceeds, after required tax withholdings of approximately \$264,000, from this option disposition to his outstanding \$750,000 loan from Primus. As a result of this transaction, the outstanding principal balance on the loan was reduced to approximately \$114,000. Mr. Brochu did not retain any net proceeds from the transaction. Primus' board of directors, with Mr. Brochu abstaining from discussions and voting, approved of the above described transaction and established the total purchase price, using the Black-Scholes option pricing model, of \$997,968. Primus purchased from Mr. Brochu 547,999 stock options (granted on November 4, 1997) with an exercise price of \$3.00, 78,666 stock options (granted on February 4, 1999) with an exercise price of \$8.25, 150,000 stock options (granted on August 13, 1999) with an exercise price of approximately \$20.41, 150,000 stock options (granted on February 2, 2000) with an exercise price of approximately \$74.03, 37,500 stock options (granted on May 17, 2000) with an exercise price of approximately \$38.66, 75,000 stock options (granted on October 12, 2000) with an exercise price of approximately \$5.31, and 200,000 stock options (granted on May 16, 2001) with an exercise price of approximately \$3.49. The total purchase price under the above described transaction are reflected as compensation expense and included in general and administrative expenses in Primus' consolidated financial statements for the period ending December 31, 2003. The net proceeds were first applied against accrued interest due Primus of approximately \$98,000 and the remainder reduced Mr. Brochu's outstanding loan principal balance by approximately \$636,000.

Noncompetition and nonsolicitation agreement, dated November 13, 2003, with Primus. The consideration to Mr. Brochu in exchange for this agreement was an amount equal to one times his annual base salary, or \$310,000. The agreement is effective from November 13, 2003 through three

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years from the end date of Mr. Brochu's employment for any reason. Mr. Brochu elected to apply approximately \$114,000 of the proceeds, after required tax withholdings of approximately \$82,000, to his outstanding loan from Primus. As a result of this prepayment, the loan was fully paid by December 31, 2003. The payment under this agreement is reflected as compensation expense and included in general and administrative expense in Primus' consolidated financial statements for the period ending December 31, 2003.

No family relationship exists between Mr. Brochu and any of the other Primus or ATG directors or executive officers.

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PRIMUS BUSINESS

Overview

Primus is a provider of software solutions that enable companies to deliver a superior customer experience via contact centers, information technology help desks, web (intranet and internet) self-service and electronic communication channels. Primus technology powers every interaction with knowledge to increase customer satisfaction and reduce operational costs. Primus provides application software that enables companies to find, capture and communicate enterprise knowledge to deliver answers to questions and solutions to problems. Primus also offers electronic communication solutions, such as web self-service, email management, chat, and wireless communications. Primus software products can be implemented as a suite or as individual modules as part of a comprehensive eService solution, customer service delivered through web based applications. Primus solutions can be used in combination with leading customer relationship management and information technology helpdesk applications, including those from Amdocs/ Clarify, Kana, Onyx, Oracle CRM, PeopleSoft, Remedy, Siebel, SAP, and others. In addition to software applications, Primus offers professional services to assist customers with software implementation, integration, hosting, training and support.

Primus targets mid to large-sized organizations, and its products are used by call centers, information technology helpdesks, field service organizations, human resources organizations, marketing organizations, and eService businesses. Primus customers include companies from many vertical markets, including: high-tech, telecommunications, outsourced services providers, financial services, manufacturing and government. Primus developed its products and markets and sells its software and services primarily through a direct sales force and a minority owned Japanese entity. Primus has offices throughout the United States, and in the United Kingdom. Primus principal executive offices are located at 1601 Fifth Avenue, Suite 1900, Seattle, WA 98101.

Primus incorporated in Washington State in 1986 and its common shares were originally listed on the Nasdaq National Market on June 30, 1999, were transferred to the Nasdaq SmallCap Market on or about November 1, 2002, and publicly trade under the symbol PKSI.

Industry background

The emergence of the web as a business medium has made it imperative for companies across a variety of industries to extend the way they do business. Traditional call centers for customer service and support have been integrated with web enabled applications for self-service, and now include multiple electronic communication channels for customers to choose from, including phone, email, self-service, chat, instant messaging, voice over internet protocol, short message service, multimedia messaging service. The fast-growing eService market has focused on enabling companies to market their products, manage the sales process, transact sales, manage customer service, and interact and communicate with customers, partners and suppliers across any communication channel. Because of competitive pressures and customer expectations, even the most traditional companies have found it difficult to ignore the need to implement an eService strategy.

The shift from traditional business practices to doing business on emerging communication channels has fundamentally changed the way that companies interact with and think about their customers. Increasingly, companies are realizing that they must personalize each customer experience by providing products and support based on each customer's needs and that exceed each customer's expectations. To accomplish these goals, businesses must communicate with customers via the media of the customer's choice and deliver relevant information to customers. Companies realize that they must learn from each customer interaction, in order to respond to customer inquiries in real-time and provide a consistent level of service 24 hours a day, seven days a week.

There are inherent challenges associated with interacting with customers in this new and dynamic business environment. Customers have higher expectations for customer service and expect that service to be consistent regardless of the communication channel used to deliver the support. Companies must view

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their customers in an integrated way, providing visibility to each customer's information across their organizations. Customers are now active, informed participants in the business process and each customer interaction must be maximized to retain and increase sales to existing customers and improve customer satisfaction.

To compete in today's business environment, companies must maximize their relationships with prospective and existing customers. This has led many companies to implement eService initiatives and software. eService software is designed to enable companies to interact with their customers and manage customer information in a way that helps companies maximize the value of each customer interaction. Facilitating more efficient communications with customers can help to improve the level and quality of customer service and, in turn, increase customer satisfaction and retention and cross-sell and up-sell opportunities.

Primus solutions

Primus offers complete knowledge solutions that enable companies to deliver great service by finding, capturing and communicating information. Primus products are used primarily for customer support by call centers and information technology helpdesks and have been extended to support other business areas including human resources, sales and marketing.

Primus solutions are predicated on the belief that the intellectual capital resident within a company's workforce and within its disparate corporate repositories, is its most valuable asset. Primus provides knowledge-enabling solutions that allow companies to enhance customer relationships by managing and sharing the company's valuable internal knowledge and expertise with customers, partners and employees, across multiple communication channels and business processes. Primus software helps address the unique challenges faced by companies implementing a customer service and support strategy.

Primus software has the following key characteristics:

Intangible asset management. Primus software enables companies to capture, manage, and share a variety of knowledge, including requests for information, service, support, technical information, and institutional knowledge gained from interactions with customers, partners and employees, across a multitude of communication channels including the web so that the entire enterprise can apply this knowledge to future interactions.

Integration. Primus software integrates with leading contact center and information technology helpdesk solutions, including applications from Amdocs/ Clarify, Kana, Onyx, Oracle, PeopleSoft, Remedy, SAP, Siebel and others. Integration with these types of applications enables companies to easily capture and access knowledge during the course of the customer interaction. Fast access to current, relevant knowledge is key to achieving the verifiable return on investment that buyers demand.

Scalable architecture. Primus solutions scale from small to enterprise usage. Primus customers have demonstrated the scalability of Primus software in demanding, transaction heavy environments. For example, one company is leveraging Primus self service solution to answer over 1 million questions per month. In addition, companies have purchased Primus software to be used by thousands of contact center employees, and hundreds of thousands of their customers and partners, on a global basis.

Rapid return on investment. Primus software offers a significant, measurable return on investment. For example, a networking software company reported a reduction of service escalations by 20% in six months; a manufacturing company reduced support escalations from level 2 support representatives to level 3 support representatives by 60% in three months. Primus solutions can be rapidly implemented and easily customized, thus allowing for minimal start-up time before companies experience the benefits of choosing Primus software. In addition, the extensive business functionality provided by Primus software allows companies to realize more immediate benefits such as reduced support costs, enhanced customer satisfaction, and increased productivity. The extent of return on investment of Primus products is specific to each of Primus customer's experience.

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Primus strategy

Establish and maintain leadership position. Primus intends to be the leader in providing comprehensive problem resolution software solutions for the customer contact center, information technology helpdesk, electronic communications and self-service portal markets. Primus strategy includes delivering world class products that leverage industry standard Java technologies, and web services, to easily integrate into existing systems, to address the market for self-service and assisted service.

Enhance Primus product suite. Primus plans to enhance the capabilities of its product family by developing and licensing additional products and technologies. Primus intends to focus on applications and technologies that extend the breadth of Primus eService solutions. Primus develops its products to operate in numerous enterprise environments including Java 2 Platform, Enterprise Edition (J2EE), Microsoft Windows and NT and Sun Solaris Unix.

Target additional vertical markets. Primus is focused on targeting additional vertical markets to broaden the reach of its problem-resolution products. Initially, Primus sales and marketing efforts targeted large enterprises in dynamic, technology-related industries that offer external customer support, such as software, hardware and telecommunications. Primus continues to focus on broadening its reach across multiple vertical markets, such as outsourced services providers, manufacturing, aerospace, financial services, and government.

Build additional strategic relationships. Primus intends to strengthen its market reach by further developing partner relationships with leading implementation consulting, systems integration, and technology vendors. Primus believes that these strategic relationships will provide it with additional sales opportunities, further leverage its implementation resources, and broaden its current eService integration capabilities. Concurrently, Primus intends to expand its indirect distribution channels to complement its direct sales force and pursue reseller opportunities.

Extend Primus solutions to other functional areas. Primus intends to continue to enhance the features of its solutions to provide benefits to functional business areas other than customer support, such as human resources, sales and marketing. Primus applications are valuable to any organization that needs to help its employees or customers answer questions from disparate data sources and store valuable knowledge for re-use by others within the organization.

Products

Primus software can be deployed as a suite, as individual modules, or as an integrated solution with other leading contact center and information technology helpdesk applications, depending on the customer's preference and/or the immediacy of their need.

License fees for Primus software vary with each application, but Primus products are typically licensed on a per-processor basis, per-user basis, per number of email messages processed basis or based on the number of users authorized to access Primus software at any given time. Primus typical license agreement provides the licensee a perpetual, nontransferable license to use Primus software. Primus deploys its solutions either in-house at the customer's facility as installed software or in a hosted environment operated and maintained by us. Customers using Primus hosted offerings can take advantage of Primus hosting expertise, thereby reducing the demands on their own information technology resources while receiving the full benefit of secure and reliable access to Primus applications.

The following summarizes the current products that comprise the Primus software suite:

Primus® Knowledge Center

Primus® KnowledgeCenter enables organizations to dynamically create, capture, and share knowledge to enhance their customers experiences and increase the effectiveness of their businesses. Primus® KnowledgeCenter can be used in a variety of business environments, including customer service and support, field engineering, human resources, and sales and marketing, wherever a company needs to make

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knowledge available to its employees or customers, particularly when there is a large volume of information relating to products or systems.

Primus® KnowledgeCenter provides sophisticated search functionality and enables the capture and creation of knowledge during the course of an interaction with a customer. Unlike text search engines that deliver large volumes of sometimes irrelevant answers or case-based systems that due to their design may deliver too limited a response, Primus® KnowledgeCenter delivers answers that are both useful and manageable. Primus® KnowledgeCenter offers an intuitive, portal based user-friendly interface that can be configured to guide first level call center agents through a rapid problem resolution process or to provide full functionality to more experienced agents to access and create reusable knowledge across the enterprise. Primus® KnowledgeCenter can be used to support all phases of the customer lifecycle, from new requests for information or service, to secondary customer interactions that leverage knowledge to proactively serve their customers. For example, knowing that a customer has experienced repetitive customer service issues with a specific product, a company can proactively offer that customer a newly released product that will solve their service issues.

Primus® Enterprise Search

Primus® Enterprise Search enables companies that want to leverage existing enterprise content, including websites, technical documentation and user manuals, to provide answers to questions from customers, employees, and partners. Primus Enterprise Search can be configured to search across corporate repositories to provide a single access point for call center agents or as a portal for self-service. Users can quickly get relevant answers from more than 225 types of files, including knowledgebase solutions, Adobe PDF, Adobe Frame Maker, HTML, Microsoft Word, Microsoft PowerPoint, Microsoft Excel, and more. Primus Enterprise Search uses natural language processing to analyze the meaning and context of the customer's question and provides specific answers from enterprise content. Used in conjunction with Primus® KnowledgeCenter, customers can accelerate the creation of a knowledge base to more effectively share information across the enterprise. Primus Enterprise Search also provides detailed reports to identify frequently requested documents, and information that needs to be updated or created within the organization.

Primus® Communications Center

Primus® Communications Center (formerly Visibility) is a comprehensive electronic communication management solution designed to enhance employee productivity and correspondence quality in customer and internal communications. Primus® Communications Center uses natural language processing to auto-classify electronic communications and apply rules or skills based routing to streamline the electronic communications process. Primus® Communications Center manages textual messaging channels including webforms, email, short message service, multimedia messaging service and other channels. The application is fully and simultaneous multi-lingual.

Product architecture

Primus products use a multi-tiered architecture to meet the knowledge-enabled needs of businesses. Primus uses industry-standard platforms, components, and communications interfaces to provide knowledge-enabling software that is designed to be reliable, maintainable and scalable, and to provide high performance on a 24-hour basis. Primus' flexible architecture adapts to a range of needs, from a single desktop to enterprise systems that support thousands of users.

Primus® KnowledgeCenter software runs on Microsoft Windows or Sun Solaris UNIX systems in single- or multi-processor configurations. Primus' client software runs in a fully customizable interface accessed through a web browser. Primus currently supports IBM DB-2, Microsoft SQL Server and Oracle databases.

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Primus® Enterprise Search software runs on J2EE and Windows systems in single- or multi-processor configurations. Primus Enterprise Search complements the keyword search capabilities of these products with its ability to provide direct answers to natural language questions.

Primus® Communications Center is a J2EE application and runs on Windows, Sun Solaris, IBM AIX and IBM Z/ OS operating platforms. The product includes both Java and web browser client user interfaces.

Customer support, professional services, and application hosting

Primus believes that high-quality customer support and professional services are required for continued growth and increased sales of its products. Primus has made significant investments in its support and services organization in the past and plans to continue to do so in the future.

Customer support. Primus recognizes the importance of product support and quality service to the success of its customers by offering world wide technical product support to ensure quick response and resolution of their issues. Primus customers can contact its support engineers via telephone, fax, and email 7 days a week, 24 hours per day. The use of its KnowledgeCenter product by its support engineers facilitates the quick, accurate resolution of those issues. In addition, through the implementation and integration of its Enterprise Search product, Primus allows its customers direct, web-based access to a robust and collective solution database for their self service needs.

Professional services. Primus consulting teams work closely with its customers prior to product implementation to review a customer's business objectives and information technology infrastructure in order to assist the customer in determining Primus solutions that will best suit the customer's needs. Thereafter, Primus consultants may install, integrate and implement its software in the user's environment. In addition Primus consultants provide training to its customers and third-party partners, including end-user training and advanced technical training regarding the implementation and administration of its products.

Application hosting. Primus offers application hosting services designed to help companies focus on their core business by reducing initial capital or personnel costs associated while at the same time accelerating the deployment of any Primus software solution, with implementations in as little as two weeks. Primus application hosting team installs and maintains Primus applications at data centers provided by third party vendors to ensure security and system availability. Primus application hosting model lets organizations enjoy the benefits of Primus software solutions quickly, without incurring additional capital or personnel overhead costs.

