

LIME ENERGY CO.
Form SC TO-C
December 31, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE TO
(Rule 13e-4)
Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934**

LIME ENERGY CO.
(Name of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Common Stock, \$0.0001 Par Value Per Share
(Title of Class of Securities)

53261U 205
(CUSIP Number of Class of Securities)
(Underlying Common Stock)

Jeffrey R. Mistarz
Chief Financial Officer
Lime Energy Co.
1280 Landmeier Road
Elk Grove Village, IL 60007-2410
Telephone: (847) 437-1666
(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Filing Persons)
Copy to:

J. Todd Arkebauer
Reed Smith LLP
10 S. Wacker Drive
Chicago, IL 60606
(312) 207-6453

David Mittelman
Reed Smith LLP
Two Embarcadero Center, Suite 2000
San Francisco, CA 94111
(415) 659-5943

CALCULATION OF FILING FEE

Transaction Valuation*
Not Applicable

Amount of Filing Fee**
Not Applicable

* No filing fee is required because this filing contains only preliminary communications made before the commencement of a tender offer.

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

Amount Previously Paid: Not applicable.

Filing Party: Not applicable.

Form or Registration No.: Not applicable.

Date Filed: Not applicable.

☐ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

☐ Third-party tender offer subject to Rule 14d-1.

☐ Issuer tender offer subject to Rule 13e-4.

☐ Going-private transaction subject to Rule 13e-3.

☐ Amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: ☐

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EXPLANTORY NOTE

Lime Energy Co. filed a Preliminary Information Statement on November 28, 2008 and a Definitive Information Statement on December 31, 2008 (the Information Statement) with the Securities and Exchange Commission (SEC), relating to certain actions taken by written consent of the holders of a majority of shares of Lime s outstanding capital stock. Among the actions reflected in the Information Statement is Item 5 Approval Of The Exchange Offer to permit eligible employees to voluntarily exchange eligible options to purchase shares of Lime s common stock outstanding under Lime s existing equity incentive plans for replacement options to be granted under the Lime s 2008 Long-Term Incentive as amended. The Information Statement does not constitute an offer to holders of our outstanding stock options to exchange options. The stock option exchange offer will only be commenced, if at all, following such time as twenty days elapse from dissemination of the definitive Information Statement.

The stock option exchange offer that is referred to in the Information Statement has not yet commenced. Upon the commencement of the stock option exchange offer, Lime will file with the SEC a completed Schedule TO and related exhibits and documents, including the offer to exchange. All of Lime s eligible employees holding eligible options are strongly encouraged to read the Schedule TO and related exhibits and documents, including the offer to exchange, when available because these materials will contain important information about the stock option exchange offer. The Schedule TO and related exhibits and documents will be available free of charge (i) at the SEC s website at <http://www.sec.gov>, (ii) by directing a written request to: Lime Energy Co., Attn: Maria Medrano, 1280 Landmeier Road, Elk Grove Village, IL 60007-2410; (iii) by directing an email request to Maria Medrano at mmedrano@lime-energy.com; or (iv) by contacting Maria Medrano at (847) 437-1666.

ITEM 12. EXHIBITS.

Exhibit

Number	Description
99.(a)(1)	Lime s Preliminary Information Statement on Schedule 14C filed with the Securities and Exchange Commission on November 28, 2008 and incorporated herein by reference.
99.(a)(2)	Lime s Definitive Information Statement on Schedule 14C filed with the Securities and Exchange Commission on December 31, 2008 and incorporated herein by reference.

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EXHIBIT INDEX

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- 99.(a)(2) Lime Energy's Definitive Information Statement on Schedule 14C filed with the Securities and Exchange Commission on December 31, 2008 and incorporated herein by reference.

Roman" SIZE="1"> \$3,264 \$24,000 \$ \$2,000 \$223,597

Vice President-Corporate Controller

2006 \$145,887 \$10,000 \$3,820 \$30,000 \$ \$2,000 \$191,707

- (1) Represent amounts earned by each Named Executive Officer under the Company's 2007 discretionary bonus opportunity. Refer to Compensation Discussion and Analysis Annual Incentive Compensation; 2007 Executive Management Bonus Opportunity elsewhere herein.
- (2) Represents value of 284,000 share stock award, as elected and awarded on December 30, 2005 and earned in 2006, in lieu of \$200,000 of salary that was otherwise payable in 2006 and is not included in amount under salary heading. Represents value of awards on December 30, 2005, the date the stock election was requested and the award was authorized.
- (3) Amounts calculated are based on expense recognized for financial statement purposes in 2007 and 2006 and are related to awards made in the prior periods. The reported amounts are in accordance with the provisions of SFAS No. 123(R), Share-Based Payments. See Item 8 Financial Statements and Supplementary Data Note 2 in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 regarding assumptions underlying the valuation of the Company's equity awards.
- (4) Represents amounts earned by each Named Executive Officer under the Company's 2007 performance-based annual incentive plan, which are also reported in and referred to under Grants of Plan-Based Awards in 2007 and Compensation Discussion and Analysis Annual Incentive Compensation; 2007 Objective Bonus Opportunity.
- (5) Represents matching contributions made to the Company's 401(k) plan on behalf of the Named Executive Officers.

Grants of Plan-Based Awards in 2007

The following table summarizes certain information regarding incentive awards granted to the Named Executive Officers during the year ended December 31, 2007 (including stock options, the authorization of awards described in detail under Compensation Discussion and Analysis Annual Incentive Compensation; 2007 Objective Bonus Opportunity.

