

PRIVATE MEDIA GROUP INC
Form DEF 14A
November 03, 2009
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SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)**

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Private Media Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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October 26, 2009

Dear Fellow Shareholder:

You are cordially invited to attend Private Media Group, Inc.'s Annual Meeting of Shareholders to be held on Wednesday, December 16, 2009, at 10:00 a.m., at Calle de la Marina 16-18, 08005 Barcelona, Spain.

The Notice of Annual Meeting and Proxy Statement which follow describe the business to be conducted at the meeting.

We are pleased to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their shareholders over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials, while also lowering the costs and reducing the environmental impact of our annual meeting. On or about November 4, 2009 we will mail to our shareholders a Notice containing instructions on how to access our 2009 Proxy Statement and Annual Report and vote online. The Notice contains instructions on how you can receive a paper copy of the Proxy Statement and Annual Report.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to vote promptly. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may vote by signing, dating and mailing the proxy card in the envelope provided. Instructions regarding these three methods of voting are contained in the enclosed materials.

We hope to see you at the meeting.

Cordially,

Berth H. Milton
Chairman of the Board

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on

December 16, 2009

Private Media Group, Inc.'s Proxy Statement and our Annual Report for the year ended December 31, 2008,

are available at www.proxyvote.com

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PRIVATE MEDIA GROUP, INC.

3230 Flamingo Road, Suite 156

Las Vegas, Nevada 89121 USA

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD WEDNESDAY, DECEMBER 16, 2009

To the Shareholders of PRIVATE MEDIA GROUP, INC.:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Shareholders of Private Media Group, Inc. will be held on Wednesday, December 16, 2009, at 10:00 a.m., at Calle de la Marina 16-18, 08005 Barcelona, Spain, for the following purposes:

1. To elect six (6) directors to hold office until the next Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified;
2. To approve the issuance of shares of common stock in connection with the acquisition of the GameLink companies;
3. To approve an amendment of our restated articles of incorporation to effect a reverse stock split at a ratio of between 1 for 2 and 1 for 50 at any time prior to December 31, 2010;
4. To approve the Company's 2009 Equity Incentive Plan;
5. To ratify the appointment of BDO Audiberia as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and
6. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only shareholders of record at the close of business on October 19, 2009, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. A list of the shareholders entitled to vote at the Annual Meeting will be available for examination by any shareholder for any purpose reasonably related to the Annual Meeting during ordinary business hours in the office of the Secretary of the Company during the ten days prior to the Annual Meeting.

By Order of the Board of Directors

Johan Gillborg

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October 26, 2009

Corporate Secretary

All shareholders are cordially invited to attend the meeting in person. Whether or not you plan to attend the meeting, we urge you to vote your shares via the toll-free telephone number or over the Internet, as described in the enclosed materials. If you received a copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. The giving of your Proxy will not affect your right to vote in person should you later decide to attend the meeting.

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PRIVATE MEDIA GROUP, INC.

3230 Flamingo Road, Suite 156

Las Vegas, Nevada 89121 USA

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Private Media Group, Inc. for the 2009 Annual Meeting of Shareholders to be held on December 16, 2009 (the Annual Meeting) and any postponements or adjournments thereof.

When we use the Company, Private, we or us we are referring to Private Media Group, Inc.

In accordance with the e-proxy rules approved by the Securities and Exchange Commission (SEC) and in connection with the solicitation of proxies by our Board of Directors, we will send a Notice of Internet Availability of Proxy Materials on or about November 4, 2009 and provide access to our proxy materials (consisting of this Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2008 and a form of proxy) over the Internet, to each shareholder entitled to vote at the Annual Meeting.

This Proxy Statement along with our Annual Report on Form 10-K for the year ended December 31, 2008 is available at www.proxyvote.com

VOTING PROCEDURES

YOUR VOTE IS IMPORTANT. PLEASE TAKE THE TIME TO VOTE. Most shareholders have a choice of voting over the Internet, by telephone, by mail using a proxy card, or in person at the Annual Meeting. Please refer to the proxy card or other voting instructions included with these proxy materials for information on the voting methods available to you. **If you vote over the Internet, by telephone, or in person at the Annual Meeting, you do not need to return your proxy card.**

Who can vote?