Customers

Initially, Primus sales efforts targeted large enterprises in dynamic, technology-related industries that offer external customer support. Primus has broadened its sales focus to include additional vertical markets and enterprises of a wide variety of sizes that need to make knowledge available to their employees or customers, and particularly companies where there is a large volume of information relating to products or systems. In addition to its traditional markets of technology and telecommunications, Primus touches vertical markets that include aerospace, financial services, manufacturing and retail. During 2003 Primus continued to grow its Global 2000 Customer base by adding many new customers including Altera Corporation, AT&T Wireless, Cap Gemini, Foundry Networks, Genentech, Groupe Victoria, HSBC, Information Technology, Inc., Oce-USA, Orange, Primavera Systems, Red Hat, Washington Mutual Bank, WebEx Communications and others.

Sales and marketing

Primus markets and sells its products primarily through a direct sales force. Primus sales strategy is to pursue targeted accounts through a combination of its direct sales force and strategic relationships with third parties. Primus field sales force, which includes both sales representatives and sales engineers, is

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organized into regional teams, complemented by direct telesales based at its headquarters in Seattle. Primus has sales offices in the United States, the United Kingdom. Primus' international sales constituted 31%, 20% and 23% of its 2003, 2002 and 2001 revenue, respectively, and 36% of its revenue for the six months ended June 30, 2004.

Primus' marketing department has a three-fold purpose: understanding the evolving needs of the marketplace and providing direction to the product development function, sustaining relationships with existing customers and industry analysts, and managing all outbound communications with the marketplace to create awareness and generate interest in its products and services.

Primus software is marketed, distributed and supported in Japan by Primus Knowledge Solutions, K.K. (Primus KK), a joint venture owned by Trans Cosmos, Inc. and Primus. Primus' relationship with Primus KK is described below under the subheading Joint venture and subsidiaries.

Product development

Primus' product development team is responsible for designing, developing and releasing its products. The group is organized into five disciplines: architecture, development, quality assurance, documentation and program management. Members from each of these disciplines, along with a product manager from Primus' marketing department, form separate product teams that work closely with sales, marketing, and professional services members, and with customers and prospects to better understand market needs and requirements.

When required, Primus also uses third-party development firms to expand the capacity and technical expertise of its internal research and development teams and in January of 2003 Primus engaged an offshore development team to accelerate its development efforts. Additionally, Primus sometimes license third-party technology that is incorporated into its products. Primus believes this approach significantly shortens its time to market without compromising its competitive position or product quality. Therefore, Primus expects to continue to draw on third-party resources in the foreseeable future.

Primus' development efforts are essential for it to remain competitive. Costs related to research and development are among Primus' greatest operating expenses. For a complete description of its development-related expenses, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Operating Expenses.

Primus has a software development methodology that it believes allows it to deliver products that satisfy real business needs and meet commercial quality expectations. This methodology is based on the following key components:

- specification and review of business and functional requirements

- quality assurance of code and documentation

- test of functions, components, systems, integration, performance, scaling, stress and internationalization

- regression testing before beta or general availability releases

- trial deployments in an internal production environment prior to release

- external beta releases

- general availability release of English and localized products

Primus' goal is to implement quality assurance processes throughout the software development life cycle. Primus believes that strong emphasis placed on analysis and design early in the project life cycle reduces the number and costs of defects that may be found in later stages.

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Competition

The market for Primus products is rapidly evolving and increasingly competitive as current competitors expand their product offerings and new companies enter the market. Primus' suite of products competes against various vendor software tools designed to address a specific element or elements of the complete set of eService processes, including e-mail management, support, knowledge management, and web-based customer self-service and assisted service. Primus also faces competition from in-house designed products and third-party custom development efforts.

In addition, competition may increase as a result of software industry consolidations and formations of alliances among industry participants or with third parties. Some current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources, and thus may be able to respond more quickly to new or changing opportunities, technologies and customer requirements. Also, many current and potential competitors may have wider name recognition and more extensive customer bases. They might be able to undertake more extensive promotional activities, adopt more aggressive pricing strategies, and offer purchasers more attractive terms. Some of the companies providing e-commerce, advanced natural language self service and traditional customer relationship management solutions that may compete with Primus include Amdocs/ Clarify, eGain, Inquire, iPhrase Technologies, Kana, Kanisa, Oracle, PeopleSoft, RightNow Technologies, ServiceWare, Siebel and SupportSoft.

The principal competitive factors in Primus' industry include:

- vendor and product reputation
- the availability of products on the web and multiple operating platforms
- measurable economic return on investment
- customer referenceability
- product quality, performance and price
- breadth of product functionality and features
- product scalability
- product ease-of-use
- the quality of customer support services, documentation and training
- the quality, speed and effectiveness of application development services
- the effectiveness of sales and marketing efforts
- product integration with other enterprise applications
- breadth of product application suite

As the market for customer service and support and knowledge management software matures, new and larger companies will enter the market, existing competitors will form alliances and current and potential competitors could acquire, be acquired by or establish cooperative relationships with third parties. The resulting organizations could have greater technical, marketing and other resources and improve their products to address the needs of Primus' existing and potential users, thereby increasing their market share. Increased competition could result in pricing pressures, reduced margins or the failure of its products to achieve or maintain market acceptance.

Although Primus believes that its products and services currently compete favorably with respect to such factors, Primus cannot provide any assurance that it can maintain its competitive position against current and potential competitors, especially those with significantly greater financial, marketing, service, support, technical, and other resources.

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Proprietary information

Primus success depends in part on its ability to protect its proprietary rights. To protect its proprietary rights, Primus relies primarily on a combination of copyright, trade secret and trademark laws, confidentiality agreements with employees and third parties, and protective contractual provisions such as those contained in license agreements with consultants, vendors and customers. Primus pursues the registration of certain of its trademarks and service marks in the United States and in certain other countries, but it has not secured registration of all its marks.

Joint venture and subsidiaries

Primus Knowledge Solutions, K.K.

Primus software is marketed, distributed and supported in Japan by Primus Knowledge Solutions, K.K. (Primus KK), a joint venture in which Primus holds approximately a 19% minority interest and holds one of six board of director positions. Trans Cosmos, Inc., one of Japan's oldest and largest outsourced customer service and information technology support solutions provider, holds the remaining interest in Primus KK. Trans Cosmos currently holds approximately 8% of Primus common stock. Primus distribution arrangement provides Primus KK with exclusive rights to the Japanese and English versions of Primus® eServer (now a component of Primus® KnowledgeCenter) and Primus® eSupport (now a component of Primus® KnowledgeCenter) products in Japan, and nonexclusive distribution rights for these products in Korea, China and Hong Kong. The distribution arrangement continues until terminated by mutual agreement or, if Primus KK has not completed the listing of its common stock on a recognized public stock exchange by December 31, 2004 or if certain performance goals are not met, its expiration on March 31, 2006. In July 2002, January 2003, May 2003 and again in September 2003, Primus amended the distribution agreement with Primus KK, and they have assumed a more significant role in product localization and support for the Japanese market. As a result of the changing and uncertain business climate and operating results for Primus KK, Primus expects to negotiate further amendments to its distribution agreement. Primus agreement with Primus KK does not contain product return rights.

European subsidiaries

Primus Knowledge Solutions (UK) Limited and Primus Knowledge Solutions France are wholly-owned Primus subsidiaries conducting sales and marketing activities for Primus in Europe. Amacis Group Limited is a wholly-owned Primus subsidiary holding the technology assets arising from Primus subsidiary merger with Amacis Group Limited on December 22, 2003. The assets, liabilities and results of operations of these subsidiaries are consolidated into Primus financial statements.

Broad Daylight, Inc.

Broad Daylight, Inc. is a wholly-owned Primus subsidiary holding the technology assets arising from Primus subsidiary merger with Broad Daylight, Inc. entered into on September 3, 2003. This subsidiary's assets, liabilities and results of operations are consolidated into Primus financial statements.

AnswerLogic, Inc.

AnswerLogic, Inc. is a wholly-owned Primus subsidiary holding the technology assets arising from Primus subsidiary merger with AnswerLogic, Inc. on May 31, 2001. This subsidiary's assets, liabilities and results of operations are consolidated into Primus financial statements.

Imparto Software Corporation and 2order.com, Inc.

Imparto Software Corporation and 2order.com, Inc. are two inactive, wholly-owned subsidiaries which resulted from subsidiary mergers prior to 2001. The assets, liabilities and results of operations of these inactive subsidiaries, if any, are consolidated into Primus financial statements.

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Primus does not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, Primus has not guaranteed any obligations of unconsolidated entities nor does it have any commitment to provide any funding to any such entity. As such, Primus is not exposed to any market, credit, liquidity or financing risk that could arise if it had engaged in such relationships.

Employees

As of September 1, 2004, Primus had 150 employees, including 36 European-based employees. These included 44 in sales and marketing, 38 in client services and support, 47 in research and development and 21 in general and administration. None of its employees are represented by a labor union. Primus has not experienced any work stoppages, and Primus believes its relationship with its employees is good. In addition, Primus occasionally supplements its workforce with consultants.

Competition for qualified personnel in Primus' industry is intense. Primus believes that its future success will depend in part on its continued ability to hire, train and retain qualified personnel.

Properties

Primus leases principal administrative, engineering, manufacturing, marketing and sales facilities consisting of approximately 19,000 square feet in an office tower in Seattle, WA. The lease for this space extends to October 31, 2005. Primus also leases other domestic sales and services offices in Santa Clara, CA, Beaver Creek, OH, Boston, MA, Clifton Park, NY, and Dallas, TX, as well as a location in Washington, DC primarily dedicated to engineering. The hub of Primus' European operations is located in the United Kingdom with an additional location in Northern Ireland primarily dedicated to engineering. Primus believes that its existing facilities are adequate to meet current requirements and that additional or substitute space will be available as needed to accommodate any expansion of operations.

Legal Proceedings

Primus, a Primus officer, a former Primus officer and FleetBoston Robertson Stephens, Inc., J.P. Morgan Securities Inc., U.S. Bancorp Piper Jaffray Inc., CIBC World Markets, Dain Rauscher, Inc. and Salomon Smith Barney Holdings Inc., the underwriters of Primus' initial public offering, have been named as defendants in an action filed during December 2001 in the United States District Court for the Southern District of New York on behalf of persons who purchased Primus common stock during the period from June 30, 1999 through December 6, 2000, which was issued pursuant to the June 30, 1999 registration statement and prospectus for Primus' initial public offering. This is one of a number of actions coordinated for pretrial purposes. Plaintiffs in the coordinated proceeding have brought claims under the federal securities laws against numerous underwriters, companies, and individuals, alleging generally that defendant underwriters engaged in improper and undisclosed activities concerning the allocation of shares in the IPOs of more than 300 companies during the period from late 1998 through 2000. Specifically, among other things, the plaintiffs allege that the prospectus pursuant to which shares of Primus' common stock were sold in Primus' IPO contained certain false and misleading statements regarding the practices of Primus' underwriters with respect to their allocation of shares of common stock in Primus' IPO to their customers and their receipt of commissions from those customers related to such allocations, and that such statements and omissions caused Primus' post-IPO stock price to be artificially inflated. The individual defendants have been dismissed from the action without prejudice pursuant to a tolling agreement. In June 2003 the plaintiffs in this action announced a proposed settlement with the issuer defendants and their insurance carriers. Primus has elected to participate in the settlement, which generally provides that its insurance carrier is responsible for any payments other than legal fees Primus incurred before June 2003. On March 4, 2004, plaintiffs' executive committee advised the court that the negotiators for plaintiffs and issuers had agreed on the terms of the settlement. The court must still approve the settlement. If the settlement does not occur, and litigation against Primus continues, Primus believes it has meritorious defenses and intends to defend the case vigorously. While Primus cannot predict with certainty the

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outcome of the litigation or whether the settlement will be approved, Primus does not expect any material adverse impact to its business from this matter.

In October 2003, Primus received notice that ServiceWare, Inc. had filed a complaint against Primus in the United States District Court for the Western District of Pennsylvania, which alleges that aspects of Primus' technology infringe one or more patents issued in 1998 alleged to be held by the plaintiff. The complaint was served on Primus on January 28, 2004. In February of 2004, Primus filed its answer, denying all substantive claims, raising multiple affirmative defenses (including that the patents are invalid and unenforceable, that Primus products do not infringe the patents in any event and that these claims on 1998 patents are barred by equitable estoppel and laches) and including a number of counterclaims. In May 2004, ServiceWare, Inc. filed counterclaims in this lawsuit, including allegations of interference, defamation and unfair competition.

From time to time Primus is, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of its business, including employment claims, contract-related claims and claims of alleged infringement of third-party patents, trademarks and other intellectual property rights. These claims, including those described above, even if not meritorious, could force Primus to spend significant financial and managerial resources. Primus may incur substantial expenses in defending against third party claims. In the event of a determination adverse to us, Primus may incur substantial monetary liability, and/or be required to change its business practices. Either of these could have a material adverse effect on Primus' financial position and results of operations.

As of June 30, 2004, other than accrued legal fees and expenses incurred, no amounts have been accrued as a liability associated with the aforementioned legal proceedings as the incurrence and the amount of a liability, if any, is not considered reasonably estimable or probable.

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**PRIMUS MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Overview

Primus provides software solutions that enable companies to deliver a superior customer experience via contact centers, information technology help desks, web (intranet and internet) self-service, and electronic communication channels. Primus' technology powers every interaction with knowledge to increase customer satisfaction and reduce operational costs. Primus provides application software that enables companies to find, capture and communicate enterprise knowledge to deliver answers to questions and solutions to problems. Primus also offers electronic communication solutions, such as web self-service, email management, chat, and wireless communications. These software products can be implemented as a suite or as individual modules as part of a comprehensive eService solution, customer service delivered through web based applications. Primus' solutions can be used in combination with leading customer relationship management and information technology helpdesk applications, including those from Amdocs/ Clarify, Kana, Onyx, Oracle CRM, PeopleSoft, Remedy, Siebel, SAP, and others. In addition to software applications, Primus offers professional services to assist customers with software implementation, integration, hosting, training and support.

Acquisitions

Acquisition of Broad Daylight, Inc.

On August 12, 2003, Primus signed a definitive merger agreement and announced its intent to acquire 100% of the voting interest in Broad Daylight, Inc., which is an eService software developer specializing in solutions for customer and employee self-service. The merger of Broad Daylight with a subsidiary of Primus closed on September 3, 2003. Under the terms of the agreement, Primus purchased all of the outstanding shares of Broad Daylight in exchange for 2,131,009 shares of Primus common stock valued at approximately \$2.5 million, plus cash of approximately \$140,000 and direct acquisition costs of approximately \$198,000. The fair value of the common stock issued for the acquisition was \$1.19 per share, based on the average market price for a period before and after August 12, 2003.

The purchase price of approximately \$2.9 million was allocated to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the purchase price over the fair value of the net identifiable assets acquired of approximately \$3.3 million has been recorded as goodwill.

Acquisition of Amacis Group Limited

On December 22, 2003, Primus signed a share purchase agreement to acquire 100% of the voting interest in Amacis Group Limited, a leading provider of electronic commerce management solutions to global enterprises. The acquisition of Amacis further extended Primus' breadth and depth in the eService marketplace by adding complementary email and wireless technologies to its customer service and support software solutions. The acquisition of Amacis' shares closed on December 22, 2003. Under the terms of the agreement, Primus purchased all of the outstanding shares of Amacis in exchange for 1,234,692 shares of Primus common stock valued at approximately \$7.4 million, and assumed all employee stock options outstanding under an existing Amacis stock option plan (100% vested), valued at approximately \$1.1 million and incurred direct acquisition costs of approximately \$364,000. The fair value of the common stock issued by Primus upon the acquisition was \$6.00 per share, based on the average market price for a period before and after December 22, 2003.

The purchase price of approximately \$8.9 million was allocated to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the purchase price over the fair value of the net identifiable assets acquired of approximately \$8.4 million was recorded as goodwill.