Name	Grant Date	(1) Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payments Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units	All Other Options Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Closing Price of Stock on Grant Date	Grant Date Fair Value of Option Awards
		Threshold	Target	Threshold	Target					
K. Paul Singh	2/7/2007	\$ 320,000	\$ 800,000							
John F. DePodesta	2/7/2007	\$ 160,000	\$ 400,000							
Thomas R. Kloster	2/7/2007	\$ 100,000	\$ 250,000							
Mark Guirgis	2/7/2007	\$ 24,000	\$ 60,000							
Tracy B. Lawson	2/7/2007	\$ 24,000	\$ 60,000							

(1) These awards are described in detail under Summary Compensation Table Non-Equity Incentive Plan Compensation and Compensation Discussion and Analysis Annual Incentive Compensation; 2007 Objective Bonus Opportunity.

Option Exercises and Stock Vested

No options were exercised and no stock awards were vested in 2007.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information with respect to the outstanding equity awards at December 31, 2007 for the Company's Named Executive Officers.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Exercise Price (\$)	Expiration Date (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned share, Units or Other Rights That Have Not Vested (\$)
K. Paul Singh	Exercisable	Unexercisable				
	99,999	100,001	0.77	2/2/2016		
	506,434		0.90	7/9/2011		
	505,000		1.65	12/19/2012		
	250,000		1.90	1/10/2013		
	1,100,000		1.98	2/12/2013		
John F. DePodesta	300,000		3.03	11/30/2014		
	75,000	75,000	0.77	2/2/2016		
	143,334		0.90	7/9/2011		
	430,000		1.65	12/19/2012		
	100,000		1.90	1/10/2013		
Thomas R. Kloster	120,000		6.12	6/7/2014		
	75,000	75,000	0.77	2/2/2016		
	60,000		3.17	12/9/2014		
	60,000		6.12	6/7/2014		
Mark Guirgis	50,000		6.30	8/5/2013		
	20,000	10,000	0.87	11/18/2015		
	5,917		0.90	7/9/2011		
	35,000		1.65	12/19/2012		
	6,000		1.90	1/10/2013		
Tracy B. Lawson	9,000		6.12	6/7/2014		
	20,000	10,000	0.87	11/18/2015		
	10,000		0.90	7/9/2011		
	30,000		1.65	12/19/2012		

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6,000	1.90	1/10/2013
9,000	6.12	6/7/2014

- (1) Based on their corresponding expiration date, the following table lists the grant and vesting dates for all unexercisable stock options, which vest ratably every six months over a three-year period.

Expiration Date	Grant Date	Vesting Date
11/18/2015	11/18/2005	11/18/2008
2/2/2016	2/2/2006	2/2/2009

Employment Agreement

On April 26, 2007, K. Paul Singh entered into a revised employment agreement with the Company, which extends for a one year period, subject to automatic one-year renewal periods, unless notice of termination is given by the Company or Mr. Singh at least six months in advance of the scheduled termination date or the agreement is otherwise terminated in accordance with its terms (the "Employment Period"). The employment agreement for Mr. Singh provides for an annual base salary of \$735,000 and a target bonus opportunity of up to \$800,000 per year, which is to be determined annually based on incentives and performance targets, as determined by the Compensation Committee. The agreement also provides the Company will reimburse Mr. Singh for up to \$10,000 in out-of-pocket medical expenses and financial planning services per year, and, during the Employment Period, the Company shall pay the premiums on a disability insurance policy to pay two-thirds of the Mr. Singh's Base Salary in the event of disability. The employment agreement contains certain covenants, including non-compete and non-solicitation during employment and the one-year period after employment is concluded.

Termination Without Cause or For Good Reason (Outside of a Change of Control). If either Mr. Singh is terminated without Cause (which includes acts involving intentional fraud or a material intentional breach of the Company's ethics guidelines) or Mr. Singh terminates his employment agreement for Good Reason (which includes a material reduction in the executive's base salary during the Employment Period or a material reduction in the executive's authority, duties or responsibilities during the Employment Period) in the absence of a Change of Control (as defined in the employment agreement and described below) involving the Company, then the Company is required to pay a lump sum amount of severance pay equal to base salary plus the target annual performance bonus in the year of termination divided by 12 and multiplied by two times years of service (not to exceed a total of two years of severance pay) (Severance Period), plus continued participation in the welfare benefit plans of the Company during the Severance Period. As Mr. Singh has surpassed 12 years of service, the maximum two years of severance payment is in effect.

Termination Without Cause or For Good Reason After a Change of Control. If Mr. Singh is terminated during the Employment Period without Cause or terminates employment for Good Reason during the term of the employment agreement within 24 months after a Change of Control, then the Company is required to pay a lump sum severance amount equal to two times base salary and target annual performance bonus for the year of termination (as though such target had been achieved), and all outstanding stock options, and other equity grants, as applicable, granted to the Executive shall become 100% vested and shall be exercisable in accordance with their terms, subject to reduction to the greatest amount that could be paid that would not give rise to excise tax under Section 4999 under the Internal Revenue Code.

Potential Termination Payout Table

Assuming the employment agreement described above had been in effect as of December 31, 2007 and employment terminated as of December 31, 2007, Mr. Singh would have been eligible to receive payments as set forth in the following potential termination payout table.

Named Executive Officer	Without Cause or For Good Reason (1)			Change in Control Termination (2)		
	Salary and Bonus	Benefits (3)	Total	Salary and Bonus	Benefits (3)	Total
K. Paul Singh	\$ 3,070,000	\$	\$ 3,070,000	\$ 3,070,000	\$	\$ 3,070,000

- (1) Represents circumstances involving termination Without Cause or for Good Reason outside of any Change in Control (as defined above).
- (2) Represents circumstances involving termination Without Cause or for Good Reason in connection with a Change in Control (as defined above). See also *Option Acceleration*.
- (3) Consists of welfare benefit and disability plans and out-of-pocket health and financial planning expenditures, as provided for under the employment agreement. The reported value is based upon the type of insurance coverage as of December 31, 2007 and is valued at the premiums in effect on December 31, 2007.

