PRIMUS GUARANTY LTD
Form 424B5
December 20, 2006

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Registration File No.:333-135108

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 28, 2006)

$125,000,000 7% Senior Notes due 2036

Primus Guaranty, Ltd. is offering $125,000,000 aggregate principal amount of its 7% senior notes due 2036. Interest on the senior notes is payable quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, beginning on March 27, 2007. The senior notes will mature on December 27, 2036. We may redeem any of the senior notes, in whole or in part, at any time on or after December 27, 2011 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest thereon to the redemption date.

The senior notes will be our senior unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness. The senior notes will be structurally subordinated to all liabilities of our subsidiaries. As of September 30, 2006, Primus Guaranty's subsidiaries had outstanding $298.5 million of debt securities and auction rate preferred shares that would be effectively senior to the senior notes. In addition, Primus Guaranty's subsidiaries also have outstanding credit default swaps that would be effectively senior to the senior notes. The senior notes will be issued only in registered form in minimum denominations of $25 and multiples of $25.

We are making application to list the senior notes on the New York Stock Exchange and expect trading in the senior notes on the New York Stock Exchange to begin within 30 days after the original issue date. The senior notes are expected to trade ''flat.'' This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the senior notes that is not included in the trading price. Our common shares are listed on the New York Stock Exchange under the ticker symbol ''PRS''.

Investing in the senior notes involves risks that are described in the ''Risk Factors'' section beginning on page S-7 of this prospectus supplement.

	Per Senior Note	Total
Price to investors[(1)]	100.00%	$125,000,000
Underwriters' Discount	3.15%	$ 3,937,500
Proceeds to Primus Guaranty, before expenses [(1)]	96.85%	$121,062,500

(1)Plus accrued interest from December 27, 2006, if settlement occurs after that date.

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

The senior notes are expected to be delivered through the book-entry delivery system of The Depository Trust Company and its direct participants on or about December 27, 2006.

Joint Book Running Managers

Wachovia Securities　　Morgan Stanley　　Lehman Brothers

Co-Manager

Banc of America Securities LLC

The date of this prospectus supplement is December 19, 2006

You should rely only on the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the applicable document.

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Prospectus Supplement

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the ‘‘prospectus’’, we are referring to both parts combined. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus. Information that we file later with the SEC will automatically update information in this prospectus supplement and the accompanying prospectus. In all cases, you should rely on the later information over different information included in this prospectus supplement or the accompanying prospectus. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934:

- Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 15, 2006;
- Quarterly Reports on Form 10-Q for the quarter ended March 31, 2006, filed on May 10, 2006; for the quarter ended June 30, 2006, filed on August 9, 2006; and for the quarter ended September 30, 2006, filed on November 8, 2006;
- Current Reports on Form 8-K, filed on June 22, 2006 and December 11, 2006.

We are also incorporating by reference all annual and quarterly reports on Forms 10-K and 10-Q that we file with the SEC and current reports on Form 8-K (excluding any information pursuant to Item 2.02 or Item 7.01 on any current report on Form 8-K) that we file with it after the date of this prospectus supplement until the offering of the securities made by this prospectus supplement has been terminated.

You should rely only on the information provided in this prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any documents incorporated by reference is accurate as of any date other than the date of the applicable document or any earlier date indicated in such document.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Investor Relations
Primus Guaranty, Ltd.
c/o Primus Asset Management, Inc.
360 Madison Avenue, 23rd Floor
New York, New York 10017
Tel.: 212-697-2227

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SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements (including the accompanying notes) appearing elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. When we refer to ‘‘Primus Guaranty’’ or the ‘‘Company’’ and use words such as ‘‘we’’, ‘‘our’’, and ‘‘us’’, we are referring to Primus Guaranty, Ltd. and its subsidiarie a whole, except as otherwise provided herein and except where it is clear from the context that any of these terms refers only to Primus Guaranty, Ltd.

Primus Guaranty, Ltd. is a holding company that was incorporated in Bermuda in 1998 and conducts business through several operating subsidiaries. Our principal business is acting as a seller of credit swaps through Primus Financial Products, LLC, a limited liability company with ‘‘AAA/Aaa’’ counterparty ratings by Standard & Poor’s Ratings Group, or S&P, and Moody’s Investors Service, Inc., or Moody’s, respectively. Credit swaps permit the transfer of credit risk exposure from one party, the buyer of the credit swap or credit protection, to the seller of the credit swap or credit protection. In addition, during the past year, we have begun to develop our asset management business with a focus on areas that utilize our credit risk expertise.

Primus Financial

Primus Financial Products, LLC, or Primus Financial, is a ‘‘AAA/Aaa’’ rated provider of credit protection against credit obligations of corporate and sovereign issuers. In exchange for a fixed quarterly premium we agree, upon the occurrence of a default or other credit event (e.g., bankruptcy, failure to pay or restructuring) affecting a designated issuer, which we refer to as a Reference Entity, to pay our counterparty an agreed amount. To date, we have not experienced a credit event on any Reference Entity in our portfolio. We seek to minimize the risk inherent in our credit swap portfolio by maintaining a high quality, highly diversified credit swap portfolio across Reference Entities, industries and countries. Primus Financial is also permitted to sell credit swaps referencing portfolios containing obligations of multiple Reference Entities, which we refer to as ‘‘tranches’’. Primus Financial recently received the rating agencies’ approval to issue credit swaps referencing residential mortgage-backed securities and commercial mortgage-backed securities, which we refer to as ABS, and has begun selling credit swaps against ABS having an assigned rating of ‘‘BBB/Baa’’ (or the equivalent thereof) or better from a recognized rating agency.