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Restructurings

During March of 2004, Primus executed a restructuring of its workforce to realize the efficiencies and synergies from its recent acquisitions and as a result recorded restructuring charges of approximately \$461,000 for severance and benefits and associated costs due to a reduction in its worldwide workforce of 20 employees, or approximately 10%. Additionally, Primus anticipates consolidating its Santa Clara operations into other existing locations and may record an excess facility and/or asset impairment charge during the remainder of 2004.

Critical accounting policies and estimates

This discussion and analysis of Primus' financial condition and results of operations are based upon Primus' condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements required Primus to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, Primus evaluates its estimates. Primus bases its estimates on historical experience and on other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Primus' management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of Primus' consolidated financial statements.

Restructuring

During March of 2004 Primus recorded significant accruals in connection with its restructuring program under Statement of Financial Accounting Standards, or SFAS, No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. These accruals include estimates pertaining to employee separation costs. Although Primus believes that it has made reasonable estimates of its restructuring costs in calculating these accruals, the actual costs could differ from these estimates.

Revenue recognition

Primus recognized revenue in accordance with accounting standards established for software companies. These include Statement of Position No. 97-2, *Software Revenue Recognition*, as amended by Statement of Position No. 98-9, *Software Revenue Recognition with Respect to Certain Arrangements* and Staff Accounting Bulletin, or SAB, No. 104 *Revenue Recognition*, which was issued in December 2003 and supersedes SAB No. 101, *Revenue Recognition in Financial Statements*. Revenue is recognized when persuasive evidence of an arrangement exists, collection is probable, the fee is fixed or determinable and there is vendor specific objective evidence to allocate the total fee to the elements of the arrangement.

For all sales, Primus uses either a binding purchase order or signed agreement, depending on the nature of the transaction, as evidence of an arrangement. Sales through Primus' resellers or distributors are evidenced by a master agreement governing the relationship together with binding purchase orders or signed agreements on a transaction-by-transaction basis.

For software license fees in single element arrangements and multiple element arrangements that do not include customization or consulting services, delivery typically occurs when the product is made available to the customer for download or when products are shipped to the customer. For hosting and consulting revenue, delivery typically occurs as the services are being performed.

At the time of each transaction, Primus assesses whether the fee associated with its revenue transaction is fixed and determinable and whether or not collection is probable. Primus assesses whether the fee is fixed and determinable based on the payment terms associated with the transaction. If a significant portion of a fee is due after Primus' normal payment terms, Primus considers the fee to not be

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fixed and determinable. In these cases, Primus defers revenue and recognizes it when it becomes due and payable.

Primus initially assesses the probability of collection based on a number of factors, including past transaction history with the customer and the current financial condition of the customer. If Primus determines that collection of a fee is not probable, it defers revenue until the time collection becomes probable, which is generally upon receipt of cash.

For multiple element arrangements, when company-specific objective evidence of fair value exists for all of the undelivered elements of the arrangement, but does not exist for one or more of the delivered elements in the arrangement, Primus recognizes revenue under the residual method. Under the residual method, at the outset of the arrangement with a customer, Primus defers revenue for the fair value of the arrangement's undelivered elements such as consulting services and product support and maintenance, and recognizes the revenue for the remainder of the arrangement fee attributable to the elements initially delivered, such as software licenses, when the criteria in SOP 97-2 have been met. Company-specific objective evidence is established for support and maintenance of standard products for which no installation or customization is required based upon the amounts Primus charges when support and maintenance are sold separately. Company-specific objective evidence is established for consulting, implementation and installation services based on the hourly rates Primus charges for its employees when they are performing these services, provided Primus has the ability to accurately estimate the hours required to complete a project based upon its experience with similar projects or if the arrangement is based upon a stipulated hourly or daily rate. For multiple element arrangements involving installation, implementation or customization, company-specific objective evidence is established for hosting and support and maintenance arrangements if Primus' customers have an optional annual renewal rate specified in the arrangement and the rate is substantive.

Service revenues include payments under hosting and support and maintenance contracts and consulting services. Hosting and support and maintenance revenue is generally recognized ratably over the term of the contract, which for support and maintenance revenue typically is twelve months. Consulting and other service revenue is recognized as the services are performed.

From time to time Primus enters into distribution agreements with resellers that typically provide for sublicense fees based on a percentage of list prices. Primus' distribution agreement with Primus KK, a related party, provided for sublicense fees based on a percentage of net fees collected by Primus KK from its customers, subject to certain guaranteed minimum royalty payments. Sublicense fees are recognized upon delivery of software to Primus KK if pervasive evidence of an arrangement between the distributor and their customer exists, collection is probable, the fee is fixed or determinable, and vendor-specific objective evidence exists for the undelivered elements. Guaranteed minimum royalty payments, to the extent they exceed sublicense fees due, are recognized in the period earned. Primus' agreements with its customers and resellers, including Primus KK, do not contain product return rights.

Accounts receivable

Primus performs a quarterly analysis to determine the appropriate allowance for doubtful accounts. This analysis includes various analytical procedures and a review of factors, including specific individual balances selected from a cross-section of the accounts that comprise total accounts receivable, Primus' history of collections, as well as the overall economic environment. At June 30, 2004 and December 31, 2003, the allowance for doubtful accounts was \$139,000 and \$174,000, respectively.

Goodwill

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to

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their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Primus assesses the impairment of goodwill on an annual basis or whenever events or changes in circumstances indicate that the fair value of the reporting unit to which goodwill relates is less than the carrying value. If Primus were to determine that the fair value of a reporting unit was less than its carrying value, including goodwill, based upon the annual test or the existence of one or more of the above indicators of impairment, it measures impairment based on a comparison of the implied fair value of reporting unit goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of reporting unit goodwill. To the extent the carrying amount of reporting unit goodwill is greater than the implied fair value of reporting unit goodwill, Primus would record an impairment charge for the difference.

In the fourth quarter of 2003, Primus performed an analysis as described above, in connection with its annual impairment test required under SFAS No. 142. Primus' 2003 annual impairment analysis did not require it to recognize an impairment loss.

Primus results of operations for the three and six months ended June 30, 2004 and 2003

The following table sets forth financial data, derived from Primus' unaudited condensed consolidated statements of operations, as a percentage of total revenues for the periods indicated. The operating results for the three and six months ended June 30, 2004 and 2003 are not necessarily indicative of the results that may be expected for any future period.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Revenue:				
License:				
Third party	26.4%	12.2%	25.6%	27.6%
Related party Primus KK		0.3	1.2	3.3
	<u>26.4</u>	<u>12.5</u>	<u>26.8</u>	<u>30.9</u>
Service:				
Third party	72.5	84.6	72.2	66.5
Related party Primus KK	1.1	2.9	1.0	2.6
	<u>73.6</u>	<u>87.5</u>	<u>73.2</u>	<u>69.1</u>
Total revenue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Cost of revenue:				
License	2.3	1.5	3.1	1.7
Service	24.9	33.4	24.9	25.9
Amortization of purchased intangibles	6.5		5.0	
	<u>33.7</u>	<u>34.9</u>	<u>33.0</u>	<u>27.5</u>
Total cost of revenue	<u>33.7</u>	<u>34.9</u>	<u>33.0</u>	<u>27.5</u>
Gross profit	<u>66.3</u>	<u>65.0</u>	<u>67.0</u>	<u>72.5</u>

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	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Operating expenses				
Sales and marketing	40.1	68.0	44.0	55.7
Research and development	37.1	50.4	37.9	40.1
General and administrative	25.5	18.9	23.4	18.2
Restructuring charges			3.9	
Total operating expenses	102.7	137.3	109.2	114.0
Loss from operations	(36.4)	(72.3)	(42.2)	(41.5)
Other income (expense), net		0.3	(0.2)	0.7
Loss before income taxes	(36.4)	(71.9)	(42.4)	(40.8)
Income tax expense	(0.4)	(0.8)	(0.6)	(0.9)
Net loss	(36.8)%	(72.7)%	(43.0)%	(41.7)%

Revenue

Total revenue was \$5.8 million and \$3.7 million for the three months ended June 30, 2004 and 2003, respectively, representing an increase of \$2.0 million, or 55%. During the three and six months ended June 30, 2004, revenue to one international customer represented approximately 22% and 11% of total revenue, respectively. During the six months ended June 30, 2003, revenue from an enterprise sale to one international customer represented approximately 13% of total revenue. No other single customer accounted for 10% or more of total revenue in the three or six months ended June 30, 2004 or 2003. International revenue was \$2.2 million and \$723,000 for the three months ended June 30, 2004 and 2003, respectively, representing an increase of \$1.5 million or 207%. International revenue was \$4.3 million and \$2.6 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of \$1.7 million or 68%. Total revenue was \$11.8 million and \$9.2 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of \$2.6 million, or 29%. During the second half of 2003, Primus acquired Broad Daylight, Inc. and Amacis Group Limited, which are referred to in this management's discussion and analysis of financial condition and results of operations, or MD&A, as the acquired companies. Primus' financial statements include the results of the acquired companies' operations since the respective dates of acquisition. Primus believes that 2004 increases in international revenue are primarily due to sales of Amacis Group Limited products.

License revenue. Total license revenue was \$1.5 million and \$466,000 for the three months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$1.1 million, or 226%. Total license revenue was \$3.2 million and \$2.8 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of \$329,000, or 12%. Included in license revenue for the three months ended June 30, 2004 is an enterprise sale of Primus Communication Center to a pre-existing Amacis customer. They elected to apply an existing prepaid support deposit balance (which was previously included in deferred revenue) against all amounts due. This customer had previously purchased the Amacis Visibility product and was not entitled to upgrades under their prepaid support agreement. As such, this transaction did not result in an increase to cash or receivables during the period. License revenue for the six months ended June 30, 2004 includes approximately \$1.9 million attributed to the sale of Primus Communication Center related products to two of Amacis' pre-existing customers. License revenue as a percentage of total revenue was 26% and 13% for the three months ended June 30, 2004 and 2003, respectively and 27% and 31% for the six months ended June 30, 2004 and 2003, respectively. Although Primus experienced an increase in the sales of its software in 2004 as compared to 2003, Primus continued to experience long and unpredictable sales cycles, making it difficult to predict when license sales may close. Primus believes software license revenue increased in absolute dollars primarily due to sales to certain of Amacis pre-existing customers, partially offset by certain of Primus' customers utilizing

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hosted license model for its software during the second half of 2003 and the first half of 2004. The changes in license revenue as a percentage of total revenue are primarily due to the absolute dollar increases in license revenue and total revenue.

Service revenue. Total service revenue was \$4.2 million and \$3.2 million for the three months ended June 30, 2004 and 2003, respectively, representing an increase of \$987,000, or 30%, and was the result of an increase in hosting fees of approximately \$1.1 million, partially offset by declines in maintenance and support contract revenue and consulting fees over the same period. Service revenue as a percentage of total revenue was 74% and 87% for the three months ended June 30, 2004 and 2003, respectively. Total service revenue was \$8.7 million and \$6.4 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$2.3 million, or 36%, and was primarily the result of an increase in hosting revenue of approximately \$2.2 million over the same period. Service revenue as a percentage of total revenue was 73% and 69% for the six months ended June 30, 2004 and 2003, respectively.

During 2004, total service revenue related to products of the acquired companies was approximately \$1.3 million. Hosting and consulting revenue was approximately \$1.5 million and \$500,000 for the three months ended June 30, 2004 and 2003, respectively, and approximately \$3.3 million and \$830,000 for the six months ended June 30, 2004 and 2003, respectively. The increase in consulting and hosting fees is primarily attributable to an increase in the types of hosting offerings and the number of customers Primus is providing hosting services for, as well as billings for consulting services to pre-existing customers of the acquired companies. Hosting and consulting revenue from two Primus customers was approximately 55% and 52% of total hosting and consulting revenue for the three and six months ended June 30, 2004, respectively. Hosting services are typically provided under renewable contracts that range in length from one to twelve months. Maintenance and support contract revenue was approximately \$2.7 million and \$2.8 million for the quarters ended June 30, 2004 and 2003, respectively, and \$5.4 million and \$5.5 million for the six months ended June 30, 2004 and 2003, respectively.

Cost of revenue

Total cost of revenue was \$1.9 million and \$1.3 million for the three months ended June 30, 2004 and 2003, respectively, representing an increase of \$640,000, or 49%. Total cost of revenue was \$3.9 million and \$2.5 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of \$1.4 million, or 54%.

Cost of license revenue. Cost of license revenue consists primarily of media, product packaging and shipping, documentation and other production costs, and third party software costs and royalties. Cost of license revenue was \$134,000 and \$57,000 for the three months ended June 30, 2004 and 2003, respectively. Cost of license revenue was \$366,000 and \$154,000 for the six months ended June 30, 2004 and 2003, respectively. Cost of license revenue as a percentage of license revenue was 9% and 12% for the three months ended June 30, 2004 and 2003, respectively, and 12% and 5% for the six months ended June 30, 2004 and 2003, respectively. The increase in the cost of license revenue as an absolute dollar amount and the change as a percentage of license revenue is primarily due to a charge of approximately \$80,000 taken during the first quarter of 2004 related to the estimated net realizable value of certain purchased third party software held for resale as well as an increase in the cost of royalties and third party software purchased and resold during 2004 as compared to 2003.

Cost of service revenue. Cost of service revenue consists primarily of salaries, benefits and allocated overhead costs related to customer support, consulting, hosting, training and global services personnel, including the cost of any third-party consultants engaged by Primus. Primus also includes costs directly relating to the provision of hosting services, such as depreciation of capital equipment used in its hosted network, cost of support for the third party software and lease costs paid to remote co-location centers. Cost of service revenue was \$1.4 million and \$1.2 million for the three months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$189,000, or 15%. Cost of service revenue as a percentage of service revenue was 34% and 38%, or a gross margin of 66% and 62%, for the three months ended June 30, 2004 and 2003, respectively. Cost of service revenue was \$2.9 million and

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\$2.4 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$565,000, or 24%. Cost of service revenue as a percentage of service revenue was 34% and 37%, or a gross margin of 66% and 63%, for the six months ended June 30, 2004 and 2003, respectively. The increase in cost of service revenue for the three and six months ended June 30, 2004 is primarily due to increases in payroll and payroll related costs of approximately \$105,000 and \$305,000, respectively, as a result of incremental headcount increases, significantly related to the acquired companies, as well as costs related to services provided to customers under hosting contracts in 2004, partially offset by reductions in total overhead costs and other costs as part of Primus' close monitoring of its expenses and implementation of its cost control initiatives. The decrease in cost of service revenue as a percentage of services revenue was primarily due to certain higher margin hosting contracts, higher utilization rates for Primus' professional services staff and reductions in allocated overhead costs. Gross profit margins are generally higher for post contract customer support and maintenance services, which include the delivery of software enhancements and upgrades, than for training, implementation and integration services.

Amortization of purchased intangibles. Amortization of purchased intangibles consists entirely of amortization related to the intangibles recorded in connection with the acquisition of the acquired companies during 2003. Other intangible assets related to the Amacis acquisition consist of acquired technology, maintenance and hosting contracts and customer relationships, and totaled \$3.1 million. These intangible assets were being amortized over their estimated useful life ranging from four to 60 months for certain maintenance and hosting contracts and seven years for acquired technology. Intangible assets recorded in connection with the acquisition of Broad Daylight consist of acquired technology and maintenance and hosting contracts and totaled \$576,000 and are being amortized over their estimated useful lives ranging from 16 months to three years. During the quarter ended June 30, 2004, a customer terminated a maintenance contract with a remaining life of approximately 54 months, and the associated remaining unamortized intangible asset balance of approximately \$220,000 was expensed.