Option Acceleration. In addition, certain unvested outstanding stock option and equity awards of our Named Executive Officers would have vested under Change of Control acceleration provisions. Assuming the applicability and operation of such provisions as of December 31, 2007, the Named Executive Officers could not have realized the values from acceleration because such options carried exercise price greater than the options' intrinsic value (based on the closing price of \$0.39 on December 31, 2007 over any applicable exercise price or payment obligation for such accelerated awards). For purposes of the employment agreement, a Change of Control means (a) a sale of more than 50% of the outstanding capital stock of the Company in a single or related series of transactions, (b) the merger or consolidation of the Company with or into any other corporation or entity, other than a wholly-owned subsidiary of the Company, where the Company is not the surviving entity, or (c) a sale of all or substantially all of the assets of the Company to an unrelated entity.

Equity Compensation Plan Information

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights (a)	Weighted-average exercise price of outstanding options and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,368,262	\$ 2.09	4,094,379*
Equity compensation plans not approved by security holders	0	0.00	695,623**
Total	7,368,262	\$ 2.09	4,790,002

* Includes shares remaining available under Equity Incentive Plan (3,360,621), Director Plan (247,140) and ESPP (486,618).

** Represents the number of authorized but unissued shares under the Restricted Plan.

The Company sponsors a Restricted Stock Plan (the Restricted Plan) to facilitate the grant of restricted stock to selected individuals (excluding executive officers and directors of the Company) who contribute to the development and success of the Company and a Director Stock Option Plan (the Director Plan) for non-employee directors. The total number of shares of Common Stock that may be granted under the Restricted Plan is 750,000. During the years ended December 31, 2007, 2006 and 2005, the Company did not issue shares of restricted stock under the Restricted Plan. The Restricted Plan is the only equity compensation plan of the Company that was in effect as of December 31, 2007 and adopted without the approval of the Company's stockholders (750,000 shares authorized, 695,623 remaining available).

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

Compensation Committee Membership and Interlocks

The Compensation Committee is responsible for discharging the responsibilities of the Board with respect to the compensation of our executive officers. The Compensation Committee, with guidance from the full Board of Directors, sets and reviews the strategic and operating performance goals and objectives for the chief executive officer and the other executive officers concurrently with the approval of the annual budget and, if needed, to reflect material developments, during the year. The Compensation Committee evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the Compensation Committee may retain the services of a compensation consultant and consider recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The Compensation Committee assesses the information it receives in accordance with its business judgment. The Compensation Committee also periodically reviews director compensation.

The current members of the Compensation Committee are David E. Hershberg, Chairman, and Pradman P. Kaul.

The Board of Directors has determined that the members of the Compensation Committee are Independent as defined under NASDAQ Marketplace Rules. No member of the Compensation Committee is or has ever been one of our officers or employees of the Company. No interlocking relationship exists between the current or prior members of the Compensation Committee and the board of directors or compensation committee of any other Company.

The Committee has reviewed and discussed the Compensation Discussion and Analysis (the CD&A) for the year ended December 31, 2007 with management. In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2007 for filing with the SEC.

*The Compensation Committee of the Company's Board
of Directors*

David E. Hershberg (Chairman)

Pradman P. Kaul

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis describes the material elements of compensation for the Primus Telecommunications Group, Incorporated executive officers identified in the Summary Compensation Table (the "Named Executive Officers") and presented under Compensation of Named Executive Officers. As more fully described in the Report of the Compensation Committee on Executive Compensation on the preceding page, the Compensation Committee of the Board (the "Compensation Committee") makes all decisions for the total direct compensation—that is, the annual base salaries and benefits; annual incentive compensation; and long-term incentives of the Company's executive officers, including the Named Executive Officers.

Compensation Policy and Philosophy

The Company's executive compensation policy is designed to establish an appropriate relationship between executive pay and the Company's annual performance relative to annual budgets; performance against a peer group of the industry sector; its long-term growth and profitability objectives; and its ability to attract and retain qualified executive officers. The policy is based on the belief that the interests of the executives should be closely aligned with the Company's stockholders. In support of this philosophy, a meaningful portion of each executive's compensation is placed at-risk and linked to the accomplishment of specific results that are expected to lead to the creation of value for the Company's stockholders from both the short-term and long-term perspectives. The Compensation Committee believes that cash compensation, in the form of salary and performance-based incentive bonuses, provides Company executives with short-term rewards for success in operations and meeting strategic milestones; and that long-term compensation through the award of stock options and other equity incentives encourages growth in management stock ownership which are intended to lead to the creation of value for the Company's stockholders in the long-term performance and success of the Company. The Compensation Committee considers all elements of compensation, including the valuation of options, and the compensation policy when determining individual components of pay.

The Compensation Committee believes that leadership and motivation of the Company's employees are critical to achieving the objectives of the Company. The Compensation Committee believes that the compensation of the Company's executives primarily should reflect their success as a management team, in attaining key operating and financial objectives, such as achievement of target revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA"), the development of a focused long-term competitive position, and, to a lesser extent, individual performance goals and objectives.

The Compensation Committee believes that the performance of the executives in managing the Company, considered in light of general economic conditions and specific Company, industry and competitive conditions, should be the basis for determining their overall compensation. The Compensation Committee is responsible for ensuring that its executive officers are compensated in a way that furthers the Company's business strategies and which aligns their interests with those of the stockholders. To support this philosophy, the following principles provide a framework for executive compensation:

offer compensation opportunities that attract and retain the best talent to the Company;

motivate individuals to perform at their highest levels;

reward outstanding achievement;

retain those with leadership abilities and skills necessary for building long-term stockholder value;

maintain a significant portion of executives' total compensation at-risk, tied to the quarterly, annual and long-term financial performance of the Company and the creation of incremental stockholder value; and

encourage executives to manage from the perspective of owners with an equity stake in the Company.

Overview of Executive Compensation Components

The Company's executive compensation program consists of several components, and the most important elements are illustrated in the table below.