Each share of our common stock that you owned as of the close of business on October 19, 2009, the record date, entitles you to one vote on each matter to be voted upon at the Annual Meeting. On the record date, there were 62,114,803 shares of the Company's common stock issued, outstanding, and entitled to vote.

Why did I receive a one page notice in the mail regarding the Internet availability of proxy materials instead of a full set of printed proxy materials?

Pursuant to the notice and access rules adopted by the SEC, we have elected to provide shareholders access to our proxy materials over the Internet. Accordingly, on or about November 4, 2009, we are sending a Notice of Internet Availability of Proxy Materials a (Notice) to all of our shareholders as of the record date. The Notice includes instructions on how to access our proxy materials over the Internet, how to vote and how to request a printed copy of these materials. Proxy materials will be made available on the Internet on or about November 4, 2009.

How do I vote?

If your shares are registered directly in your name, you may vote:

Over the Internet. Go to the website of our tabulator, Broadridge Financial Solutions, Inc. (Broadridge), at <http://www.proxyvote.com> and follow the instructions you will find there. You must specify how you want your shares voted or your Internet vote cannot be completed and you will receive an error message. Your shares will be voted according to your instructions. If you vote over the Internet, your vote must be received by 11:59 p.m. Eastern Time on December 15, 2009.

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By telephone. Dial 1-800-690-6903 using any touch-tone telephone and follow the instructions. Your shares will be voted according to your instructions. If you vote over the telephone, your vote must be received by 11:59 p.m. Eastern Time on December 15, 2009.

By mail. Complete and sign the enclosed proxy and mail it in the enclosed postage prepaid envelope to Private Media Group, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY, 11717. Your shares will be voted according to your instructions. If you do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.

In person at the 2009 Annual Meeting. If you attend the 2009 Annual Meeting in person, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If your shares are held in street name (held for your account by a broker or other nominee), you may provide voting instructions:

Over the Internet. You will receive instructions from your broker or other nominee if you are permitted to provide voting instructions over the Internet.

By telephone. You will receive instructions from your broker or other nominee if you are permitted to provide voting instructions over the telephone.

By mail. You will receive instructions from your broker or other nominee explaining how to provide voting instructions.

In person at the 2009 Annual Meeting. Contact the broker or other nominee that holds your shares to obtain a broker's proxy card and bring it with you to the 2009 Annual Meeting. **A broker's proxy is not the form of proxy enclosed with this Proxy Statement. You will not be able to vote shares you hold in street name at the meeting unless you have a proxy from your broker issued in your name giving you the right to vote the shares.**

What is the difference between holding shares directly in my name and holding shares in street name ?

If your shares are registered directly in your name with our transfer agent, InterWest Transfer Co., you are considered the shareholder of record. The Notice was sent directly to you by Broadridge on behalf of Private.

If your shares are held for you in an account by a broker, bank or other nominee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting over the Internet or by telephone.

How can I change my vote?

If your shares are registered directly in your name, you may revoke your proxy and change your vote at any time before the Annual Meeting. To do this, you must do one of the following:

Vote over the Internet as instructed above. Only your latest Internet vote is counted.

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Vote by telephone as instructed above. Only your latest telephonic vote is counted.

Sign a new proxy and submit it as instructed above.

Attend the Annual Meeting and vote in person. **Attending the meeting will not revoke your proxy unless you specifically request it.** **If your shares are held in street name,** you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the Annual Meeting if you deliver a legal proxy as described in the answer to the "How do I vote?" question above.

Will my shares be voted if I do not return my proxy?

If your shares are registered directly in your name, your shares will not be voted if you do not vote over the Internet, by telephone, or return your proxy or vote by ballot at the Annual Meeting.

If your shares are held in street name, your brokerage firm, under certain circumstances, may vote your shares for you if you do not return your proxy. Brokerage firms have authority to vote customers' unvoted shares on some routine matters. If you do not give a proxy to your brokerage firm to vote your shares, your brokerage firm may either vote your shares on routine matters, or leave your shares unvoted ("broker non-votes"). Shares represented by such "broker non-votes" will not be considered as present and entitled to vote with respect to the non-voted matters. However, shares represented by such "broker non-votes" will be counted in determining whether there is a quorum. We encourage you to provide voting instructions to your brokerage firm by giving your proxy. This ensures your shares will be voted at the Annual Meeting according to your instructions. You should receive directions from your brokerage firm about how to submit your proxy to them at the time you receive this Proxy Statement.