Operating expenses

Overhead costs. Allocated overhead costs generally include compensation related benefits, facilities costs (occupancy, utilities, telephone, internet, postage and freight), depreciation and amortization related to property and equipment, general supplies and repair and maintenance costs, and bank fees and charges. Allocated overhead costs are allocated to cost of service Revenue (customer support, consulting, training and global services personnel), sales and marketing expense, research and development expense and general and administrative expense based primarily upon headcount, and were approximately \$1.1 million and \$1.4 million for the three months ended June 30, 2004 and 2003, respectively, a decrease of approximately \$294,000, or 21%, and \$2.0 million and \$2.7 million for the six months ended June 30, 2004 and 2003, respectively, or a decrease of \$723,000 or 26%. These decreases are primarily due to reductions during the three and six month periods ended June 30, 2004 in compensation related benefits of approximately \$190,000 and \$400,000, respectively, and depreciation and amortization expense related to property and equipment of approximately \$250,000 and \$530,000, respectively, as well as smaller cost reductions in other areas as a direct result of close monitoring of its expenses; partially offset by increases in facilities costs and overhead personnel costs (primarily related to the acquired companies) of approximately \$140,000 and \$400,000, respectively. Total allocated overhead costs are as follows (in thousands):

	Six months ended June 30,		Three months ended June 30,	
	2004	2003	2004	2003
Cost of service revenue	\$ 484	\$ 599	\$ 256	\$ 303
Sales and marketing	547	758	287	377
Research and development	741	999	387	495
General and administrative	253	392	146	195
Total allocated overhead costs	\$2,025	\$2,748	\$1,076	\$1,370

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The decrease in compensation related benefits expense is the direct result of favorable claims experience during 2004 under Primus self-insured health benefits plan. The net decrease in depreciation and amortization expense related to property and equipment was primarily due to the aging of Primus property and equipment, resulting in more of those assets becoming fully depreciated. The increase in facilities costs and facility-related personnel costs during 2004 was due to an increase in the total square footage under lease and an increase in the number of facilities personnel primarily related to the acquired companies.

Sales and marketing. Sales and marketing expenses consist primarily of salaries, bonuses, commissions and benefits earned by sales and marketing personnel, allocated overhead costs, direct expenditures such as travel, communication and occupancy for direct sales offices and marketing expenditures related to direct mail, online marketing, advertising, trade shows, public relations and new product launches. Sales and marketing expenses were approximately \$2.3 million and \$2.5 million for the three months ended June 30, 2004 and 2003, respectively, representing a decrease of approximately \$220,000 or 9%. This decrease is primarily the result of decreases in sales and marketing payroll and related expenses primarily as a result of Primus March 2004 restructuring, travel and entertainment costs, recruiting expenses and marketing expenditures (e.g., advertising, promotions, public relations, telemarketing, tradeshow and events and collateral materials) and total overhead costs; partially offset by increases in consulting and temporary personnel expenses and telephony and connectivity-related costs and other costs as part of Primus close monitoring of its expenses and implementation of its cost control initiatives. Sales and marketing expenses were approximately \$5.2 million and \$5.1 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$82,000 or 2%. This increase is primarily the result of increases in consulting and temporary personnel costs, travel and entertainment costs, recruiting expenses and training expenses (primarily related to the acquired companies) and telephony and connectivity related costs; partially offset by reductions in payroll and related expenses, total overhead costs and marketing expenditures (e.g. advertising, promotions, public relations, telemarketing, tradeshow and events and collateral materials) and other costs as part of Primus close monitoring of its expenses and implementation of its cost control initiatives. Sales and marketing expenses during the six months ended June 30, 2004 included approximately \$470,000 as a result of incremental payroll and associated expenses related to the absorption of employees from the Acquired Companies during the first quarter of 2004. Sales and marketing expenses as a percentage of total revenue was 40% and 68% for the three months ended June 30, 2004 and 2003, respectively, and 44% and 56% for the six months ended June 30, 2004 and 2003, respectively. This decrease as a percentage of total revenue is primarily due to the significant increase in total revenues for the three and six month periods ended June 30, 2004 compared to the same periods in 2003.

Research and development. Research and development expenses include development costs associated with new products, enhancements and upgrades of existing products and quality assurance activities, and consist primarily of salaries, benefits and contractors fees for software engineers, program and product managers, technical writers, linguistic specialists, quality assurance personnel, allocated overhead costs, as well as costs related to the use of third party development firms. Research and development expenses were approximately \$2.1 million and \$1.9 million for the three months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$260,000 or 14%. The increase was primarily due to increase in research and development headcount and related expenses during 2004 as compared to 2003, primarily related to the acquired companies, increases in research and development spending of approximately \$70,000 related to Primus engagement of an offshore development team in January of 2003 and increases in travel expenses; partially offset by reductions in total overhead costs and other costs, as a result of Primus close monitoring of its expenses and implementation of its cost control initiatives. Research and development expenses were approximately \$4.5 million and \$3.7 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$797,000 or 22%. The increase was primarily due to increases in research and development spending of approximately \$280,000 related to Primus engagement of an offshore development team in January of 2003 and increases in research and development headcount during 2004 as compared to 2003, primarily related to the acquired companies, and increases in travel related costs. Research and development

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expenses during the first quarter of 2004 included approximately \$430,000 as a result of incremental payroll and associated expenses related to the absorption of employees from the acquired companies. These increases were partially offset by reductions in total overhead costs and other costs, as a result Primus' close monitoring of its expenses and implementation of its cost control initiatives. Research and development expenses as a percentage of total revenue was 37% and 50% for the three months ended June 30, 2004 and 2003, and 38% and 40% for the six months ended June 30, 2004 and 2003, respectively. This decrease as a percentage of total revenue is primarily due to the significant increase in total revenue in 2004, partially offset by the increase in total research and development spending from 2003 to 2004.

General and administrative. General and administrative expenses consist primarily of salaries, benefits and related costs for executive, finance, human resource, legal, administrative and information services personnel, occupancy costs, bad debt expense and costs associated with being a public company, including, but not limited to, annual and other public-reporting costs, directors' and officers' liability insurance, investor-relations programs, professional-services fees and total overhead costs. General and administrative expenses were approximately \$1.5 million and \$702,000 for the three months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$767,000 or 109%. This increase is primarily due to increases in legal, accounting and administrative fees, which we refer to collectively in this MD&A as legal fees, an increase in bad debt expense of \$100,000, as well as increases in the reporting and compliance costs of being a public company; partially offset by reductions in total overhead costs and other costs, primarily as a result of Primus' close monitoring of its expenses and implementation of its cost control initiatives. Legal fees increased by approximately \$725,000 during the three months ended June 30, 2004, due primarily to the favorable settlement of a legal matter during the three months ended June 30, 2003, which resulted in the reversal of an accrual in the amount of \$250,000, and increases in legal fees related to current legal proceedings, as well as increases in general legal and accounting professional fees. General and administrative expenses were approximately \$2.8 million and \$1.7 million for the six months ended June 30, 2004 and 2003, respectively, representing an increase of approximately \$1.1 million or 65%. This increase is primarily due to increased legal, accounting and administrative fees, increases in the reporting and compliance costs of being a public company, as well as increases in bad debt expense of \$50,000 and increases in corporate insurance costs related to the acquired companies. These increases are partially offset by reductions in total overhead costs and other costs, primarily as a result of Primus' close monitoring of its expenses and implementation of its cost control initiatives. General and administrative expenses during the first quarter of 2004 included approximately \$100,000 as a result of incremental payroll and associated expenses related to the absorption of employees from the acquired companies. Legal fees increased by approximately \$1.0 million during 2004, due primarily to the settlement of the above mentioned legal matter in the second quarter of 2003, as well as legal fees related to current legal proceedings and increases in general legal and accounting professional fees. General and administrative expenses as a percentage of total revenue were 26% and 19% for the three months ended June 30, 2004 and 2003, respectively, and 23% and 18% for the six months ended June 30, 2004 and 2003, respectively. The increase of general and administrative expense as a percentage of total revenue is primarily attributable to the significant increase in general and administrative expenses during 2004, partially offset by the increase in revenue during the same period.

Restructuring charges. There were no restructuring charges for the three months ended June 30, 2004 or June 30, 2003, or for the six months ended June 30, 2003. During March of 2004, Primus executed a restructuring of its workforce in an effort to realize the efficiencies and synergies from its recent acquisitions and as a result recorded restructuring charges of approximately \$461,000 for severance and benefits and associated costs due to a reduction in its worldwide workforce of 20 employees, or approximately 10%. Additionally, Primus anticipates consolidating its Santa Clara operations into other existing locations and may record an excess facility and/or asset impairment charge during the remainder of 2004.

Other income (expense), net. Other income, net of other expense, was \$2,000 and \$12,000 for the three months ended June 30, 2004 and 2003, respectively and \$(24,000) and \$67,000 for the six months ended June 30, 2004 and 2003, respectively. The decrease from period to period is primarily due to an

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increase in the losses realized on foreign currency transactions, as well as a decrease in investment yields and interest earned in 2004 related to a receivable from a customer during the first quarter of 2003.

Income taxes. Primus has not recorded income tax benefits related to the net operating losses for the six months ended June 30, 2004 or 2003 as a result of the uncertainties regarding the realization of the net operating losses. Income tax expense recorded in both the second quarter of 2004 and the six months ended June 30, 2004 and 2003 primarily relates to Primus' foreign operations.

Results of operations for the years ended December 31, 2003, 2002 and 2001

The following table sets forth, for the periods indicated, the percentage of total revenue represented by each item reflected in Primus Consolidated Statements of Operations.

	Year ended December 31,		
	2003	2002	2001
	(as a percentage of total revenue)		
Revenue:			
License	43%	39%	46%
Service	57	61	54
	—	—	—
Total revenue	100	100	100
Cost of revenue:			
License	2	2	1
Service	19	22	28
Amortization of purchased intangibles	1		
	—	—	—
Total cost of revenue	22	24	29
	—	—	—
Gross profit	78	76	71
	—	—	—
Operating expenses:			
Sales and marketing	42	55	72
Research and development	31	37	46
General and administrative	18	21	24
Amortization of goodwill			2
Restructuring charges		6	9
	—	—	—
Total operating expenses	91	119	153
	—	—	—
Loss from operations	(12)	(43)	(82)
Other income, net	1	1	4
	—	—	—
Loss before income taxes, extraordinary item and cumulative effect of change in accounting principle	(11)	(42)	(78)
Income tax expense	1	1	1
	—	—	—
Loss before extraordinary item and cumulative effect of change in accounting principle	(12)	(43)	(79)
Extraordinary gain on disposal of assets			2
	—	—	—
Loss before cumulative effect of change in accounting principle	(12)	(43)	(77)
Cumulative effect of change in accounting principle		(11)	

Net loss	<u>(12)%</u>	<u>(54)%</u>	<u>(77)%</u>
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Table of Contents**Years ended December 31, 2003 and 2002****Revenue**

Total revenue was \$25.1 million and \$20.9 million in 2003 and 2002, respectively, representing an increase of \$4.2 million, or 20%. During the twelve months ended December 31, 2003, revenue from two customers represented 29% of total revenue. During 2002, no single customer accounted for 10% or more of total revenue. Related party sales to Primus KK were \$956,000 and \$1,394,000, respectively. International revenue was \$7.8 million and \$4.2 million in 2003 and 2002, respectively, representing an increase of \$3.6 million, or 84%.

License revenue. Total license revenue was \$10.7 million and \$8.1 million in 2003 and 2002, respectively, representing an increase of \$2.6 million, or 33%. During the second half of 2003, Primus acquired Broad Daylight, Inc. and Amacis Group Limited and its financial statements include the results of their operations since the respective dates of acquisition. License revenue for 2003 includes sales of their products to new and existing customers of approximately \$1.3 million. License revenue as a percentage of total revenue was 43% and 39% in 2003 and 2002, respectively. Although Primus experienced an increase in the sales of its software in 2003 as compared to 2002, Primus continued to experience long and unpredictable sales cycles, making it difficult to predict when license sales may close. Primus believes software license revenue increased in absolute dollars and as a percentage of total revenue primarily due to enterprise sales to two customers that represented approximately 49% of 2003 license revenue.

Service revenue. Total service revenue was \$14.3 million and \$12.9 million in 2003 and 2002, respectively, representing an increase of \$1.4 million, or 11%, which was the result of an increase in hosting and consulting fees of \$2.1 million, partially offset by a decrease in maintenance and support contract revenue of \$700,000 over the same period. During 2003, total service revenue contributed by the acquired companies was approximately \$400,000. Service revenue as a percentage of total revenue was 57% and 61% in 2003 and 2002, respectively. Hosting and consulting revenue was \$3.7 million and \$1.6 million in 2003 and 2002, respectively. The increase in consulting and hosting fees is directly attributable to an increase in the types of hosting offerings and number of customers Primus is providing hosting services for, as well as consulting services for two customers who entered into enterprise license agreements with Primus during 2003. Hosting and consulting revenue from these two customers was approximately 38% of total hosting and consulting revenue during 2003. Hosting services are typically provided under renewable contracts that range in length from one to twelve months. There can be no assurances that customers will renew these agreements as they expire. Maintenance and support contract revenue was \$10.6 million and \$11.3 million in 2003 and 2002, respectively, representing a decrease of \$700,000 or 6%. The decline in maintenance and support contract revenue is primarily due to a decline in the number of licenses on which maintenance was renewed, which is primarily the result of continued pricing pressures, customer consolidation and downsizing, the termination of certain low margin maintenance and support contracts and decreases in software license revenue over the last few years.

Cost of revenue

Total cost of revenue was \$5.4 million and \$5.0 million in 2003 and 2002, respectively, representing an increase of \$379,000, or 8%.

Cost of license revenue. Cost of license revenue consists primarily of media, product packaging and shipping, documentation and other production costs, and third party royalties. Cost of license revenue was \$461,000 and \$328,000 in 2003 and 2002, respectively, representing an increase of \$133,000, or 41%. Cost of license revenue as a percentage of license revenue was 4% during 2003 and 2002. The increase in the cost of license revenue as an absolute dollar amount is primarily due to the significant increase in license revenue in 2003 and to a slight increase in the cost of third party software purchased and resold during 2003.

Cost of service revenue. Cost of services revenue consists primarily of salaries, benefits and allocated overhead costs related to customer support, consulting, training and global services personnel, including the

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cost of service provided by third-party consultants engaged by Primus. Cost of service revenue was \$4.9 and \$4.7 million in 2003 and 2002, respectively, representing an increase of \$178,000 or 4%. Cost of service revenue as a percentage of service revenue was 34% and 37%, or a gross margin of 66% and 63%, during 2003 and 2002, respectively. The decrease in cost of service revenue as a percentage of services revenue was primarily due to certain higher margin hosting contracts, higher utilization rates for its professional services staff and reductions in allocated overhead costs. The reductions in allocated overhead costs primarily related to compensation related benefits, occupancy costs, and depreciation and amortization, partially offset by costs related to the acquired companies during 2003. Costs of service revenue related to the acquired companies were approximately \$200,000, and included payroll and related expenses of approximately \$155,000. Gross profit margins are generally higher for post contract customer support and maintenance services, which include the delivery of software enhancements and upgrades, than for training, implementation and integration services.