	Pay Element	What the Pay Element Rewards	Why Primus Uses the Element
Base Salary	Base Salary	Pay for market performance in the executive role. Base salary adjustments can allow the Committee to reflect an individual's performance or changed responsibilities.	Market practice and competitive factors. To attract and retain executive talent.
Short-Term	Annual		Market practice and competitive factors.
Incentives	Executive Incentive Bonuses	Provides benefits for achievement of objective goals and financial success, mainly through achievement of revenue and EBITDA objectives, and to a lesser extent individual performance.	To motivate performance and meet quarterly and annual goals.
Long-Term Incentives	Stock Options and Restricted Stock Grants	Focus executives on increasing stock price over a multi-year vesting period and a maximum ten-year option term.	Stock options and restricted stock grants reward executive for increases in stockholder value.
For more detail regarding these components, see Individual Elements of Compensation; 2007 Compensation Decisions included elsewhere herein.			

Compensation Consultant

During 2006, the Compensation Committee engaged the services of a compensation consultant to advise them with respect to the compensation packages of the three most highly compensated Named Executive Officers (the Senior Executive Group). In connection with this engagement, the Compensation Committee charged Deloitte Consulting LLP (the Compensation Consultant), among other things, with conducting a competitive assessment of executive compensation for the Senior Executive Group. In addition to speaking with members of Primus's Compensation Committee, they obtained historical compensation data and insight into previous compensation practices from Primus. In preparing its compensation analysis, the Compensation Consultant analyzed published compensation surveys and developed a list of peer companies consisting of firms comparable in size and industry to Primus (including Level 3 Communications, CenturyTel, IDT, Citizens Communications, Global Crossing, XO Holdings, EarthLink, Cincinnati Bell, Time Warner Telecom, SAVVIS, ITC^DeltaCom and Premiere Global Services). The Compensation Consultant's recommendations with respect to base salary, bonus and equity incentive compensation were based on the proposed peer group because the firms included in that group were more similar in size to Primus and were more consistent in industry focus than any other available peer group. The Compensation Committee utilized the Compensation Consultant's recommendations as a frame of reference, among other considerations, in developing fiscal 2006 and 2007 compensation determinations.

Individual Elements of Compensation; 2007 Compensation Decisions

The 2007 compensation program for the Named Executive Officers is composed of three primary elements: annual base salaries and benefits; annual incentive compensation, in the form of cash bonus awards made under the incentive bonus plan or on a discretionary basis; and long-term incentives, consisting primarily of stock options and, to a lesser extent to date, restricted stock grants. Our executive compensation strategy generally is

for executives to receive a salary competitive with the market, while being eligible for bonuses, stock option grants or restricted stock awards that generally generate value based on Company and individual performance. We believe that competitive base salary levels in combination with performance and stock-based incentives provide our executives with the potential to earn competitive industry total executive compensation levels, if objective strategic and operating performance goals for our Company and individual performance goals are achieved.

Annual Base Salaries and Benefits

Annual compensation consists of base salaries and benefits. These elements of the Company's compensation program are intended to provide a degree of compensation certainty to executives by providing a reasonable amount of compensation that is not at-risk for performance.

Base Salary. Generally, the Compensation Committee approves the base salaries of the executive officers based on (i) performance and accomplishment of the Company in the preceding year, (ii) salaries paid to executive officers with comparable responsibilities employed by companies with comparable businesses, and (iii) individual performance for the preceding year for the executive officer. The Compensation Committee reviews executive officer salaries annually and exercises its judgment based on all the factors described above in making its determination. No specific formula is applied to determine the weight of each criterion.

Base salaries are designed to help attract and retain management talent. To ensure that salary ranges are competitive in the overall marketplace, salary ranges are periodically compared to the salaries paid for comparable positions within companies that compete with our Company for executive talent, including industry competitors, and companies of comparable size in our key geographic markets. Our compensation assessment efforts were assisted by our Compensation Consultant, which conducted a benchmark study in 2006 of our Company's Senior Executive Group to a peer group of companies. Based upon the 2006 Compensation Consultant report, the Compensation Committee believes the 2007 base salary levels paid to our Senior Executive Group were competitive, when compared to the peer group of companies.

In reviewing and establishing salaries for the Named Executive Officers for 2007 and 2008, the Committee considered the Company's past performance, individual performance and experience and, with respect to the Named Executive Officers other than the Chief Executive Officer, recommendations made by Mr. Singh. Additional factors considered in setting salary levels was the Committee members' business judgment about the appropriate level of salary to retain, motivate and reward individual executives and, to a certain extent relative to historical levels, recommendations by our Compensation Consultant. During its February 7, 2008 meeting, the Committee concluded there would be no change to the 2008 base salary levels for the following Named Executive Officers: Mr. Singh, \$735,000; Mr. DePodesta, \$575,000; Mr. Kloster, \$400,000; and Mr. Guirgis, \$190,000. Ms. Lawson's salary was increased to \$180,000 effective March 1, 2008.

Benefits. The Company's Named Executive Officers receive limited benefits that would be considered executive benefits. Most benefits are consistent with those offered generally to employees, which consist of life insurance, travel accident insurance, health insurance, dental insurance, short-term and long-term disability and opportunities to participate in the Company's 401(k) plan. The Company matches up to 50% of the employee's 401(k) plan contributions, up to the first 6% of such employee's salary, with a maximum of \$2,000 annually. Please refer to Compensation of Named Executive Officers Summary Compensation Table and the related footnotes for additional information about benefits.

Annual Incentive Compensation

Overall cash incentive bonuses for the Named Executive Officers are payable based upon the following criteria: (i) the Company's operating and financial performance; (ii) success in strengthening the balance sheet and improving the liquidity position of the Company; (iii) furthering the Company's strategic position in the marketplace through developing and executing new strategic product initiatives; (iv) ensuring compliance with Securities and Exchange Commission (SEC) and Sarbanes-Oxley requirements; and (v) individual contribution.