What does it mean if I receive more than one proxy card?

It means that you have more than one account, which may be at the transfer agent or brokers. Please vote over the Internet or by telephone, or complete and return all proxies for each account to ensure that all of your shares are voted.

How many shares must be present to hold the Annual Meeting?

The presence at the Annual Meeting, either in person or by proxy, of the holders of at least one-third of the shares of common stock issued, outstanding and entitled to vote is necessary to constitute a quorum for the transaction of business. Shares that are present that vote to abstain or do not vote on one or more of the matters to be voted upon are counted as present for establishing a quorum. If a quorum is not present, we expect that the 2009 Annual Meeting will be adjourned until we obtain a quorum.

What vote is required to approve each matter and how are votes counted?

Votes will be counted by the inspector of elections appointed for the Annual Meeting.

For Proposal No. 1 (to elect six directors to hold office until the next Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified) a plurality of votes by the holders of the common stock is required for the election of directors. Broker non-votes and abstentions will have no effect on the outcome.

For Proposal No. 2 (to approve the issuance of shares of common stock in connection with the acquisition of the GameLink companies) a majority of the total votes cast is required for shareholder approval, exclusive of shares issued in connection with the acquisition. Broker non-votes and abstentions will have no effect on the outcome.

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For Proposal No. 3 (to approve an amendment of our restated articles of incorporation to effect a reverse stock split at a ratio of between 1 for 2 and 1 for 50 at any time prior to December 31, 2010) a majority of the outstanding shares of common stock on the record date, voting in person or represented by proxy, is required for approval. Shares of common stock voted to abstain and shares of common stock subject to broker non-votes have the practical effect of being voted against the matter.

For Proposal No. 4 (to approve the Company's 2009 Equity Incentive Plan) a majority of the total votes cast is required for shareholder approval. Broker non-votes and abstentions will have no effect on the outcome.

For Proposal No. 5 (to ratify the appointment of BDO Audiberia as our independent registered public accounting firm for the fiscal year ending December 31, 2009) a majority of the total votes cast is required for shareholder approval. Broker non-votes and abstentions will have no effect on the outcome.

In the event that sufficient votes in favor of the proposals are not received by the date of the Annual Meeting, the persons named as proxies may propose one or more adjournments of the Annual Meeting to permit further solicitations of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares of common stock present in person or by proxy at the Annual Meeting. The persons named as proxies will vote in favor of such adjournment or adjournments.

Are there other matters to be voted on at the 2009 Annual Meeting?

We do not know of any other matters that may come before the 2009 Annual Meeting. If any other matters are properly presented to the meeting, the persons named in the accompanying proxy intend to vote, or otherwise act, in accordance with their judgment.

How can I find out the results of the Annual Meeting?

Voting results will be published in our Annual Report on Form 10-K for the year ended December 31, 2009.

Who bears the costs of soliciting these proxies?

We will bear the costs of soliciting proxies. In addition to the mailing of these proxy materials, our directors, officers, and employees may solicit proxies by telephone, e-mail and in person, without additional compensation. We reserve the right to retain other outside agencies for the purpose of soliciting proxies. Upon request, we will also reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for distributing proxy materials to shareholders.

How can I receive future proxy statements and annual reports over the Internet instead of receiving printed copies in the mail?

This Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2008 are available at <http://www.proxyvote.com>. Most shareholders can elect to view future proxy statements and annual reports over the Internet instead of receiving printed copies in the mail. If you are a shareholder of record, you can choose this option when you vote over the Internet and save us the cost of producing and mailing these documents. If you are a shareholder of record and choose to view future proxy statements and annual reports over the Internet, you will receive a proxy card in the mail next year with instructions containing

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the Internet address to access those documents. Your election to receive proxy materials by email will remain in effect until you terminate it. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. If your shares are held through a broker or other nominee, you should check the information provided by them for instructions on how to elect to view future proxy statements and annual reports over the Internet.

PROPOSAL NO. 1

ELECTION OF SIX NOMINEES FOR DIRECTOR

Nominees and Voting

The Bylaws of the Company authorize a Board of Directors of six directors. Consequently, at the Annual Meeting six directors will be elected to serve until the next Annual Meeting and until their successors are elected and qualified. Proxies may not be voted for more than six persons. The Company has nominated for election as directors the six persons named below. Each of these nominees has indicated that they are able and willing to serve as directors.