Operating expenses

Overhead costs. Allocated overhead costs generally include compensation related benefits, facilities costs (occupancy, utilities, telephone, internet, postage and freight), depreciation and amortization related to property and equipment, general supplies and repair and maintenance costs, and bank fees and charges. Allocated overhead costs are allocated to cost of service revenue (customer support, consulting, training and global services personnel), sales and marketing expense, research and development expense and general and administrative expense based primarily upon headcount, and were approximately \$4.9 million and \$6.4 million for 2003 and 2002, a decrease of approximately \$1.5 million, or 23%. This decrease is primarily due to reductions in compensation related benefits of approximately \$400,000, facilities costs (primarily occupancy) of approximately \$450,000 and depreciation and amortization expense related to property and equipment of approximately \$600,000, as well as smaller cost reductions in other areas as a direct result of Primus' close monitoring of its expenses and implementation of its cost control initiatives. Total allocated overhead costs are as follows (in 000 s):

	Year ended December 31,	
	2003	2002
Cost of service revenue	\$ 1,069	\$ 1,276
Sales and marketing	1,318	1,803
Research and development	1,717	2,349
General and administrative	761	991
	<u> </u>	<u> </u>
Total allocated overhead costs	\$ 4,865	\$ 6,419
	<u> </u>	<u> </u>

The decrease in compensation related benefits expense is the direct result of favorable claims experience during 2003 under Primus' self insured health benefits plan and its 2002 head count reductions. The reduction in occupancy costs during 2003 was due to a reduction in the total square footage under lease in Primus' Seattle, WA corporate headquarters. Effective December 31, 2002, Primus reduced its office space by approximately 14,400 square feet, from 33,300 square feet to 18,900 square feet. The net decrease in depreciation and amortization expense related to property and equipment was primarily due to the aging of Primus' property and equipment, and a larger portion of those assets becoming fully depreciated during the second half of 2002 or during 2003, as well as an excess facility and asset impairment charge of approximately \$636,000 incurred in the third quarter of 2002. The asset impairment charge was primarily for leasehold improvements, computer equipment and related software, office equipment and furniture and fixtures disposed of or removed from operations as a direct result of Primus' restructuring plans.

Sales and marketing. Sales and marketing expenses consist primarily of salaries, bonuses, commissions and benefits earned by sales and marketing personnel, allocated overhead costs, direct expenditures such as travel, communication and occupancy for direct sales offices and marketing expenditures related to direct mail, online marketing, advertising, trade shows, public relations and new

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product launches. Sales and marketing expenses were approximately \$10.4 million and \$11.5 million for 2003 and 2002, respectively, representing a decrease of \$1.1 million or 9%. This decrease is primarily the result of reductions in allocated overhead costs, travel and entertainment costs, recruiting expenses, and consulting and marketing expenditures (e.g. advertising, promotions, public relations, telemarketing, tradeshow and events and collateral materials) as part of Primus' close monitoring of its expenses and implementation of its cost control initiatives. This decrease was partially offset by costs related to the acquired companies during 2003 and increases in sales commissions and bonuses of approximately 33%, which were directly related to the 20% increase in total revenue and the signing of enterprise deals with two customers during 2003, which resulted in higher commission rates for the effected personnel. Sales and marketing expenses related to the acquired companies were approximately \$500,000, and included payroll and related expenses of approximately \$410,000. Sales and marketing expenses as a percentage of total revenue were 42% and 55% in 2003 and 2002, respectively. This decrease as a percentage of total revenue is primarily due to the decrease in total sales and marketing expenses during 2003, as well as the increase in total revenue from 2002 to 2003.

Research and development. Research and development expenses include development costs associated with new products, enhancements and upgrades of existing products and quality control testing, and consist primarily of salaries, benefits, and contractors' fees for software engineers, program and product managers, technical writers, linguistic specialists and quality assurance personnel and allocated overhead costs. Research and development expenses were approximately \$7.8 million and \$7.9 million in 2003 and 2002, respectively, representing a slight decrease of approximately \$68,000 or 1%. The decrease was primarily due to reductions in allocated overhead costs, research and development headcount during 2003 and 2002, and Primus' close monitoring of its expenses and implementation of its cost control initiatives; offset by increases in research and development spending of approximately \$1,234,000 related to its engagement of an offshore development team in January of 2003 and costs related to the acquired companies during 2003. Research and development expenses related to the acquired companies were approximately \$465,000, and included payroll and related expenses of approximately \$325,000. Research and development expenses as a percentage of total revenue were 31% and 37% for 2003 and 2002, respectively. This decrease as a percentage of total revenue is primarily due to the slight decrease in total research and development spending in 2003 and the significant increase in total revenue from 2002 to 2003.

General and administrative. General and administrative expenses consist primarily of salaries, benefits and related costs for executive, finance, human resource, legal, administrative and information services personnel, occupancy costs, bad debt expense and costs associated with being a public company, including, but not limited to, annual and other public-reporting costs, directors' and officers' liability insurance, investor-relations programs, professional-services fees and allocated overhead costs. General and administrative expenses were approximately \$4.5 million and \$4.4 million in 2003 and 2002, respectively, representing an increase of approximately \$85,000 or 2%. This increase is primarily due to compensation expense of approximately \$1.0 million as a result of the October 2003 purchase of certain outstanding stock options from Mr. Brochu, president and chief executive officer of Primus, approximately \$310,000 of expense related to a noncompete agreement entered into with Mr. Brochu in November of 2003 and costs related to the acquired companies during 2003; offset by reductions in allocated overhead costs and legal, accounting and administrative fees. General and administrative expenses related to the acquired companies were approximately \$130,000, and included payroll and related expenses of approximately \$115,000. Legal fees decreased by approximately \$960,000 during 2003, due primarily to legal fees being abnormally high in 2002 and to the release of an accrual in 2003 that was recorded in 2002. Included in 2002 expenses was approximately \$385,000 related to the April 2002 Mindfabric patent litigation settlement and accrued expenses of approximately \$250,000 related to a then pending preference action in connection with the bankruptcy of a former customer. During 2003, there were no legal fees related to the Mindfabric litigation, Primus favorably settled the pending preference action, which resulted in the release of the \$250,000 accrual, and Primus realized further, smaller savings on other legal matters when compared to 2002. General and administrative expenses as a percentage of total revenue were 18% in 2003 and 21% in

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2002. The decrease of general and administrative expense as a percentage of total revenue is primarily attributable to the increase in revenue during 2003.

Restructuring charges. There were no restructuring charges during the year ended December 31, 2003. In 2002, Primus incurred restructuring charges of approximately \$1.2 million related to its decision to exit certain domestic and international facilities and reduce its workforce.

During March of 2004, Primus executed a further restructuring of its workforce to realize the efficiencies and synergies from its recent acquisitions and as a result will be recording restructuring charges of approximately \$500,000 for severance and benefits and associated costs due to an approximate 10% reduction in its worldwide workforce.

Other income, net. Other income decreased \$32,000, or 16%, from \$202,000 in 2002 to \$170,000 in 2003. The decrease from period to period is primarily due to decreases in investment yields, partially offset by interest earned in 2003 related to financing terms provided to a customer.

Income taxes. Primus has not recorded income tax benefits related to its net operating losses in 2003 or 2002, as a result of the uncertainties regarding the realization of such net operating losses. Income tax expense recorded in 2003 and 2002 primarily relates to Primus' foreign operations, and in 2003, was reduced by the favorable settlement of a foreign tax related matter which resulted in the release of a \$200,000 accrual that had been recorded prior to 2001.

At December 31, 2003, Primus had U.S. and foreign net operating loss carryforwards of approximately \$163.9 and \$10.4 million respectively. Primus also has research and development tax credit carryforwards of \$3.4 million. Under the provisions of Section 382 of the Internal Revenue Code, the Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. Primus may have experienced such ownership changes as a result of the various stock offerings, and the utilization of the carryforwards could be limited such that a portion of the net operating losses may never be utilizable. The U.S. net operating loss carryforwards increased during 2003 by \$25.8 million due to the acquisition of Broad Daylight. However, these losses will be subject to limitation under the provisions of Section 382 discussed above. The foreign net operating loss carryforwards increased by \$11.2 million due to the acquisition of Amacis. Approximately \$43.0 of the net operating loss carryforwards at December 31, 2003 result from deductions associated with the exercise of non-qualified employee stock options, the realization of which would result in a credit to shareholders equity.

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of Primus' foreign subsidiaries. These earnings of approximately \$2.0 million, which are expected to be reinvested, could become subject to additional tax if they were to be remitted as dividends, loaned to Primus, or if Primus should sell its stock in these subsidiaries.

Cumulative effect of change in accounting principle. Primus recognized a \$2.3 million transitional impairment loss as the cumulative effect of a change in accounting principle as a result of the adoption of SFAS No. 142 on January 1, 2002. In July 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, which requires that goodwill no longer be amortized to earnings, but instead be tested at least annually for impairment. The amortization of goodwill ceases upon the required adoption date of the Statement, which for us was January 1, 2002. At the date of adoption, Primus had unamortized goodwill of approximately \$2.3 million, and the implied fair value of the goodwill as of the date of adoption was zero. The implied fair value of goodwill was calculated based upon a comparison of the book value of Primus to its fair value. Fair value was determined based upon the market capitalization of Primus as of January 1, 2002.

Table of Contents**Years ended December 31, 2002 and 2001****Revenue**

Total revenue was \$20.9 million and \$27.6 million in 2002 and 2001, respectively, representing a decrease of \$6.6 million, or 24%. During 2002 and 2001, no single customer accounted for 10% or more of total revenue, other than related party sales to Primus KK of \$1,394,000 and \$3,134,000, respectively. International revenue was \$4.2 million and \$6.4 million in 2002 and 2001, respectively, representing a decrease of \$2.2 million, or 34%.

License revenue. Total license revenue was \$8.1 million and \$12.6 million in 2002 and 2001, respectively, representing a decrease of \$4.5 million, or 36%. Primus experienced a decrease in the sales of its software in 2002 as compared to 2001. Primus believes the continued weakening of the global economy in 2002 and the continued global slow down in information technology spending contributed to this decline. During 2002, the buying patterns of Primus potential customers caused a long sales cycle, making it difficult to predict when license sales would close. License revenue as a percentage of total revenue was 39% and 46% in 2002 and 2001, respectively. Software license revenue decreased as a percentage of total revenue primarily due to the decrease in Primus software license revenue.

Service revenue. Total service revenue was \$12.9 million and \$15.0 million in 2002 and 2001, respectively, representing a decrease of \$2.1 million, or 14%, which was the result of a decrease in maintenance and support contract revenue of \$1.3 million and a decrease in consulting fees of \$800,000 over the same period. Service revenue as a percentage of total revenue was 61% and 54% in 2002 and 2001, respectively. The increase in maintenance and support contract revenue as a percentage of total revenue is primarily due to the significant decrease in license revenue. The decrease in maintenance and support contract revenue and consulting fees are by-products of continued pricing pressures, the termination of certain low margin maintenance and support contracts and the declines in both license revenue and information technology spending experienced during 2002.

Cost of revenue

Total cost of revenue was \$5.0 million and \$8.1 million in 2002 and 2001, respectively, representing a decrease of \$3.1 million, or 38%.

Cost of license revenue. Cost of license revenue consists primarily of media, product packaging and shipping, documentation and other production costs, and third party royalties. Cost of license revenue was \$328,000 and \$373,000 in 2002 and 2001, respectively, representing a decrease of \$45,000, or 12%. Cost of license revenue as a percentage of license revenue was 4% and 3% during 2002 and 2001, respectively. The increase in the cost of license revenue as a percentage of license revenue is primarily due to the write off of certain amounts under a prepaid royalty agreement during 2002. The decrease in the cost of license revenue as an absolute dollar amount is due to the significant decline in license revenue in 2002.

Cost of service revenue. Cost of services revenue consists primarily of salaries, benefits and allocated overhead costs related to customer support, consulting, training and global services personnel, including the cost of service provided by third-party consultants engaged by Primus. Cost of service revenue was \$4.7 million and \$7.7 million in 2002 and 2001, respectively, representing a decrease of \$3.0 million, or 39%. Cost of service revenue as a percentage of service revenue was 37% and 52%, or a gross margin of 63% and 48%, during 2002 and 2001, respectively. The decrease in cost of service revenue as a percentage of services revenue was primarily due to the higher utilization rates for Primus professional services staff, continued cost containment efforts, the cost savings realized from workforce reductions made since the fourth quarter of 2001 within the professional services and customer support organizations and a reduction in allocated overhead costs. During 2002, Primus professional services and support workforce decreased by 7 employees, or 18%. Gross profit margins are generally higher for post contract customer support and maintenance services, which include the delivery of software enhancements and upgrades, than for training, implementation and integration services.

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Overhead costs. Allocated overhead costs generally include compensation related benefits, facilities costs (occupancy, utilities, telephone, internet, postage and freight), depreciation and amortization related to property and equipment, general supplies and repair and maintenance costs, and bank fees and charges. Allocated overhead costs are allocated to cost of service revenue (customer support, consulting, training and global services personnel), sales and marketing expense, research and development expense and general and administrative expense based primarily upon headcount, and were approximately \$6.4 million and \$7.8 million for 2002 and 2001, a decrease of approximately \$1.4 million, or 18%. This decrease is primarily due to reductions in facilities costs (primarily occupancy) of approximately \$1.0 million, depreciation and amortization expense related to property and equipment of approximately \$275,000, telephone and internet expense of approximately \$250,000; partially offset by an increase in compensation related benefits of approximately \$125,000. Total allocated overhead costs are as follows (in 000 s):

	Year ended December 31,	
	2002	2001
Cost of service revenue	\$ 1,276	\$ 1,515
Sales and marketing	1,803	2,244
Research and development	2,349	2,906
General and administrative	991	1,151
	<u> </u>	<u> </u>
Total allocated overhead costs	\$6,419	\$7,816
	<u> </u>	<u> </u>

The reduction in occupancy costs during 2002 was due to a reduction in the total square footage under lease in Primus Seattle, WA corporate headquarters, a restructuring and reduction of its leased space at its Slough, United Kingdom facility, which we refer to as the UK facility, and the closure of its Atlanta, GA facility as part of its fourth quarter 2001 restructuring. Effective January 1, 2002, Primus reduced its Seattle, WA office space by approximately 17,700 square feet, from 51,000 square feet to 33,300 square feet, resulting in savings of approximately \$550,000. During the second half of 2001, Primus restructured its UK facility lease, and then in the third quarter of 2002, as part of its restructuring, it reduced the amount of space under lease at that facility by approximately 75%. This reduced Primus 2002 occupancy costs for its UK facility by approximately \$200,000, as compared to 2001. During the third quarter of 2001 Primus discontinued funding product development for 2order, and during the fourth quarter of 2001 it closed 2order s office in Atlanta, GA, resulting in 2002 savings of approximately \$250,000. The decrease in telephone and internet expense was primarily the result of a renegotiation of rates for certain of Primus corporate phone and international phone lines, as well as the reductions in head count in 2001 and 2002. The net decrease in depreciation and amortization expense related to property and equipment was primarily due to the aging of Primus property and equipment, and a significant portion of those assets becoming fully depreciated during the second half of 2002, as well as excess facility and asset impairment charges of approximately \$2.0 million incurred during 2001 and 2002. The asset impairment charges were primarily for leasehold improvements, computer equipment and related software, office equipment and furniture and fixtures disposed of or removed from operations as a direct result of Primus restructuring plans. The increase in compensation related benefits expense is the direct result of unfavorable claims experience during 2002 under Primus self insured health benefits plan.

Sales and marketing. Sales and marketing expenses consist primarily of salaries, bonuses, commissions and benefits earned by sales and marketing personnel, direct expenditures such as travel, communication and occupancy for direct sales offices and marketing expenditures related to direct mail, online marketing, advertising, trade shows, public relations and new product launches and allocated overhead costs. Sales and marketing expenses were approximately \$11.5 million and \$19.8 million for 2002 and 2001, respectively, representing a decrease of \$8.3 million or 42%. This decrease is primarily the result of the reduction in total fixed and variable (bonuses and commissions) employee related costs due to the reduction in sales and marketing headcount since July of 2001, as well as reductions in allocated overhead costs, travel and entertainment costs, recruiting expenses, and consulting and marketing expenditures

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(e.g. advertising, public relations, tradeshow and collateral materials) as part of Primus' overall cost containment efforts. During 2002, Primus sales and marketing workforce decreased by 16 employees, or 25%. Sales and marketing expenses as a percentage of total revenue were 55% and 72% in 2002 and 2001, respectively. This decrease as a percentage of total revenue is primarily due to the substantial decrease in total sales and marketing expenses during 2002, as well as the significant decrease in total revenue from 2001 to 2002.