Incentive compensation consists of cash bonuses and awards made under the incentive bonus plan, and the objective is to motivate executives annually, and to promote long-term growth. We refer to these opportunities as bonus opportunities consistent with historical practice. However, for Summary Compensation Table purposes, awards and payouts appear under the column Non-Equity Incentive Plan Compensation as well as under the Bonus column, consistent with recent SEC rule changes.

Future cash bonus payments will be made in accordance with our incentive bonus plan, under which we adopt annual incentive goals at regularly scheduled meetings of our Board of Directors and Compensation Committee following the reporting of prior year financial results. Our incentive bonus plan represents an important element of our compensation strategy, since achieving performance targets enables our executives to attain total current compensation in line with peer pay levels. In contrast, failure to achieve performance targets may result in total current compensation for our executives to fall substantially below peer compensation levels.

In February of each year, the Committee decides whether to grant individual cash bonuses and determines the amount of these bonuses and awards. The performance bonus targets for 2007 for the Company's Named Executive Officers were based on the criteria stated above. The Committee's review of bonuses was based on its knowledge of the Company, its contact with the executives throughout the year and a review of performance, with a primary focus on overall Company performance and a secondary focus on individual performance.

Elements of the 2007 Incentive Bonus Plan Opportunity. For the 2007 fiscal year, the Committee established cash bonus opportunities and objectives for the Named Executive Officers primarily based upon (i) objective opportunities tied to Company revenue and EBITDA objectives (the Objective Bonus Opportunity) and (ii) personal or subjective objectives including the improvement of the Company balance sheet with respect to liquidity. For 2007,

(1) 50% of the Objective Bonus Opportunity was dependent upon the satisfaction of revenue goals, and 50% of the Objective Bonus Opportunity was dependent upon the satisfaction of EBITDA goals; in furtherance of this objective goal, the Committee established specified performance target levels for revenue and for EBITDA in 2007, which we refer to generally as Objective Target Performance; and

(2) an additional discretionary bonus opportunity was authorized for satisfaction of individual executive management objectives (the Executive Management Bonus Opportunity).

2007 Objective Bonus Opportunity. The 2007 Objective Bonus Opportunity authorization did not require satisfaction of both revenue and EBITDA goals. Thus, to the extent the Company's revenue goals were satisfied within the acceptable range, but target EBITDA goals had not been met, up to 50% of such applicable bonus opportunity would be payable; conversely, to the extent EBITDA target goals were satisfied within the acceptable range, but revenue goals had not been met, up to 50% of such applicable bonus opportunity would be payable.

The aggregate total Objective Bonus Opportunity for each of the Named Executive Officers was determined in relation to overall compensation market conditions as determined by the Compensation Committee with consideration of the Compensation Consultant report. For 2007, the total eligible bonus opportunity for the Named Executive Officers was as follows:

Executive	Objective Bonus Opportunity as a % of Salary	Amount of Objective Bonus Opportunity
K. Paul Singh	109%	\$ 800,000
John F. DePodesta	70%	\$ 400,000
Thomas R. Kloster	63%	\$ 250,000
Mark Guirgis	32%	\$ 60,000
Tracy B. Lawson	33%	\$ 60,000

Based on the 2006 Compensation Consultant report, the Compensation Committee concluded that total target cash compensation (i.e., base salary plus the foregoing Objective Bonus Opportunities) of each of the Senior Executive Group would be at or below the peer group median total cash compensation levels.

Due to the Company's results during 2007, executives were paid an annual bonus at 40% of each individual's Objective Bonus Opportunity amount. The award of these bonuses was based on the satisfaction of a substantial portion of the revenue goal with the shortfall being attributed to a drop in low-margin wholesale and prepaid services revenues. The EBITDA targets for the year were not met.

2008 Bonus Authorization. On February 7, 2008, the Compensation Committee reaffirmed the target Objective Bonus Opportunities for the Named Executive Officers for 2008 without change. The amounts are as follows: Mr. Singh, \$800,000, Mr. DePodesta, \$400,000, Mr. Kloster, \$250,000, Mr. Guirgis, \$60,000 and Ms. Lawson, \$60,000.

2007 Executive Management Bonus Opportunity. The 2007 Executive Management Bonus Opportunity was established on an individual basis for each Named Executive Officer based upon the expected professional contribution of each functional executive position and the impact of such contribution on the overall strategic and operational goals of the Company. During 2007, our executive officers successfully completed a number of critically needed debt and equity financing and deleveraging transactions to enhance the Company's liquidity through improved cash balance levels and extended debt maturities, continued cost cutting and cost management programs partially to offset margin erosion caused by the continued decline of our high-margin core retail revenues, initiated enhanced growth product strategies, and successfully defended certain legal challenges. The foregoing factors and the amount of time and attention each executive officer contributed to such strategic efforts influenced the following amounts of discretionary bonus authorizations for 2007: Mr. Singh, \$30,000; Mr. DePodesta, \$65,000; Mr. Kloster, \$75,000; Mr. Guirgis, \$16,000 and Ms. Lawson, \$26,000.

The Committee believes that annual bonuses motivate executives and reward them for good performance by providing tangible benefits for achieving specific objectives that will lead to an increase in Primus operating results. The goal of the incentive bonus plan is to reward performance and to bring total annual cash compensation (salary and incentive bonus) on a level that is competitive with peer company compensation levels.

Refer to the Summary Compensation Table and the related footnotes for additional information about incentive bonuses.

Long-Term Stock Awards

We have granted in the past, and we also intend to grant or award in the future, to our executives and other key employees, stock options and in certain cases restricted stock awards. Options have been, and will be, granted at an exercise price equal to the closing sales price of our common stock, as reported on the over-the-counter bulletin board (OTCBB), on the date of grant, and on such dates consistent with the policy described under Timing of Stock-Based Incentive Awards. Options have no monetary value to the executives unless the market price of our common stock increases above the exercise price. Restricted stock awards, although having immediate value upon the date of the award, are subject to time vesting provisions, which generally require an executive to remain with our Company during the time vesting period, before being able to access the value of any such awards. We anticipate that future option grants or restricted stock awards will be based on an objective and/or subjective analysis of various performance criteria and competitive market practices.