Under Nevada law and the Company's Articles of Incorporation, shareholders of record on the record date will be entitled to one vote for each share held when voting for directors.

Unless otherwise instructed, the Company's Proxy holders intend to vote the shares of common stock represented by the Proxies in favor of the election of these nominees. If for any reason any of these nominees will be unable or unwilling to serve, the shares represented by the enclosed Proxy will be voted for the election of the balance of those named and such other person or persons as the Board of Directors may recommend. The Board of Directors has no reason to believe that any such nominee will be unable or unwilling to serve. Directors are elected by a plurality of the votes cast.

The Company's nominees and directors are listed below, together with their ages, offices with the Company and year in which each became a director of the Company.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION OF THE SIX NOMINEES FOR DIRECTOR.

Name	Age	Position	Director Since
Berth H. Milton	54	Chairman of the Board, President	1998
Bo Rodebrant	56	Director	1998
Lluís Torralba	40	Director	2005
Johan G. Carlberg	50	Director	2004
Daniel Sánchez	40	Director	2004
Ilan Bunimovitz	53	Director, CEO	2009

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Business Experience of Directors and Nominees During the Past Five Years

Berth H. Milton was appointed to the Board of Directors of the Company in February 1998 and was the Corporate Secretary from June 1998 until February 1999. In February 1999 Mr. Milton was appointed Chairman of the Board and Chief Executive Officer of Private, and served as Chief Executive Officer until May 2002. In November 2003 Mr. Milton was reappointed President and Chief Executive Officer of the Company and served as Chief Executive Officer until April 2009. Mr. Milton has been Administrator of Milcap Media Group from its inception until June 2000 and has been acting as an advisor to the Milcap Group since 1991. Mr. Milton is also active in several international industry and real estate projects and developments.

Bo Rodebrant was appointed as a Director of the Company in August 1998. Mr. Rodebrant has operated his own accountancy and management consulting services, R&S Ekonomiservice, since 1986. Prior thereto he co-founded an ice cream business, Hemglass, which was the largest of its kind in Stockholm, Sweden. The business was sold by Mr. Rodebrant in 1986. Mr. Rodebrant holds a degree in construction engineering which he received in 1974.

Johan G. Carlberg was appointed to the Board of Directors in October 2004. Mr. Carlberg has operated his own import, trading and consulting business in the textile and fashion industry since the seventies. Mr. Carlberg holds a Degree in Business from the Stockholm Institute of Business.

Daniel Sánchez was appointed to the Board of Directors in October 2004. Since January 2004, Mr. Sánchez has been promoting, as a founding partner, the launching of a new private venture capital firm. Prior to entering the venture capital field, he held the position as Deputy Managing Director at Electrodomésticos Taurus, a consumer electronics company, from 2002 to 2004. Between 1995 and 2002 he worked as a Manager in the field of mergers and acquisitions at Alpha Corporate, a well known international consultancy firm. Mr. Sánchez holds a Master's Degree in Business Administration from the University of Chicago.

Lluís Torralba was appointed to the Board of Directors in June 2005. Mr. Torralba is a founding partner of Meriden IPM, an international portfolio management company, where he currently is managing private clients. From 1997 to 2004 he was responsible for the company's IT systems. Prior to 1997, he worked as an IT manager in Andorra. Mr. Torralba holds a Degree in Information Technology from Escola D'informàtica d'Andorra.

Ilan Bunimovitz was appointed to the Board of Directors in March 2009 pursuant to his Employment Agreement with Private entered into in January 2009 in connection with the acquisition of Game Link LLC and its affiliate, companies engaged in the business of digital distribution of adult content over the Internet and online eCommerce development. Mr. Bunimovitz served as Executive Vice President of the Company's Online Media Division from January 2009 until April 2009, at which time he was appointed as Chief Executive Officer of the Company. Mr. Bunimovitz was the founder, chief executive officer and co-owner of Game Link LLC prior to its acquisition by the Company, which he operated since its founding in 1993. Mr. Bunimovitz holds a Bachelor's Degree in Psychology from Bar-Ilan University, Israel.