Research and development. Research and development expenses include development costs associated with new products, enhancements and upgrades of existing products and quality control testing, and consist primarily of salaries, benefits, and contractors' fees for software engineers, program and product managers, technical writers, linguistic specialists and quality assurance personnel, and allocated overhead costs. Research and development expenses were approximately \$7.9 million and \$12.6 million in 2002 and 2001, respectively, representing a decrease of approximately \$4.8 million or 38%. The decrease was primarily due to reductions in allocated overhead costs, the discontinuance of funding for Zorder during the third quarter of 2001, reductions in research and development headcount since July of 2001 and Primus' cost containment efforts, partially offset by increases in research and development headcount related to its May 31, 2001 acquisition of AnswerLogic. During 2002, Primus' research and development workforce decreased by 24 employees, or 34%. Research and development expenses as a percentage of total revenue were 37% and 46% for 2002 and 2001, respectively. This decrease as a percentage of total revenue is primarily due to the substantial decrease in total research and development spending in 2002 and the significant decrease in total revenue from 2001 to 2002.

General and administrative. General and administrative expenses consist primarily of salaries, benefits and related costs for executive, finance, human resource, legal, administrative and information services personnel, occupancy costs, bad debt expense and costs associated with being a public company, including, but not limited to, annual and other public-reporting costs, directors' and officers' liability insurance, investor-relations programs and professional-services fees, and allocated overhead costs. General and administrative expenses were approximately \$4.4 million and \$6.6 million in 2002 and 2001, respectively, representing a decrease of approximately \$2.2 million or 33%. This decrease is primarily due to reductions in the fixed and variable components of total compensation related expenses in the second half of 2001 and 2002, as well as reductions in allocated overhead costs, consulting fees, recruiting expenses and bad debt expenses, partially offset by increases in legal expenses. Included in 2002 expenses was approximately \$385,000 related to the April 2002 Mindfabric patent litigation settlement and accrued expenses of approximately \$250,000 related to a then pending preference action in connection with the bankruptcy of a former customer. During 2002, Primus' general and administrative workforce decreased by 5 employees, or 20%. The decrease in absolute dollars incurred for general and administrative expenses for 2002 reflects the continued impact of the overall cost containment measures taken by us during the last eighteen months. General and administrative expenses as a percentage of total revenue were 21% in 2002 and 24% in 2001. The decrease of general and administrative expense as a percentage of total revenue is primarily attributable to the substantial decrease in general and administrative expenses during 2002, as well as a significant decrease in revenue during the same period.

Goodwill amortization. Amortization of goodwill was \$0 in 2002 and \$550,000 in 2001. The goodwill amortization expense is a result of the acquisition of AnswerLogic, which was completed in May 2001 and accounted for under the purchase method of accounting. In July 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, which requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. The amortization of goodwill ceased upon the required adoption date of the Statement, which for Primus was January 1, 2002. At the date of adoption, Primus had unamortized goodwill of approximately \$2.3 million, and the implied fair value of the goodwill as of the date of adoption was zero. The implied fair value of goodwill was calculated based upon a comparison of the book value of Primus to its fair value. Fair value was determined based upon the market capitalization of Primus as of January 1, 2002. Accordingly, Primus recognized a \$2.3 million transitional impairment loss as the cumulative effect of a change in accounting principle as a result of the adoption of SFAS No. 142.

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Restructuring charges. In 2002, Primus incurred restructuring charges of approximately \$1.2 million. During the first quarter of 2002, Primus executed a restructuring of its workforce and as a result recorded restructuring charges of approximately \$435,000 for severance, benefits and associated costs due to a 12% reduction in its worldwide workforce. Exclusive of attrition, Primus reduced its research and development workforce by ten employees, or 14%, its sales and marketing workforce by seven employees, or 11%, its professional services and support workforce by four employees, or 10%, and its general and administrative workforce by three employees, or 13%, for a total workforce reduction of 24 people, or 12% of its employee base at March 2002.

During the third quarter of 2002, Primus executed a further restructuring plan and as a result incurred charges of approximately \$827,000 related to its decision to exit certain domestic and international facilities and reduce its workforce. Excess facilities charges and related asset impairments for the three months ended September 30, 2002 were estimated at \$671,000 based on Primus' evaluation of current market conditions relative to its existing excess facilities accrual. The estimated facility costs are based on current comparable rates for leases and subleases of a comparable term or termination fees. The asset impairment charges are primarily for leasehold improvements, computer equipment and related software, office equipment and furniture and fixtures disposed of or removed from operations as a direct result of the restructuring plan. If other estimates and/or assumptions change, the actual loss may exceed this estimate. Employee separation costs, which include severance, benefits and associated costs of \$156,000, relates to approximately ten employees terminated during the third quarter of 2002. The ten employees were primarily in marketing and research and development departments. At December 31, 2002, unpaid restructuring charges consisted of excess facilities costs of \$526,000, which is net of estimated future sublease receipts of \$52,000.

During the fourth quarter of 2001, Primus executed a restructuring plan and as a result incurred restructuring charges of approximately \$2.5 million related to the reductions in its workforce and costs associated with certain excess leased facilities and asset impairments. Included in the charge was approximately \$800,000 for assets disposed of or removed from operations as a direct result of its restructuring plan, which consisted primarily of leasehold improvements, computer equipment and related software, office equipment, and furniture and fixtures. Also included in the charge was approximately \$1.1 million for severance, benefits and related costs due to the reduction in workforce. Primus reduced its workforce by 72 people, or 26% of its employee base in October 2001, and all functional areas were affected by the reductions. The remaining \$600,000 of the charge was due to Primus' decision to exit and reduce excess facilities. A portion of the charge was based on the estimated period to sublease the excess space and the current estimated lease rental rates for leases in the respective market.

Other income, net. Other income decreased \$1.0 million, or 84%, from \$1.2 million in 2001 to \$200,000 in 2002. The decrease from period to period is primarily due to fluctuations in the average combined cash, cash equivalents and short-term investment balances as well as declining investment yields.

Income taxes. Primus has not recorded income tax benefits related to the net operating losses in 2002 or 2001, as a result of the uncertainties regarding the realization of the tax benefits from such losses. Income tax expense recorded in 2002 and 2001 primarily relates to Primus' foreign operations.

Cumulative effect of change in accounting principle. Primus recognized a \$2.3 million transitional impairment loss as the cumulative effect of a change in accounting principle as a result of the adoption of SFAS No. 142 on January 1, 2002. In July 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, which requires that goodwill no longer be amortized to earnings, but instead be tested at least annually for impairment. The amortization of goodwill ceases upon the required adoption date of the Statement, which for Primus was January 1, 2002. At the date of adoption, Primus had unamortized goodwill of approximately \$2.3 million, and the implied fair value of the goodwill as of the date of adoption was zero. The implied fair value of goodwill was calculated based upon a comparison of the book value of Primus to its fair value. Fair value was determined based upon the market capitalization of Primus as of January 1, 2002.

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Extraordinary item. Extraordinary gain on the disposal of assets was \$566,000 for the year ended December 31, 2001. This gain was recorded in connection with the September 2001 sale of certain intellectual property and assets of Primus wholly owned subsidiary, Zorder, which was acquired through a business combination in January 2000 and accounted for using the pooling-of-interests method of accounting.

Liquidity and capital resources

As of June 30, 2004, Primus had cash and cash equivalents of \$8.3 million, representing a decrease of \$3.8 million from its December 31, 2003 balance of \$12.1 million. As of June 30, 2004, Primus working capital (current assets minus current liabilities, excluding deferred revenue) was \$7.1 million compared to \$11.8 million at December 31, 2003.

Primus used net cash of approximately \$4.6 million and \$2.1 million in operating activities during the six-month periods ended June 30, 2004 and 2003, respectively. In 2004, adjustments to the \$5.1 million net loss to reconcile to cash used in operating activities include approximately \$3.5 million for the increase in accounts payable and accrued liabilities, compensation-related accruals and deferred revenue; offset by decreases in accounts receivable and prepaid expenses of approximately \$2.9 million, as well as approximately \$1.0 million in depreciation and amortization.

Investing activities used cash of \$187,000 during the six months ended June 30, 2004 and provided cash of \$926,000 during the six months ended June 30, 2003. Investing activities for the six months ended June 30, 2004 consisted solely of purchases of property and equipment.

Financing activities provided cash of \$844,000 and \$22,000 for the six-month periods ended June 30, 2004 and 2003, respectively. Primus received proceeds from the issuance of common stock of \$897,000 and made repayments of obligations under a credit facility of \$53,000 during the six months ended June 30, 2004.

Primus principal source of liquidity at June 30, 2004 was its cash and cash equivalents. Primus also has a line of credit totaling \$3.0 million, which is secured by substantially all of Primus assets, bears interest at the bank's prime rate plus 1% (5.25% as of June 30, 2004) and expires in March 2005. There were no borrowings outstanding as of June 30, 2004 under this line of credit. As of June 30, 2004 Primus was in compliance with its financial covenants in connection with the line of credit. If Primus is unable to maintain compliance in the future, this \$3.0 million line of credit may not be available in its entirety.

In connection with the December 2003 acquisition of Amacis, Primus assumed Amacis's outstanding obligation under a credit facility with a bank. The facility is payable in monthly installments of approximately \$9,000, including interest at a rate of the bank's rate plus 2% (6.5% as of June 30, 2004), due June 2008. Due to the purchase of all of Amacis's common shares by Primus, the facility is payable upon demand. Primus anticipates repaying this obligation in its entirety during 2004. The loan is denominated in British pounds sterling. The balance at June 30, 2004 was approximately \$349,000.

Primus has entered into various agreements that allow for incorporation of licensed technology into its products. Primus incurs royalty fees under these agreements that are based on a predetermined fee per license sold. Royalty costs incurred under these agreements are recognized over the periods that the related revenue is recognized and is included in cost of revenue. During the three and six months ended June 30, 2004, Primus incurred royalty expenses of approximately \$40,000 and \$65,000, respectively, under these agreements. Primus also leases office space under operating leases with various expiration dates through 2006. In January 2003, Primus engaged an offshore development team to accelerate its development efforts. Primus minimum commitment under this agreement is to incur up to approximately \$125,000 per month for development work through January 2005. During the six months ended June 30, 2004, Primus incurred development expenses of approximately \$770,000 related to this agreement. Primus has no material long-term commitments or obligations other than those under these agreements.

Primus does not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of

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facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Primus has not guaranteed any obligations of unconsolidated entities nor does it have any commitment or intent to provide any funding to any such entity. As such, Primus is not materially exposed to any market, credit, liquidity or financing risk that could arise if it had engaged in such relationships.

Quantitative and qualitative disclosures about market risk

Primus is exposed to the impact of interest rate changes and related change in the market values of its investments and foreign currency exchange risk.

Interest rate risk

Primus typically invests its excess cash in money market and cash funds that contain high quality corporate and municipal debt instruments. As a result, Primus' related investment portfolio is exposed to the impact of short-term changes in interest rates. Investments in both fixed rate and floating rate interest earning instruments carries a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted by a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

Primus protects and preserves its invested funds with investment policies and procedures that limit default, market and reinvestment risk. Primus has not utilized derivative financial instruments in its investment portfolio.

During the six months ended June 30, 2004, decreases in interest rates on the fair market value of Primus' cash and cash equivalents caused an insignificant increase in Primus' net loss. Primus believes that the impact on the fair market value of its securities and operating results for the remainder of 2004 from a hypothetical 10% increase or decrease in interest rates would be insignificant.

Foreign currency exchange risk

Primus develops products in the United States and the United Kingdom and sells them in North America, Europe, and, through Primus KK, Asia. As a result, Primus' financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. Primus has three foreign subsidiaries - Primus Knowledge Solutions (UK) Limited, Amacis Group Limited (UK) and Primus Knowledge Solutions France - whose expenses are incurred in their local currency. As exchange rates vary, their expenses, when translated, may vary from expectations and adversely impact overall expected results. Primus' operating results have not been significantly affected by exchange rate fluctuations in 2003 and 2004. If, during the remainder of 2004, the U.S. dollar uniformly increases or decreases in strength by 10% relative to the currency of Primus' foreign sales subsidiaries, Primus' operating results for 2004 would likely not be significantly affected.

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**SECURITY OWNERSHIP BY PRINCIPAL SHAREHOLDERS,
MANAGEMENT AND DIRECTORS OF PRIMUS**

The following table provides information with respect to the beneficial ownership of shares of common stock as of September 17, 2004 by:

each person or group that, to Primus' knowledge, owns more than 5% of Primus' common stock

each of the named executive officers

each of Primus' incumbent directors

all of Primus' incumbent directors and executive officers as a group

Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission and includes shares over which the indicated beneficial owner exercises voting and/or investment power. Shares of Primus' common stock subject to options exercisable as of September 17, 2004 or within 60 days of that date are deemed outstanding for computing the percentage ownership of the person holding the options but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise indicated, Primus believes the beneficial owners of the common stock listed below, based on information furnished by them, have sole voting and investment power with respect to the number of shares listed opposite their names.

Name of beneficial owner(1)	Amount and nature of beneficial ownership	Percentage of common stock outstanding
<i>Principal shareholders:</i>		
WM Advisors, Inc.	3,382,500	14.2%
Diker Management, LLC	2,294,763	9.6%
Entities affiliated with Trans Cosmos, Inc.(2)	1,935,285	8.1%
Norwest Equity Partners, V	1,441,166	6.0%

Name of beneficial owner(1)	Shares beneficially owned	Options(3)	Total	Percentage of common stock outstanding(4)
<i>Directors:</i>				
Yasuki Matsumoto(5)	1,995,891	72,801	2,068,692	8.7%
Promod Haque(6)	1,441,166	71,135	1,512,301	6.3%
Michael A. Brochu(7)	9,000	1,046,210	1,055,210	4.4%
Antonio M. Audino	99,721	109,358	209,079	*
Daniel C. Regis		19,152	19,152	*
John A. Moga		17,068	17,068	*
<i>Executive officers:</i>				
Ronald M. Stevens	1,000	307,887	308,887	1.3%
David M. Williamson	1,000	220,546	221,546	*
Directors and executive officers as a group (8 persons)	3,547,778	1,864,157	5,411,935	22.7%

* Less than 1%.

- (1) The address of WM Advisors, Inc. is 1201 Third Avenue, 22nd Floor, Seattle, WA 98101. The address of Diker Management is 767 Fifth Avenue, 26th Floor, New York, NY 10153. The address of Trans Cosmos, Inc. and Mr. Matsumoto is 777-108th Avenue, N.E., Suite 2300, Bellevue, WA 98004. The address of Norwest Equity Partners V, L.P. and Mr. Haque is Suite 800, 525 University Avenue,

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Palo Alto, CA 94301. The address of Mr. Audino is Voyager Capital, 719 Second Avenue, Suite 1400, Seattle, WA 98104. The address of Messrs. Regis, Moga, Brochu, Stevens and Williamson is c/o Primus Knowledge Solutions, Inc., 1601 Fifth Avenue, Suite 1900, Seattle, WA 98101.