Stock options and the equity incentives encourage and reward effective management, which results in long-term corporate financial success, as measured by stock price appreciation. The Compensation Committee believes that option grants and other equity incentives afford a desirable long-term compensation method because they closely ally the interests of management with stockholder value and that grants of stock options are the best

way to motivate executive officers to improve long-term stock market performance. The vesting provisions of options granted under the Equity Incentive Plan are designed to encourage longevity of employment with the Company and generally extend over a three-year period.

In general, the Company's long-term stock awards are based upon each executive's historical contributions, experience and tenure with the Company, expected future contributions to the Company, and in part after examining the competitive marketplace.

In 2007, no stock option awards were granted to the executive officers.

Please refer to the Grants of Plan-Based Awards in 2007 and Outstanding Equity Awards at Fiscal Year-End tables and the related footnotes for additional information about long-term stock awards.

2008 Long-Term Incentive Awards

On February 7, 2008, the Compensation Committee approved the grant of the following stock option awards at an exercise price of \$0.36 per share: Mr. Singh, 300,000 shares; Mr. DePodesta, 150,000 shares; Mr. Kloster, 150,000 shares; Mr. Guirgis, 40,000 shares; and Ms. Lawson, 40,000 shares.

Compensation of Chief Executive Officer

The Compensation Committee believes that K. Paul Singh, the Company's Chief Executive Officer, provides valuable services to the Company and that his compensation should therefore be competitive with median levels paid to executives at comparable companies. The Compensation Committee believes that an important portion of his compensation should be based on current performance, positioning the Company for the future, and strengthening its liquidity position. Mr. Singh's annual base salary for 2007 was set at \$735,000 beginning from March 1, 2007, based on the factors described under Executive Compensation Components Base Salary and his total cash incentive bonus payments were \$350,000 (or below 50% of the target Objective Bonus Opportunity) for the reasons described under Annual Incentive Compensation.

Internal Revenue Code Section 162

The Compensation Committee has reviewed the potential consequences for the Company of Section 162(m) of the Internal Revenue Code, which imposes a limit on tax deductions for annual compensation in excess of one million dollars paid to any of the five most highly compensated executive officers, including the Chief Executive Officer. It is the current policy of the Compensation Committee to maximize, to the extent reasonably possible, the Company's ability to obtain a corporate tax deduction for compensation paid to executive officers of the Company to the extent consistent with the best interests of the Company and its stockholders. The limitation under Section 162(m) had no net tax effect on the Company for 2007. The limitations of Section 162(m) are not expected to have a material effect on the Company in calendar year 2008.

Accounting Considerations

The Compensation Committee also considers the effects certain types of equity awards have on the financial statements of the Company. On January 1, 2006, the Company adopted SFAS No. 123(R), Share-Based Payments, which addresses the accounting for stock-based payment transactions whereby an entity receives employee services in exchange for equity instruments, including stock options. SFAS No. 123(R) eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value based method. The Company issues new shares of common stock upon the exercise of stock options.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors consists of Messrs. Hershberg and Kaul, who were not at any time officers or employees of the Company. No executive officer of the Company serves as a member of the Board of Directors or compensation committee of another entity that has one or more executive officers who will serve as a member of the Board of Directors or the Company's Compensation Committee.

The Company has a reciprocal services agreement with a vendor to provide and to receive domestic and international termination of telecommunication services. David E. Hershberg, a director of the Company, is the Chairman and Chief Executive Officer of the vendor providing such services. The contract was on a month-to-month basis. The Company recorded revenue of approximately \$0, \$0 and \$46,000 and costs of \$0, \$3,000 and \$82,000 in 2007, 2006 and 2005, respectively, for services provided and other discrete services received under this agreement. The Company had no amounts due from the vendor at December 31, 2007, 2006 and 2005. At December 31, 2007, the reciprocal services agreement remained inactive.

During the year ended 2007, 2006 and 2005, the Company provided international telecommunications services to a customer for which Pradman P. Kaul, a Director of the Company, serves as the Chairman and Chief Executive Officer. The Company recorded revenue of approximately \$36,000, \$38,000 and \$46,000 in 2007, 2006 and 2005, respectively, for services provided. The Company had amounts due from the customer of approximately \$2,000, \$6,000 and \$3,000 at December 31, 2007, 2006 and 2005, respectively.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the audited consolidated financial statements of the Company for fiscal year 2007 with the Company's management, and also has discussed with Deloitte & Touche LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 114, "The Auditor's Communication with Those Charged with Governance." The Audit Committee has received both the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1, and has discussed with Deloitte & Touche LLP the independence of Deloitte & Touche LLP from the Company.

Based on the foregoing, the Audit Committee recommended to the Board of Directors of the Company that the audited consolidated financial statements of the Company for fiscal year 2007 be included in the Company's Annual Report on Form 10-K filed with the SEC on March 17, 2008.

In addition, the Audit Committee has considered whether the provision of services by Deloitte & Touche LLP falling under the headings "Tax Fees" and "Other Fees" (*see* "Other Matters: Relationship with Independent Registered Public Accounting Firm") is compatible with maintaining the independence of Deloitte & Touche LLP from the Company, and has determined that the provision of such services is compatible with maintaining such independence. The Audit Committee reviews and approves requests for non-audit services proposed to be performed by Deloitte & Touche LLP prior to engagement.

Notwithstanding anything to the contrary set forth in any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate SEC filings, in whole or in part, this Report of the Audit Committee will not be incorporated by reference into any such filings.