Certain Relationships

Effective March 1, 2009, the Company appointed Ilan Bunimovitz as a director to fill the newly created vacancy on the Board, to serve until the Company's next Annual Meeting of Shareholders. Mr. Bunimovitz was appointed as a director pursuant to his Employment Agreement with the Company and Game Link LLC, a subsidiary of the Company, entered into on January 20, 2009. Under the terms of the Employment Agreement the Company agreed to appoint Mr. Bunimovitz to its Board by March 1, 2009, and

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to nominate him to continue to serve as a director in 2009, 2010 and 2011 until such time as he ceases to be employed by the Company. The Employment Agreement was entered into in connection with the acquisition of Game Link LLC and its affiliate by the Company on January 20, 2009, companies engaged in the business of digital distribution of adult content over the Internet and online eCommerce development. Under a separate agreement entered into in connection with the acquisition of Game Link, Berth Milton has agreed to vote Private shares beneficially owned by him in favor of Mr. Bunimovitz's election to the Board of Directors in 2009, 2010 and 2011, so long as Mr. Bunimovitz continues to be employed by the Company.

No other director or executive officer serves pursuant to any arrangement or understanding between him or her and any other person. There are no family relationships between any of our directors or executive officers.

Meetings and Committees of the Board of Directors

The Board of Directors currently has two committees: (i) an Audit Committee, and (ii) a Compensation Committee. The Board of Directors does not have a formal nominating committee, and all decisions regarding director nominations are addressed by the entire Board of Directors.

Under applicable NASDAQ listing rules the Company is a controlled company as Berth Milton beneficially owns more than 50% of the Company's common stock. Therefore, the Company is exempt from NASDAQ Marketplace Rules which require that (i) compensation of executive officers be determined by either a majority of the independent directors or a compensation committee comprised solely of independent directors, and (ii) nomination of directors be made by either a majority of independent directors or a committee comprised solely of independent directors.

The Company's Board of Directors met five times during 2008 (including actions by unanimous written consent). No director attended less than 75% of the aggregate of all meetings of the Board of Directors and all Committees on which he served during the 2008 fiscal year.

All of the members of the Board of Directors are independent as defined in NASDAQ Marketplace Rule 5605 other than Berth Milton, the Company's Chairman and President, and Ilan Bunimovitz, the Company's Chief Executive Officer.

The Audit Committee is currently comprised of Lluís Torralba, Johan Carlberg and Daniel Sánchez. All of the members of the Audit Committee are independent as defined in applicable NASDAQ listing requirements and SEC regulations, and each of them is able to read and understand fundamental financial statements. The Board has determined that Daniel Sánchez is an audit committee financial expert as defined under applicable SEC regulations. The Audit Committee reviews and recommends to the Board, as it deems necessary, the internal accounting and financial controls for the Company and the accounting principles and auditing practices and procedures to be employed in preparation and review of financial statements of the Company. The Audit Committee makes recommendations to the Board concerning the engagement of independent public accountants and the scope of the audit to be undertaken by such accountants. The Audit Committee has adopted a written Audit Committee Charter. The Audit Committee met five times during 2008.

The Compensation Committee is currently comprised of Berth Milton. The Compensation Committee reviews and, as it deems appropriate, recommends to the Board policies, practices and procedures relating to the compensation of the officers and other managerial employees and the establishment and administration of employee benefit plans. It exercises all authority under any employee stock option plans of the Company as the Committee therein specified, subject to the review and approval of the Board of Directors, and advises and consults with the officers of the Company as may be requested regarding managerial personnel policies. The Compensation Committee also has such additional powers as may be conferred upon it from time to time by the Board. The Compensation Committee met twice during 2008.

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The Board has not established a formal nominating committee, nor has the Board adopted a nominating committee charter. Therefore, decisions relating to the nomination of directors are addressed by the entire Board of Directors. The Board has not established any specific minimum qualifications that must be met for recommendation for a position on the Board. Instead, in considering candidates for director, the Board will generally consider all relevant factors, including among others the candidate's applicable expertise and demonstrated excellence in his or her field, the usefulness of such expertise to the Company, the availability of the candidate to devote sufficient time and attention to the affairs of the Company, the candidate's reputation for personal integrity and ethics and the candidate's ability to exercise sound business judgment. Other relevant factors, including diversity, age and skills, will also be considered. Candidates for director are reviewed in the context of the existing membership of the Board (including the qualities and skills of the existing directors), the operating requirements of the Company and the long-term interests of its shareholders. The Board uses its network of contacts when compiling a list of potential director candidates and may also engage outside consultants (such as professional search firms). At this time, the Board does not consider director candidates recommended by shareholders. The Board believes that it is in the best position to identify, review, evaluate and select qualified candidates for Board membership. All of the Company's nominees for director at the 2009 Annual Meeting were approved by the entire Board of Directors.