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- (2) Represents the following: (a) 199,999 shares owned by Trans Cosmos, Inc.; (b) 802,957 shares owned by Trans Cosmos USA, Inc.; (c) 857,329 shares owned by U.S. Information Technology Financing, L.P.; and (d) 75,000 shares held directly by Primus KK. Trans Cosmos USA, Inc. is a wholly owned subsidiary of Trans Cosmos, Inc. U.S. Information Technology Financing, L.P. is a limited partnership whose sole general partner is Trans Cosmos USA, Inc. Yasuki Matsumoto, a director of Primus, is the President and CEO of Trans Cosmos USA, Inc.
- (3) Includes all options exercisable within sixty days of September 17, 2004.
- (4) Calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934.
- (5) Represents the following: (a) 199,999 shares owned by Trans Cosmos, Inc.; (b) 802,957 shares owned by Trans Cosmos USA, Inc.; (c) 857,329 shares owned by U.S. Information Technology Financing, L.P.; (d) 75,000 shares held directly by Primus KK; and (e) 60,606 shares owned by Mr. Matsumoto's spouse. Trans Cosmos USA, Inc. is a wholly owned subsidiary of Trans Cosmos, Inc. U.S. Information Technology Financing, L.P. is a limited partnership whose sole general partner is Trans Cosmos USA, Inc. Yasuki Matsumoto, a director of Primus, is the President and CEO of Trans Cosmos USA, Inc.
- (6) Represents 1,441,166 shares owned by Norwest Equity Partners V, L.P. Mr. Haque is a Partner in Norwest Venture Partners, an affiliate of Norwest Equity Partners V, L.P. Mr. Haque disclaims beneficial ownership of the shares held by Norwest Equity Partners, V, L.P. except to the extent of his pecuniary interest arising from his interest in Norwest Venture Partners.
- (7) Represents the following: (a) 8,000 shares held directly by Mr. Brochu; and (b) 1,000 shares held by Mr. Brochu's minor child. Mr. Brochu disclaims beneficial ownership of 1,000 shares held in the name of his minor child.

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COMPARISON OF RIGHTS OF HOLDERS OF PRIMUS COMMON STOCK AND ATG COMMON STOCK

After completion of the merger, the holders of Primus common stock will become stockholders of ATG. Because Primus is a Washington corporation and ATG is a Delaware corporation, the rights of former Primus shareholders after the merger will be governed by Delaware law. Before the merger, the rights of shareholders of Primus are governed by Primus' articles of incorporation and bylaws and applicable provisions of Washington law. After the merger, as ATG stockholders, their rights will be governed by ATG's certificate of incorporation and bylaws, as those documents currently exist or may be amended in the future, and by applicable provisions of Delaware law.

The following chart summarizes the material differences between the rights of holders of ATG common stock and holders of Primus common stock under the certificate or articles of incorporation and bylaws of ATG and Primus. This summary is not complete and is qualified in its entirety by reference to the ATG certificate of incorporation and bylaws, the Primus articles of incorporation and bylaws and the relevant provisions of Washington and Delaware law. Copies of the charter documents are attached as exhibits to Primus' and ATG's filings with the SEC. See "Where You Can Find More Information" on page 128.

	ATG (Delaware)	Primus (Washington)
Authorized capital stock	<p>ATG's charter authorizes its board of directors to issue, without stockholder approval, up to 200,000,000 shares of ATG common stock and up to 10,000,000 shares of ATG preferred stock, of which 500,000 were designated series A junior participating preferred stock.</p> <p>ATG's board of directors may, subject to applicable law and the rules of the Nasdaq National Stock Market, issue these shares of common stock and preferred stock at such time, and for such purposes, and for such consideration, as it deems advisable without stockholder approval. The ability to issue shares of common stock and preferred stock could have a dilutive effect on current stockholders. The ability to issue shares of preferred stock could also have an anti-takeover effect.</p> <p>On September 9, 2004 73,889,870 shares of ATG common stock were issued and outstanding, and no shares of ATG preferred stock were issued and outstanding.</p> <p>Both ATG and Primus have the ability to cause substantial dilution without a vote of their respective stockholders and shareholders.</p>	<p>Primus' articles of incorporation authorize its board of directors to issue, without shareholder approval, up to 50,000,000 shares of Primus common stock and up to 15,000,000 shares of Primus preferred stock.</p> <p>Primus' board of directors may, subject to applicable law and the rules of the Nasdaq SmallCap Stock Market, issue these shares of common stock and preferred stock at such time, and for such purposes, and for such consideration, as it deems advisable without shareholder approval. The ability to issue shares of common stock and preferred stock could have a dilutive effect on current stockholders. The ability to issue shares of preferred stock could also have an anti-takeover effect.</p> <p>On September 17, 2004, 23,858,194 shares of Primus common stock were issued and outstanding, and no shares of Primus preferred stock were issued and outstanding.</p>
Voting	<p>Under ATG's bylaws, the holders of a majority of the shares present or represented at a meeting of stockholders</p>	<p>The holders of a majority of the Primus stock present in person or represented by proxy at a meeting of shareholders</p>

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	ATG (Delaware)	Primus (Washington)
	<p>and entitled to vote thereat will decide any matter other than the election of directors, except where a different vote is expressly required by law or ATG's charter.</p> <p>Directors are elected by a plurality of the votes cast by the stockholders present or represented and entitled to vote.</p> <p>The stockholders of ATG and shareholders of Primus have substantially similar voting rights.</p>	<p>and voting on a matter will decide the matter, except where a larger vote is required by law or Primus' articles of incorporation or bylaws.</p> <p>Directors are elected by a plurality of the votes cast by the shareholders present or represented and entitled to vote.</p>
Amendment of charter and bylaws	<p>Delaware law generally provides that a corporation's charter may be amended if the board of directors adopts resolution deeming the amendment advisable and the amendment is approved by a majority of the outstanding stock entitled to vote thereon. The ATG charter provides that certain provisions of the charter require a 75% majority vote of the stockholders.</p> <p>Further, under Delaware law, stockholders have the power to amend bylaws, and a corporation may choose to confer the power to amend bylaws upon the directors. The fact that such power has been conferred upon the directors does not divest the stockholders of their power to amend the bylaws. ATG's charter provides that the board of directors may amend ATG's bylaws, except as provided for in the bylaws, which allow for shareholder amendments (some of which require a 75% majority vote of the shares).</p> <p>Amendments to ATG's charter may require a significantly greater vote of the stockholders than the vote required to approve amendments to Primus' articles of incorporation. There are several instances in ATG's charter and bylaws where a 75% majority vote is required for amendments.</p>	<p>Washington law generally provides that a public corporation's articles of incorporation may be amended by a majority vote of the shares entitled to vote on the amendment after recommendation of the amendment to the shareholders by the corporation's board of directors. Primus expressly reserves the right to amend its articles in any manner permitted by law.</p> <p>The Primus' articles also specify that the board of directors shall have the power to adopt, amend or repeal the bylaws, subject to the power of the shareholders to amend or repeal such bylaws, and the shareholders shall also have the power to amend or repeal the bylaws and to adopt new bylaws.</p>
Special meeting of stockholders	<p>Under Delaware law, a special meeting of stockholders may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or the bylaws. The ATG bylaws authorize only the chairman of the board, president, or board of directors to call a special meeting.</p>	<p>Under the Primus articles of incorporation and bylaws, the chairman of the board, the president, or the board may call special meetings of the shareholders for any purpose. Further, as specified in the Primus bylaws, a special meeting of the shareholders shall be held if the holders of not less than 25% of all the votes entitled to be cast on any issue proposed to be considered at such special meeting have dated, signed and delivered to the secretary</p>

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	<u>ATG (Delaware)</u>	<u>Primus (Washington)</u>
		one or more written demands for such meeting.
	Stockholders of ATG are not permitted to call a special meeting of stockholders, whereas holders of at least 25% of the Primus votes to be cast on an issue may demand a special meeting of the Primus shareholders.	
Vote on a merger	Under Delaware law, the affirmative vote of a majority of the outstanding shares entitled to vote on the merger is generally required to authorize or approve a merger or consolidation in which a corporation is one of the constituent entities in the merger.	Under Washington law, the merger of a corporation generally requires the approval of two-thirds of the shares entitled to vote on the merger or, if the articles of incorporation provide, a lesser proportion but not less than a majority of all of the votes entitled to be cast. The articles of incorporation of Primus provide that if a majority of the members of the board of directors as of April 30, 1999 (or their replacements if such replacement is approved by a majority of such directors) approve a merger, the shareholders of the corporation only need to approve such merger by a majority.
	A merger or consolidation in which ATG is a constituent corporation may be approved by a lesser vote of stockholders than would be required in a similar transaction involving Primus if the majority director consent described above is not obtained.	
Appraisal/dissenters rights	Delaware law provides for appraisal rights only in the case of a statutory merger or consolidation of the corporation that requires stockholder approval of the transaction and where the petitioning stockholder does not consent to the transaction. There are no appraisal rights, unless otherwise provided for in a corporation's charter, for shares of stock listed on a national securities exchange or designated for trading on the Nasdaq National Market or for shares of stock held of record by more than 2,000 persons, unless the stockholders would be required to accept anything other than shares of stock of the surviving corporation or shares of another corporation so listed, designated or held by such number of holders of record. The ATG charter does not provide for any additional appraisal rights.	Under Washington law, a shareholder is entitled to dissent from and, upon perfection of his or her dissenters rights, to obtain fair value of his or her shares in the event of specified corporate actions, including some mergers, consolidations share exchanges, sales of substantially all assets of the corporation, and amendments to the corporation's articles of incorporation that materially and adversely affect such shareholder's rights.
	Primus shareholders who become ATG stockholders will have appraisal rights in fewer circumstances than they did as Primus shareholders.	
Action by written consent in lieu of a	Under Delaware law, stockholders may take action by written consent in lieu of	Under Washington law and Primus articles of incorporation, shareholder

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	ATG (Delaware)	Primus (Washington)
stockholders meeting	voting at a stockholders meeting. Delaware law permits a corporation, pursuant to a provision in such corporation's certificate of incorporation, to eliminate the ability of stockholders to act by written consent. The ATG certificate of incorporation does eliminate that ability.	may take action by written consent and without a meeting only if all shareholders entitled to vote on the matter unanimously consent to the action in writing.
		Although Primus shareholders may act by written consent, because of the requirement that such consent be unanimous, it is unlikely that, in practice, this would ever be utilized.
Number of directors	ATG's charter requires that the board of directors must consist of at least three members. ATG's bylaws provide that the number of directors will be determined by a resolution of the board of directors. ATG's board of directors currently consists of seven (7) members. It is a condition of closing of the merger that the size of ATG's board be increased to nine (9).	Primus bylaws set the number of directors at six (6). The number of directors may be changed from time to time by amendment to the bylaws to permit a decrease in the number of directors to a minimum of three (3) and an increase in the number of board members to a maximum of twelve (12).
Classified board of directors	Delaware law provides that a corporation's board of directors may be divided into various classes with staggered terms of office. ATG's charter provides that the board of directors shall be divided into three classes, as nearly equal in number as possible.	Washington law provides that the board of directors may have staggered terms of up to three groups. Primus articles of incorporation provide that the board of directors shall be divided into three classes, as nearly equal in number as possible with staggered terms.
	Both Delaware and Washington law allow corporations to maintain classified boards of directors, and each of ATG and Primus has three classes of directors.	
Board of director vacancies	Under Delaware law, vacancies and newly created directorships may be filled by a majority of the directors then in office even though less than a quorum unless otherwise provided in the certificate of incorporation or bylaws. ATG's certificate of incorporation and bylaws provide that any vacancy be filled only by majority vote of the directors then in office.	Under Washington law and Primus bylaws, vacancies on the board of directors may be filled by the shareholders, the board of directors, or, if less than a quorum of the board, the majority vote of the remaining directors. A board member elected to fill a vacancy shall serve only until the next election of directors.
	Primus shareholders have greater opportunities to fill vacancies on the board of directors.	
Removal of directors	Under Delaware law, directors may generally be removed with or without cause by the holders of a majority of the shares entitled to vote in the election of directors. If a corporation has adopted a classified board in	Under Primus articles of incorporation, directors may only be removed for cause and in the manner provided for in the bylaws. The Primus bylaws specify that removal

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	ATG (Delaware)	Primus (Washington)
	<p>accordance with Delaware law, Delaware law provides that the directors may be removed only for cause, unless the charter provides otherwise. The ATG charter specifies that directors may be removed only for cause by the affirmative vote of the holders of at least two-thirds of the shares of the capital stock of the corporation issued and outstanding and entitled to vote.</p> <p>Directors of both ATG and Primus may be removed by the stockholders or shareholders only for cause, however removal requires a greater percentage vote (2/3) of the ATG stockholders compared to the percentage vote (simple majority) of the Primus shareholders.</p>	<p>shall be by the holders of the shares entitled to elect the Director or Directors whose removal is sought if the number of votes cast to remove the Director exceeds the number of votes cast not to remove the Director.</p>
Stockholder inspection rights	<p>Under Delaware law, stockholders demonstrating a proper purpose have the right to inspect a corporation's stock ledger, stockholder list, and other books and records.</p>	<p>Under Washington law, a shareholder is entitled to inspect and copy, during regular business hours at the corporation's principal office, the corporation's articles, bylaws, minutes of all shareholder meetings from the past three years, certain financial statements, communications to shareholders a list of names and business addresses of the corporation's current directors and officers, and its most recent annual report. Other records are available for shareholder review upon a showing of good faith and proper purpose by the shareholder.</p>
	<p>The stockholders of ATG and shareholders of Primus have similar inspection rights.</p>	
Indemnification	<p>Delaware law provides that a corporation may indemnify any of its directors, officers, employees and agents party to any action, suit or proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation. Such indemnification can be made by the corporation only as authorized in the specific case upon a determination that the officer or director acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation. This determination can be made by, among other things, a majority vote of the directors or the stockholders.</p> <p>ATG's charter provides for indemnification under the law, but conditions indemnification on</p>	<p>Under Washington law, if authorized by the articles of incorporation, a bylaw adopted or ratified by shareholders, or a resolution adopted or ratified, before or after the event, by the shareholders, a corporation has the power to indemnify a director or officer made a party to a proceeding, or advance or reimburse expenses incurred in a proceeding, under any circumstances, except that no such indemnification shall be allowed on account of:</p> <ul style="list-style-type: none"> acts or omissions of a director finally adjudged to be intentional misconduct or a knowing violation of the law conduct of a director finally adjudged to be an unlawful distribution any transaction with respect to which it was finally adjudged that a director personally received a benefit in money, property or services to which the director was not legally entitled.