Respectfully submitted,

The Audit Committee of the Company's Board of Directors

Paul G. Pizzani (Chairman)

Douglas M. Karp

John G. Puente

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

As of March 31, 2008, the Company had 606 registered holders of record of 142,632,540 shares of its Common Stock. For purposes of this filing, beneficial ownership of securities is defined in accordance with the rules of the SEC and means generally the power to vote or exercise investment discretion with respect to securities, regardless of any economic interests therein.

The following table sets forth, as of March 31, 2008, certain information as to the beneficial ownership by each person listed below of shares of the Common Stock, including shares of Common Stock as to which a right to acquire beneficial ownership existed (for example, through the exercise of Common Stock options that are exercisable as of, and within 60 days from, March 31, 2008,) within the meaning of Rule 13d-3(d)(1) under the Securities and Exchange Act of 1934, by: (i) each person or group who is known to the Company to be the beneficial owner of more than five percent of the outstanding Common Stock, (ii) each director or nominee for director, (iii) the Named Executive Officers, and (iv) all directors and executive officers as a group. Unless otherwise indicated, each person had, as of March 31, 2008, sole voting power and sole investment power with respect to the Company's shares, subject to community property laws as applicable.

Name and Business Address	Number of Shares of Common Stock Beneficially Owned (1)	Percentage of Outstanding Shares of Common Stock (1)
American International Group, Inc (2)	18,720,008	13.12%
70 Pine Street		
New York, NY 10270		
Sean O Sullivan RLT (3)	12,635,900	8.86%
6800 West Gate Blvd., Ste. 132, PMB #123		
Austin, TX 78745		
Morgan Stanley & Co. Incorporated	11,202,972	7.85%
1585 Broadway		
New York, NY 10036		
Newport Global Opportunities Fund LP	10,293,451	7.22%
50 Kennedy Plaza, 18 th Floor		
Providence, RI 02903		
Citigroup Inc.	7,991,926	5.60%
399 Park Avenue		
New York, NY 10043		
AIG Global Sports and Entertainment Fund, L.P. (AIG Global Sports) (2)	7,860,004	5.51%
Ugland House, South Church Street		
George Town, Grand Cayman		
K. Paul Singh (4)	6,874,087	4.82%
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		

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John F. DePodesta (5)	1,044,830	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
Thomas R. Kloster (6)	279,950	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
John G. Puente (7)	237,190	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		

Name and Business Address	Number of Shares of Common Stock Beneficially Owned (1)	Percentage of Outstanding Shares of Common Stock (1)
David E. Hershberg (8)	91,660	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
Tracy B. Lawson (9)	91,162	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
Mark Guirgis (10)	85,485	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
Douglas M. Karp (11)	60,000	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
Pradman P. Kaul (12)	54,366	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
Paul G. Pizzani (13)	45,000	*
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		
All executive officers and directors as a group (14)	8,863,730	6.21%
7901 Jones Branch Drive, Suite 900		
McLean, VA 22102		

* Less than 1% of the outstanding Common Stock.

- (1) Shares of Common Stock subject to options currently exercisable or which become exercisable on or prior to 60 days from March 31, 2008 (Currently Exercisable Options) are deemed outstanding for computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for computing the percentage ownership of any other person.
- (2) Number of Shares of Common Stock Beneficially Owned consists of shares that are beneficially owned directly by affiliated entities, including AIG Global Sports and AIG Emerging Markets listed below in this table, each of which is managed by a sole general partner or sole managing member that is an indirect wholly-owned subsidiary of AIG.
- (3) Includes common stock owned by Sean O Sullivan Revocable Living Trust (RLT). Sean O Sullivan is the Trustee of Sean O Sullivan RLT.
- (4) Includes 381,886 shares of Common Stock owned by Mr. Singh s family, in which 171,050 shares are owned by Mr. Singh s son, Jay Paul Singh, and 171,050 shares are owned by his daughter, Anguli Mari Singh; 405,600 shares of Common Stock held by two private foundations of which Mr. Singh is the president and a director; and 8,812 shares held in a 401(k) plan of which Mr. Singh is a beneficiary. Also includes 2,794,766 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Singh.
- (5) Includes 893,334 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. DePodesta.
- (6) Includes 270,000 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Kloster.
- (7) Includes 60,000 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Puente.
- (8)

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Includes 75,000 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Hershberg and 945 shares owned by a family partnership.

- (9) Includes 75,000 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Ms. Lawson.

- (10) Includes 75,917 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Guirgis.
- (11) Includes 60,000 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Karp.
- (12) Includes 30,000 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to Mr. Kaul.
- (13) Includes 45,000 shares of Common Stock issuable upon exercise of Currently Exercisable Options granted to Mr. Pizzani. Excludes 7,860,004 shares of Common Stock owned by AIG Global Sports. Mr. Pizzani may be considered affiliated with AIG Global Sports.
- (14) Consists of 10 persons and includes 4,389,017 shares of Common Stock issuable upon the exercise of Currently Exercisable Options granted to directors and executive officers.

OTHER MATTERS**Other Business**

The Board of Directors knows of no other matters that will be presented at the Annual Meeting other than as set forth in this Proxy Statement. However, if any other matter properly comes before the meeting, or any adjournment or postponement thereof, it is intended that proxies in the accompanying form will be voted, to the extent permitted by applicable law, in accordance with the judgment and at the discretion of the persons named therein.

Section 16(a) Beneficial Ownership Reporting Compliance

Our executive officer, directors and 10% stockholders are required under Securities Exchange Act of 1934 to file with the Securities and Exchange Commission reports of ownership and changes in ownership in their holdings in our stock. Based solely on an examination of these reports, all such reports have been timely filed in 2007.

Relationship with Independent Registered Public Accounting Firm

The Company's consolidated financial statements for the fiscal year ended December 31, 2007 have been audited by Deloitte & Touche LLP. Representatives of Deloitte & Touche LLP are expected to be available at the meeting to respond to appropriate questions and to make a statement if they desire to do so.