Shareholder Communications with the Board of Directors

A shareholder may contact one or more of the members of the Board of Directors in writing by sending such communication to the Secretary at the Company's address. The Secretary will forward shareholder communications to the appropriate director or directors for review. Anyone who has a concern about the conduct of the Company or the Company's accounting, internal accounting controls or auditing matters, may communicate that concern to the Secretary, the Chairman of the Board or any member of the Board of Directors at the Company's address. The Company encourages individual directors to attend the Annual Meeting. At the Company's 2008 Annual Meeting one of the Company's directors, Berth Milton, was in attendance. We believe the Company's responsiveness to shareholder communications to the Board has been adequate.

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The following table presents certain information as of October 8, 2009, regarding the beneficial ownership of our common stock by:

each of our directors and executive officers individually,

all persons known by us to be beneficial owners of five percent or more of our common stock, and

all of our directors and executive officers as a group.

Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power as to all shares beneficially owned.

Name and Address	Number of Shares Beneficially Owned (1)	Percent Beneficially Owned (1)
Berth H. Milton (2)	31,102,985	50.1%
Ilan Bunimovitz (3)	5,627,851	9.1%
Javier Sánchez (4)	30,000	*
Johan Gillborg (5)	105,000	*
Bo Rodebrant (6)		*
Daniel Sánchez (7)	30,000	*
Philip Christmas (8)		*
Johan G. Carlberg (9)	9,000	*
Lluis Torralba (10)		
All Executive Officers and Directors as a group (9 people) (11)	36,904,836	59.4%

* Denotes less than 1%

- (1) Beneficial ownership is determined in accordance with rules of the U.S. Securities and Exchange Commission. The calculation of the percentage of beneficial ownership is based upon 62,114,803 shares of common stock outstanding on October 8, 2009. In computing the number of shares beneficially owned by any shareholder and the percentage ownership of such shareholder, shares of common stock which may be acquired by a such shareholder upon exercise or conversion of warrants or options which are currently exercisable or exercisable within 60 days of October 8, 2009, are deemed to be exercised and outstanding. Such shares, however, are not deemed outstanding for computing the beneficial ownership percentage of any other person. Except as indicated by footnote, to our knowledge, the persons named in the table above have the sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- (2) Includes 4,950,000 shares of common stock owned by Slingsby Enterprises Limited, of which Mr. Milton is the sole shareholder. These shares are pledged to a third party to secure payment of a loan from the third party to us. His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (3) His address is c/o GameLink LLC., 537 Stevenson Street, San Francisco CA 94103, USA.
- (4) His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.

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- (5) His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (6) His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (7) Includes 30,000 shares issuable upon exercise of Options issued under the Employee Stock Option Plan owned by Mr. D. Sánchez. His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (8) His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (9) Includes 9,000 shares issuable upon exercise of Options issued under the Employee Stock Option Plan owned by Mr. Carlberg. His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (10) His address is c/o Milcap Media Group SLU, Calle de la Marina 16-18, Floor 18 Suite D, 08005 Barcelona, Spain.
- (11) Includes 39,000 shares issuable upon exercise of outstanding Options under the Employee Stock Option Plan.

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MANAGEMENT

Listed below are executive officers and key employees of the Company who are not directors or nominees.

Johan Gillborg, age 47, was appointed as Chief Financial Officer of Private Media Group, Inc. in August 1998 and has been the Chairman and Managing Director of Milcap Publishing Group AB from 1994 until January 2000. Mr. Gillborg joined the group in 1992 as Marketing Consultant. From 1991 to 1992 he operated his own business which acted as sub-contracting sales force for Securitas Direct of Sweden (together with Mr. Kull). From 1988 to 1990, Mr. Gillborg served as General Manager in the hotel business in the United Kingdom and Portugal. Mr. Gillborg holds a Bachelor's Degree in Business Administration from Schiller International University in London.

Javier Sánchez, age 48, was appointed Vice President of Operations of Milcap Media Group SLU (Spain) in November 2006. From August 1998 to November 2006 he held the position of Operations Manager of Milcap Media Group SLU. He has also been the Vice Director of Milcap Media Group SLU between 1993 and 1997. From 1988 to 1991 he was the Sales Director of a printing company in Barcelona. From 1984 to 1987 he was the Operations Manager of a printing company in Barcelona.