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	ATG (Delaware)	Primus (Washington)
	<p>compliance with certain indemnification procedures and timelines.</p>	<p>Written commentary by the drafters of Washington law, which has the status of legislative history, specifically indicates that a corporation may indemnify its directors and officers for amounts paid in settlement of derivative actions, provided that the director's or officer's conduct does not fall within one of the categories set forth above.</p> <p>The Primus articles of incorporation provide for director indemnification to the fullest extent of the law.</p>
	<p>Both Delaware and Washington law allow for the indemnification of directors, employees and agents. To the extent Delaware law explicitly requires a corporation to take action to authorize indemnification for each specific case, and Washington law does not, there may be a difference in the obligation of Primus and ATG to provide indemnification. The scope of indemnification by Primus is arguably greater than that offered by ATG, as it has fewer specified limitations and conditions.</p>	
Dissolution	<p>Delaware law provides that a corporation may be dissolved with the approval of a majority of the corporation's outstanding stock, if the dissolution is initially approved by the board of directors. If the dissolution is not initially approved by the board of directors, the corporation may only be dissolved upon the unanimous written consent of the corporation's stockholders.</p>	<p>Under Washington law, the corporation's board of directors may propose dissolution to the shareholders and such corporation may be dissolved upon the two-thirds majority vote of the shareholders unless a greater or lesser percentage is specified in the corporation's articles of incorporation. Primus' articles of incorporation do not modify the two-thirds vote requirement.</p>
	<p>Although it is possible for the shareholders of ATG to initiate dissolution of the company, such action is unlikely because of the unanimous consent requirement. Although the provisions differ, in a practical sense, they are substantially similar.</p>	
Specified business combinations	<p>Under Delaware law, business combinations by corporations with interested stockholders are subject to a moratorium of three or five years, respectively, unless specified conditions are met. The prohibited transactions include a merger with, disposition of assets to, or the issuance of stock to, the interested stockholder, or certain transactions that have the effect of increasing the proportionate share of the outstanding securities held by the interested stockholder. Under Delaware law, an interested stockholder may avoid the prohibition against effecting certain significant transactions with the corporation if the board of directors, prior to the time such stockholder</p>	<p>Washington law contains a specified business combinations provision prohibiting a target corporation, with specified exceptions, from engaging in some significant business transactions, including a merger or sale of assets, with an acquiring person who acquires 10% or more of the voting securities of a target corporation for a period of five years after such acquisition, unless the transaction is approved by a majority of the members of the target corporation's board of directors prior to the date of the acquisition.</p>

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	ATG (Delaware)	Primus (Washington)
	<p>becomes an interested stockholder, approves such transaction or the transaction by which such stockholder becomes an interested stockholder or if at or subsequent to such time the board of directors and the stockholders approve such transaction. These provisions of Delaware law apply to a Delaware corporation unless the corporation opts out of the provisions in its certificate of incorporation or bylaws.</p> <p>ATG has not opted out of these provisions in its certificate of incorporation or bylaws and consequently is subject to these provisions.</p> <p>Each of the Delaware and Washington corporate statutes provide similar prohibitions against significant business transactions not otherwise approved by the board of directors.</p>	
Rights plan	<p>ATG has adopted a stockholder rights plan. Under the plan each share of ATG common stock is accompanied by a right to purchase one one-thousandth of a share of series A junior participating preferred stock of ATG at an exercise price of \$15 per right. Subject to certain exceptions, the rights will be exercisable only after a person or group (except for certain excluded persons) acquires beneficial ownership of 15% or more of ATG's outstanding common stock or undertakes a tender or exchange offer which, if consummated, would result in that person or group beneficially owning 15% or more of ATG's outstanding common stock. The rights are designed to provide protection from a number of tactics that may be used to gain control of ATG under terms the ATG board considers not to be in the best interests of ATG's stockholders. These tactics include partial or two-tier tender offers, coercive stock accumulation programs and inadequate offers.</p> <p>ATG's rights plan is a defense mechanism to encourage potential acquirers of ATG to negotiate with the board and assist the board in receiving fair value for ATG stockholders. Thus it may be less likely that ATG would be acquired in an un-negotiated deal than is the case for Primus.</p>	<p>Primus has not adopted a shareholder rights plan.</p>
Quotation	<p>ATG common stock is listed on the Nasdaq National Market under the symbol ARTG.</p>	<p>Primus common stock is listed on the Nasdaq SmallCap Market under the symbol PKSI.</p>

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LEGAL MATTERS

Foley Hoag LLP, Boston, Massachusetts, is acting as counsel for ATG in connection with legal matters relating to the merger and will pass upon the validity of the ATG common stock issuable in the merger. Preston Gates & Ellis LLP, Seattle, Washington, is acting as counsel for Primus in connection with legal matters relating to the merger.

EXPERTS

The consolidated financial statements of ATG as of and for the years ended December 31, 2002 and 2003 appearing in ATG's annual report on Form 10-K/A for the year ended December 31, 2003 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of ATG for the year ended December 31, 2001 appearing in ATG's annual report on Form 10-K/A for the year ended December 31, 2003 have been audited by Arthur Andersen LLP, independent accountants, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing. Arthur Andersen LLP has not consented to the inclusion of their report in this joint proxy statement/prospectus, and ATG has not obtained their consent to do so in reliance upon Rule 437a under the Securities Act.

The consolidated financial statements of Primus as of December 31, 2003 and 2002, and for each of the years in the three-year period ended December 31, 2003, and the related financial statement schedule, have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2003 and 2002 consolidated financial statements refers to a change in method of accounting for goodwill and other intangible assets.

WHERE YOU CAN FIND MORE INFORMATION

ATG has filed with the SEC a registration statement on Form S-4 to register the distribution to Primus shareholders of the shares of ATG common stock to be issued in the merger. The registration statement and the exhibits and schedules attached to it contain additional relevant information about ATG and its common stock. The rules and regulations of the SEC allow us to omit some of the information included in the registration statement from this joint proxy statement/prospectus.

In addition, both ATG and Primus file reports, proxy statements and other information with the SEC. These filings are available on the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at the public reference facilities the SEC maintains at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of these materials by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

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DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows ATG to incorporate into this joint proxy statement/ prospectus important business and financial information that it files with the SEC in other documents. This means that ATG can disclose important information to you by referring to other documents that contain that information. Any information that we incorporate by reference is considered part of this joint proxy statement/ prospectus. The documents and reports that ATG lists below are incorporated by reference into this joint proxy statement/ prospectus. In addition, all documents and reports that ATG files pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act after the date of this joint proxy statement/ prospectus are incorporated by reference in this joint proxy statement/ prospectus as of the respective filing dates of these documents and reports. Statements contained in documents that ATG files with the SEC and that are incorporated by reference in this joint proxy statement/ prospectus will automatically update and supersede information contained in this joint proxy statement/ prospectus, including information in previously filed documents or reports that have been incorporated by reference in this prospectus, to the extent the new information differs from or is inconsistent with the old information.

ATG has filed or may file the following documents with the SEC. These documents are incorporated herein by reference as of their respective dates of filing:

ATG's annual report on Form 10-K for the year ended December 31, 2003, as amended by amendment no. 1 on Form 10-K/ A;

ATG's quarterly report on Form 10-Q for the quarter ended March 31, 2004;

ATG's quarterly report on Form 10-Q for the quarter ended June 30, 2004;

ATG's current report on Form 8-K filed on August 11, 2004;

ATG's current report on Form 8-K filed on August 18, 2004;

all ATG's filings pursuant to the Securities Exchange Act after the date of filing the initial registration statement on Form S-4 and prior to the effectiveness of the registration statement; and

the description of ATG's common stock and related preferred stock purchase rights contained in ATG's registration statement on Form 8-A filed with the SEC on July 12, 1999, together with amendments and reports filed for the purpose of updating that description, including the Form 8-A/A filed by ATG with the SEC on October 2, 2001.

You may request, orally or in writing, a copy of these documents, which will be provided to you at no cost, by contacting ATG's Secretary, Edward Terino, at Art Technology Group, Inc., 25 First Street, Second Floor, Cambridge, Massachusetts 02141, telephone (617) 386-1000.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

On August 10, 2004, ATG entered into a definitive agreement to acquire all of the outstanding capital stock of Primus by merging a wholly owned subsidiary of ATG into Primus. The merger is intended to qualify as a tax-free, stock-for-stock exchange and will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*. Based on the number of shares of Primus common stock outstanding on August 31, 2004 and on an exchange ratio of 1.4169 shares of ATG common stock for each share of Primus common stock, which assumes that no working capital adjustment occurs, ATG expects to issue approximately 33.8 million shares of its common stock in exchange for all of the outstanding capital stock of Primus. This exchange ratio is subject to adjustment, based on the amount of Primus adjusted working capital on the measurement date, as defined in the merger agreement, but in no event will the exchange ratio be less than 1.2976. In connection with the merger, the vesting of all outstanding options and warrants to purchase Primus common stock will be accelerated and ATG will assume all outstanding options and warrants to purchase Primus common stock with an exercise price less than \$1.33. Based on the number of Primus stock options and warrants outstanding on August 31, 2004 and the foregoing exchange ratio of 1.4169, ATG expects that the assumed Primus options and warrants will entitle the holders to purchase approximately 1.4 million shares of ATG common stock.

The following unaudited pro forma condensed combined financial information should be read in conjunction with the historical financial statements and the related notes of ATG and Primus which are included or incorporated by reference in this joint proxy statement/prospectus. The unaudited pro forma condensed combined balance sheet as of June 30, 2004 gives effect to the merger with Primus as if it had occurred on June 30, 2004 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2003 and the six months ended June 30, 2004 give effect to the merger with Primus as if it had occurred on January 1, 2003. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2003 is based on historical results of operations of ATG and pro forma results of Primus, as if the acquisitions by Primus of Broad Daylight, Inc. and Amacis Group Limited and the acquisition by ATG of Primus had occurred on January 1, 2003. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2004 is based on unaudited historical results of ATG and Primus. The unaudited pro forma condensed combined financial statements include all material pro forma adjustments necessary for their preparation, but do not assume any benefits from cost savings or synergies of operations of the combined company. The unaudited pro forma condensed combined balance sheet information as of June 30, 2004 reflects an adjustment to record Primus deferred revenue at its estimated fair value. No corresponding adjustment has been made in the unaudited pro forma condensed combined statement of operations information for either period presented.

ATG and Primus expect to incur costs related to the merger principally in the quarter in which the acquisition is consummated. These costs, which are currently estimated to be approximately \$4.5 million, will primarily consist of fees to investment bankers, legal counsel, independent accountants, consultants, costs associated with the continuation of director and officer insurance as required by the merger agreement, identifiable severance payments pursuant to the terms of pre-existing change of control agreements, and printing and other fees and expenses relating to preparing and distributing this joint proxy statement/prospectus. However, additional costs are likely to be incurred in connection with the merger. These costs may include costs associated with the elimination of duplicative facilities, operational realignment expenses and related workforce reductions, and costs associated with the resolution of contingent liabilities of Primus. Such costs would generally be recognized as a liability assumed as of the acquisition date resulting in additional goodwill if these costs relate to facilities or workforce previously attributable to Primus and would be expensed if these costs relate to facilities or workforce previously attributable to ATG. The unaudited pro forma condensed combined financial statements reflect ATG's estimated transaction costs as a component of the purchase price. Independent valuation specialists are currently conducting an independent valuation in order to assist ATG management in determining the fair

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values of a significant portion of Primus assets. The preliminary work performed by the independent valuation specialists has been considered in management's estimates of the fair values reflected in these unaudited pro forma condensed combined financial statements. Because the unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of fair values and do not include the potential additional costs discussed above, the actual amounts recorded as of the completion of the transaction may differ materially from the information presented in the unaudited pro forma condensed combined financial information. In addition to the receipt of the final valuation report from the independent valuation specialists, the impact of ongoing integration activities, the timing of completion of the transaction and other changes in Primus net tangible and intangible assets that occur prior to completion of the transaction could cause material differences in the information presented.

The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of the consolidated results of operations or financial condition of ATG that would have been reported if the merger had been consummated as of the beginning of the period presented, nor are they necessarily indicative of the future operating results or financial position of the combined company.

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Table of Contents**UNAUDITED PRO FORMA CONDENSED****COMBINED BALANCE SHEET**

As of June 30, 2004

	Historical		Pro Forma Adjustments	Pro Forma Combined
	ATG	Primus		
(in thousands)				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 22,533	\$ 8,335	\$ (4,450)(1)	\$ 26,418
Marketable securities	2,832			2,832
Accounts receivable, net of allowance for doubtful accounts	10,897	2,730		13,627
Prepaid expenses and other current assets	2,633	827		3,460
Total current assets	38,895	11,892	(4,450)	46,337
Property and equipment, net of accumulated depreciation	3,013	1,166		4,179
Long-term marketable securities	7,390			7,390
Other intangible assets, net of accumulated amortization		3,075	(3,075)(2)	12,700
			12,700 (3)	12,700
Goodwill		11,841	(11,841)(2)	18,841
			18,841 (3)	18,841
Other assets	4,304	225		4,529
Total assets	\$ 53,602	\$ 28,199	\$ 12,175	\$ 93,976
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	\$ 1,933	\$ 2,028	\$	\$ 3,961
Accrued expenses	10,383	1,457		11,840
Compensation-related accruals		980		980
Obligations due under credit facility		349		349
Deferred revenue, excluding non-current portion	14,196	7,230	(1,807)(4)	19,619
Accrued restructuring, current portion	4,149			4,149
Total current liabilities	30,661	12,044	(1,807)	40,898
Accrued restructuring, less current portion	7,150			7,150
Stockholders equity:				
Common stock	738	596	(596)(5)	738
			338 (3)	338
Additional paid-in capital	219,765	123,110	(123,110)(5)	219,765
			29,799 (3)	29,799
Accumulated other comprehensive loss	(2,987)	337	(337)(5)	(2,987)
Accumulated deficit	(201,725)	(107,888)	107,888 (5)	(201,725)
Total stockholders equity	15,791	16,155	13,982	45,928

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Total liabilities and stockholders' equity	\$ 53,602	\$ 28,199	\$ 12,175	\$ 93,976
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See accompanying notes to unaudited pro forma condensed combined financial information.

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Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****For the Six Months Ended June 30, 2004**

	Historical		Pro Forma Adjustments	Pro Forma Combined
	ATG	Primus		
(in thousands, except per share amounts)				
Revenue:				
License	\$ 9,508	\$ 3,170	\$	\$ 12,678
Service	21,634	8,659		30,293
Total revenue	31,142	11,829		42,971
Cost of revenue:				
License	730	366	700 (6)	1,796
Service	9,910	2,946		12,856
Amortization of purchased intangibles		587	(587) (7)	
Total cost of revenue	10,640	3,899	113	14,652
Gross profit	20,502	7,930	(113)	28,319
Operating expenses:				
Sales and marketing	14,572	5,207	782 (6)	20,561
Research and development	8,280	4,487		12,767
General and administrative	3,669	2,766	50 (6)	6,485
Restructuring charges		461		461
Total operating expenses	26,521	12,921	832	40,274
Loss from operations	(6,019)	(4,991)	(945)	(11,955)
Interest and other income, net	17	(24)	(33) (9)	(40)
Loss before provision for income taxes	(6,002)	(5,015)	(978)	(11,995)
Provision for income taxes	(32)	(66)		(98)
Net loss	\$ (6,034)	\$ (5,081)	\$ (978)	\$ (12,093)
Basic and diluted net loss per share	\$ (0.08)	\$ (0.22)		\$ (0.11)
Weighted average shares used in computing basic and diluted net loss per share	73,289	23,610	(23,610)(10)	
			33,796 (10)	
			10,186	107,085

See accompanying notes to unaudited pro forma condensed combined financial information.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****For the Year Ended December 31, 2003**

	Historical				Pro Forma Adjustments	Pro Forma Combined
	ATG	Primus	Broad Daylight(11)	Amacis(11)		
(in thousands, except per share amounts)						
Revenue						
License	\$ 27,159	\$ 10,730	\$ 300	\$ 289	\$	\$ 38,478
Service	45,333	14,321	787	1,197		61,638
Total revenue	72,492	25,051	1,087	1,486		100,116
Cost of revenue:						
License	2,118	461	95	40	1,400 (6)	4,114
Service	19,808	4,875	498	1,027		26,208
Amortization of purchased intangibles		68			(68) (7)	
Total cost of revenue	21,926	5,404	593	1,067	1,332	30,322
Gross profit	50,566	19,647	494	419	(1,332)	69,794
Operating expenses:						
Sales and marketing	31,174	10,434	1,220	1,894	1,564 (6)	46,286
Research and development	17,928	7,788	765	1,714	243 (8)	28,438
General and administrative	9,538	4,452	1,379	476	100 (6)	15,945
Restructuring benefit	(10,476)					(10,476)
Total operating expenses	48,164	22,674	3,364	4,084	1,907	80,193
Income (loss) from operations	2,402	(3,027)	(2,870)	(3,665)	(3,239)	(10,399)
Interest and other income, net	1,521	170	(21)	(133)	(67) (9)	1,470
Income (loss) before benefit (provision) for income taxes	3,923	(2,857)	(2,891)	(3,798)	(3,306)	(8,929)
Benefit (provision) for income taxes	255	(70)				185
Net income (loss)	\$ 4,178	\$ (2,927)	\$ (2,891)	\$ (3,798)	\$ (3,306)	\$ (8,744)