The following table summarizes the aggregate fees billed to the Company by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (in thousands):

	2007	2006
Audit Fees	\$ 4,087	\$ 4,694
Audit fees include audit of annual financial statements, attestation of management's assessment of internal control, as required by the Sarbanes-Oxley Act of 2002, Section 404, reviews of quarterly financial statements, statutory and regulatory audits, comfort letters, consents and other matters related to SEC filings.		
Audit-Related Fees		
Tax Fees	1,097	353
Tax fees include corporate tax compliance and tax planning and advice for subsidiaries in the United States, Canada, Australia, the United Kingdom, Japan and Germany.		
Other Fees	27	46
Other fees include fees billed for permitted non-audit services		
Total	\$ 5,211	\$ 5,093

Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (e.g. brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Company stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue.

until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker or direct your written request to John DePodesta, Executive Vice President, Primus Telecommunications Group, Incorporated, 7901 Jones Branch Drive, Suite 900, McLean, Virginia 22102, or contact John DePodesta at (703) 902-2800. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker.

Annual Report

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC, accompanies this Proxy Statement.

Stockholder Proposals

In order for any proposal pursuant to Rule 14a-8 of the rules promulgated under the Securities Exchange Act of 1934 to be eligible for inclusion in the Company's proxy materials for the 2009 Annual Meeting of Stockholders, such proposal must, in addition to meeting the stockholder eligibility and other requirements of SEC's rules governing such proposals, be received not later than December 31, 2008 by the Secretary or Assistant Secretary of the Company at the Company's principal executive offices, 7901 Jones Branch Drive, Suite 900, McLean, Virginia 22102.

Solicitation of Proxies

The cost of solicitation of proxies by the Board of Directors will be borne by the Company. Proxies may be solicited by mail, personal interview, telephone or facsimile, and in addition, directors, officers and regular employees of the Company may solicit proxies by such methods without additional remuneration. Banks, brokerage houses and other institutions, nominees or fiduciaries will be requested to forward the proxy materials to beneficial owners in order to solicit authorizations for the execution of proxies. The Company will, upon request, reimburse such banks, brokerage houses and other institutions, nominees and fiduciaries for their expenses in forwarding such proxy materials to the beneficial owners of the Common Stock.

THE COMPANY WILL PROVIDE TO EACH PERSON SOLICITED, WITHOUT CHARGE EXCEPT FOR EXHIBITS, UPON REQUEST IN WRITING, A COPY OF ITS ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007. REQUESTS SHOULD BE DIRECTED TO INVESTOR RELATIONS, PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED, 7901 JONES BRANCH DRIVE, SUITE 900, MCLEAN, VIRGINIA 22102.

STOCKHOLDERS ARE URGED TO IMMEDIATELY MARK, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES. STOCKHOLDERS MAY ALSO VOTE THEIR SHARES USING THE TWELVE (12) DIGIT CONTROL NUMBER FOUND ON THEIR VOTE INSTRUCTION FORM VIA THE INTERNET AT PROXYVOTE.COM OR BY PHONE AT 1-800-454-8683.

By Order of the Board of Directors,

K. Paul Singh

Chairman of the Board of Directors, President and Chief Executive Officer

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

PROXY SOLICITED BY THE BOARD OF DIRECTORS

The undersigned, revoking all previous proxies, hereby appoints K. Paul Singh and John F. DePodesta, and each of them acting individually, as the attorney and proxy of the undersigned, with full power of substitution, to vote as indicated below and in their discretion upon such other matters as may properly come before the meeting, all shares which the undersigned would be entitled to vote at the Annual Meeting of Stockholders of the Company to be held on June 19, 2008, and at any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER.

1. To elect three directors of the Company, each to serve a three-year term until the 2011 Annual Meeting of Stockholders. The current Board of Directors has nominated and recommended for such election as directors the following persons: K. Paul Singh, John F. DePodesta and Paul G. Pizzani.

FOR ALL
LISTED NOMINEES
..

WITHHOLD VOTE FOR
ALL LISTED NOMINEES
..

WITHHOLD VOTE ONLY
FROM: _____
..

2. The transaction of such other business as may properly come before the Annual Meeting of Stockholders or any adjournment or postponement thereof.

FOR
..

AGAINST
..

ABSTAIN
..

PLEASE DATE AND SIGN YOUR PROXY ON THE REVERSE SIDE AND RETURN IT PROMPTLY.

(Continued from other side)

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. UNLESS OTHERWISE SPECIFIED, THE SHARES WILL BE VOTED FOR THE ELECTION OF MESSRS. SINGH, DEPODESTA AND PIZZANI. THIS PROXY ALSO DELEGATES DISCRETIONARY AUTHORITY TO THE PROXIES IDENTIFIED ON THIS PROXY CARD WITH RESPECT TO ANY OTHER BUSINESS WHICH MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF TO VOTE THE SHARES REPRESENTED BY THIS PROXY AS RECOMMENDED BY THE BOARD OF DIRECTORS, OR IF NO SUCH RECOMMENDATION IS GIVEN, IN THEIR DISCRETION, TO THE EXTENT PERMITTED BY APPLICABLE LAW.

THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF THE NOTICE OF ANNUAL MEETING AND PROXY STATEMENT.

Signature of Stockholder

Signature of Stockholder

Date: _____,
2008

NOTE: PLEASE SIGN THIS PROXY EXACTLY AS NAME(S) APPEAR ON YOUR STOCK CERTIFICATE. WHEN SIGNING AS ATTORNEY-IN-FACT, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE ADD YOUR TITLE AS SUCH, AND IF SIGNER IS A CORPORATION, PLEASE SIGN WITH FULL CORPORATE NAME BY A DULY AUTHORIZED OFFICER OR OFFICERS AND AFFIX THE CORPORATE SEAL. WHERE STOCK IS ISSUED IN THE NAME OF TWO (2) OR MORE PERSONS, ALL SUCH PERSONS SHOULD SIGN.