Philip Christmas, age 48, was appointed Chief Financial Officer of Milcap Media Group in August 2001. Prior to August 2001 Mr. Christmas was employed by PricewaterhouseCoopers and its predecessor firm, Coopers & Lybrand, since 1988. While employed by PricewaterhouseCoopers he was responsible for carrying out audits of multinational and local companies and, more recently, he provided transaction services to clients acquiring businesses in Spain. Mr. Christmas is a member of the Institute of Chartered Accountants of England and Wales and of ROAC (Official Register of Auditors) in Spain.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Policy and Objectives

Our policy in compensating executive officers, including the executive officers named in the Summary Compensation Table appearing below (the named executive officers), is to establish methods and levels of compensation that will

attract and retain highly qualified personnel, and

provide meaningful incentives to promote profitability and growth and reward superior performance.

To achieve these policies Private follows the basic principles that annual compensation should be competitive with similar companies and long term compensation should generally be linked to Private's return to shareholders. Private also believes that compensation for individual executives should be aligned to the performance of areas of the business over which the executive has the most control.

Executive compensation policies are implemented through a combination of annual and long-term methods of compensation. Compensation for the named executive officers includes

base salary,

eligibility to receive annual cash bonuses, and

stock-based compensation in the form of stock options under the 1999 employee stock option plan.

These primary components are available for flexible use by Private in a manner that will effectively implement our stated objectives with respect to compensation arrangements for each of the executive officers. Each of these components is discussed in more detail below. When setting the compensation arrangements for each executive officer, the Compensation Committee considers these components individually, as well as on an aggregate (total compensation) basis. There is no pre-determined relationship between base salary of our executives and any of the other principal components of compensation. Each element of compensation is considered both individually and in terms of total overall compensation.

Primary Components of Executive Compensation.

Base Salary

The base salaries of our executive officers are set by the Compensation Committee (and in the case of Berth Milton, ratified by the independent directors) after consideration of a number of factors, including the executive's position, level of responsibility, tenure and performance. The Compensation Committee also considers the compensation levels of executives in comparable companies, along with the executive compensation recommendations made by our chief executive officer. In addition, the Compensation Committee evaluates whether the base salary levels of our executives are appropriate relative to our size and financial performance compared with the other companies reviewed. Relying primarily on these factors, the Compensation Committee sets the base salaries of our executive officers at levels designed to meet its objective of attracting and retaining highly qualified individuals. The Compensation Committee also believes that the continuity of leadership derived from the retention of well qualified executive officers is in the best interests of our shareholders. The base salaries of our executive officers are not set at any specific level as compared to the compensation levels of companies reviewed and the Compensation Committee does not assign relative weights or importance to any specific measure of the company's financial performance. During 2006, 2007 and 2008 base salary accounted for all the named executive officers' direct cash compensation.

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Effective September 2007 we increased Mr. Cohen's base compensation from USD \$200,000 to EUR 200,000 per year, effectively resulting in an increase in Mr. Cohen's base compensation based upon current exchange rates. The increase was intended to reflect both the decrease in the value of the dollar against the euro and to adjust his compensation to reflect market conditions. There were modest increases in base compensation to other named executive officers to reflect increased cost of living.

Annual Cash Incentive Payment

The Compensation Committee considers the use of annual performance bonuses from time to time where appropriate, to motivate participants to achieve company growth and enhance shareholder value. The incentive bonus plan permits plan participants to receive a cash bonus that is tied to the company's financial performance during a specified fiscal year. We do not presently have in effect an annual cash bonus plan in effect with respect to any of the named executive officers other than for our former Chief Operating Officer, Peter Cohen. Under the terms of his employment agreement, Mr. Cohen was eligible to receive an annual performance bonus, upon the achievement of specified goals in each fiscal year, commencing in 2007, based upon the amount of increase in annual operating income after 2006. The agreement provides for an annual bonus of between EUR 20,000 - 100,000, depending upon the amount of increase in operating income in the applicable fiscal year. No bonus was paid or accrued for 2007 or 2008 as the financial targets were not achieved. Information regarding this bonus plan is contained below under the heading Employment Contracts, Termination of Employment Contracts and Change in Control Arrangements.

Long-Term Equity Based Compensation Awards

To date we have relied upon cash flow from operations as our principal source of working capital. As a result, we have placed special emphasis on equity-based compensation, in the form of options, to preserve our cash for operations. Long-term equity based compensation awards are granted to our executive officers pursuant to our employee stock option plan. The Compensation Committee believes that long-term equity based compensation awards are an effective incentive for senior management to increase the long-term value of the Company's common stock as well as aiding the company in attracting and retaining senior management. These objectives are accomplished by making awards under the plan, thereby providing senior management with a proprietary interest in the continued growth and performance of the Company and more closely aligning their interests with those of our shareholders. In addition, because options generally terminate after the date an executive leaves the Company, we believe that options are a useful incentive in promoting the retention of executives.

All determinations regarding the granting of options, including the amount, exercise price and terms of vesting, are made by the Compensation Committee after seeking input from management, subject to the approval of the full Board of Directors acting as the option committee under the 1999 employee stock option plan. The Compensation Committee makes long-term equity based compensation awards after a review of a number of factors, including length of service, the performance of the Company, the relative levels of responsibility of the executive and his or her contributions to the business, including recommendations of supervisors, and prior option grants received by the executive. Awards may be granted to the same executive on more than one occasion.

Stock option grants may be subject to a vesting period based upon continued employment during the option term or may fully vest upon grant. The Compensation Committee may make grants at any particular time during the year, and the full board of directors approves such grants. The exercise price of the options must be at least equal to the fair market value of such shares on the date the stock option is granted or such later date as the option committee specifies.

No options were granted to any of the named executive officers in 2006, 2007 or 2008, as their current levels of overall compensation were considered adequate.

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Our Board believes that our future success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating key personnel. The 1999 Employee Stock Option Plan (the 1999 Plan), expired by its terms on March 1, 2009. Accordingly, no new options are available for future grants under the 1999 Plan. In October 2009, our Board adopted, subject to shareholder approval, the 2009 Employee Incentive Plan (EIP). Our Board believes it is in the best interests of the Company to continue to have an equity plan available, and to have the flexibility to issue other types of stock based awards, such as restricted and unrestricted stock awards, as is provided under the 2009 EIP. For additional information regarding the EIP, see Proposal No. 4 elsewhere in this Proxy Statement.

Other Benefits

We provide all eligible employees, including executive officers, with certain benefits, including paid time off and paid holiday programs. We do not presently maintain any deferred compensation or retirement plans.

Employment Agreements. Although we have entered into employment agreements in connection with the acquisition of other businesses, we generally do not enter into long-term employment agreements with our executive officers.

Severance Agreements. We generally do not enter into severance agreements or similar agreements providing for payments upon termination of employment or change-in-control. Such agreements, when entered into, are negotiated on a case-by-case basis. Other than our agreement with Peter Cohen providing for up to three months of severance benefits, we have not entered into any severance agreements or termination agreements with any of the named executive officers. Information regarding our agreement with Mr. Cohen is contained below under the heading Employment Contracts, Termination of Employment Contracts and Change in Control Arrangements.

The following table summarizes all compensation paid to (i) our Chief Executive Officer and Chief Financial Officer serving during 2008, and (ii) our other most highly compensated executive officers who were serving in such capacity at the end of 2008, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation exceeded \$100,000 in 2008, for services rendered in all capacities to Private Media Group for the three fiscal years ended December 31, 2006, December 31, 2007, and December 31, 2008. No other executive officer earned compensation in excess of \$100,000 in 2008.

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Name and Principal Position During Fiscal 2008	Fiscal Year	Salary (\$)(1)	Option Awards (\$)(1)(2)	All Other Compensation (\$)	Total (\$)(1)
Berth H. Milton, President and CEO (3) Director, Chairman of the Board	2008	253,000			253,000
	2007	141,000			141,000
	2006	118,144			118,144
Johan Gillborg (4) Chief Financial Officer and Secretary, Private Media Group, Inc.; Chairman, Private France S.A.; Chairman, Private Benelux; Administrator, Milcap Media Group	2008	205,000			205,000
	2007	191,000			191,000
	2006	165,000			165,000
Peter T. Cohen (5) Chief Operating Officer, Private Media Group, Inc.	2008	295,000			295,000
	2007	225,000		27,000(6)	252,000