As of September 30, 2006, Primus Financial had $606.8 million of capital resources to support its ‘‘AAA/Aaa’’ counterparty ratings. As of September 30, 2006, the credit swaps in our portfolio had an average maturity of 3.2 years.

Primus Asset Management

Primus Asset Management, Inc., or PAM, acts as an investment manager to affiliated companies and third party entities. It currently manages the investment portfolios of its affiliates Primus Financial and PRS Trading Strategies, LLC. In addition, PAM manages three investment grade synthetic collateralized debt obligations, or CDOs, on behalf of third parties. The synthetic CDOs issue securities backed by one or more credit swaps sold against unaffiliated clients’ debt obligations. PAM has commenced acting as collateral manager with respect to a portfolio of leveraged loans and is currently expanding its asset management role with respect to collateralized loan obligation, or CLO, transactions. PAM receives fees for its investment management services.

PAM’s business plan includes the expansion of its assets under management and coverage of additional financial products and asset classes including, among others, mortgage-backed and other asset-backed securities and speculative grade investments.

PAM is managed by an experienced team of professionals with expertise in credit analysis, investing, risk management and market analysis.

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PRS Trading Strategies

PRS Trading Strategies, LLC, or PRS Trading Strategies, commenced operations in January 2006, with $50 million of capital contributed by Primus Guaranty from the proceeds of our initial public offering. PRS Trading Strategies engages in proprietary arbitrage trading in a broad range of fixed income products, including credit default swaps, leveraged loans and investment grade and speculative grade securities, among others. Unlike Primus Financial, PRS Trading Strategies has no counterparty ratings from rating agencies and, accordingly, has collateral arrangements with its counterparties to support its contractual obligations.

Organizational Structure

Our registered office is at Clarendon House, 2 Church Street, Hamilton Street, Hamilton HM 11, Bermuda and our telephone number is 441-296-0519. The offices of our principal operating subsidiaries, Primus Financial and PAM, are located at 360 Madison Avenue, 23rd Floor, New York, New York 10017 and their telephone number is 212-697-2227. Our website address is www.primusguaranty.com. The information contained on our website is not incorporated by reference into this prospectus supplement and the accompanying prospectus.

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THE OFFERING

Issuer	Primus Guaranty, Ltd.
Senior notes offered	$125,000,000 aggregate principal amount of 7% senior notes due 2036.
Maturity	December 27, 2036
Interest payment dates	Quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, beginning March 27, 2007.
Redemption	On or after December 27, 2011, we may redeem the senior notes in whole or in part at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption.
Sinking fund	None.
Ranking	The senior notes will be our direct, senior unsecured and unsubordinated obligations, ranking equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. We currently have no secured debt. The senior notes will be structurally subordinated to all liabilities of our subsidiaries.
	As of September 30, 2006, Primus Guaranty's subsidiaries had outstanding $298.5 million of debt securities and auction rate preferred shares that would be effectively senior to the senior notes. In addition, Primus Guaranty's subsidiaries also have outstanding credit default swaps that would be effectively senior to the senior notes.
Covenants	The senior indenture contains, among other things, restrictions on our ability to enter into some consolidations and mergers and to transfer all or substantially all of our assets.
Use of proceeds	We intend to use the net proceeds from the sale of the senior notes for general corporate purposes. See ''Use of Proceeds'' on page S-15.
Risk factors	You should carefully consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and, in particular, should carefully read the section entitled ''Risk Factors'' in this prospectus supplement, as well as the documents incorporated by reference herein and therein, before purchasing any of the senior notes.
Clearance and settlement	The senior notes will be cleared through The Depository Trust Company.

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Listing	We will make application to list the senior notes for trading on the New York Stock Exchange. We expect trading of the senior notes on the New York Stock Exchange to begin within a 30-day period after the initial delivery of the senior notes.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth our summary consolidated financial information as of and for each of the three years ended December 31, 2003, 2004 and 2005 and as of and for the nine months ended September 30, 2005 and 2006. The summary consolidated financial information presented below as of and for the years ended December 31, 2003, 2004 and 2005 was derived from our audited consolidated financial statements. The summary consolidated financial information as of and for the nine months ended September 30, 2005 and 2006 was derived from our unaudited financial statements, which have been prepared on a basis consistent with our annual audited consolidated financial statements. In the opinion of management, such unaudited financial information reflects all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for such period. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

This information is a summary and should be read in conjunction with ‘‘Capitalization’’, ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’’ and our consolidated financial statements and related notes included elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference herein.

	Nine Months Ended September 30,		Year Ended December 31,		
	2006	2005	2005	2004	2003
	(unaudited)		(audited)		
(amounts in thousands)					
Consolidated Statement of Operations:					
Revenues:					
Net credit swap revenue	$ 85,865	$ 15,672	$ 23,106	$ 47,729	$ 103,326
Premiums earned on financial guarantees	300	300	405	395	—
Interest income	20,530	10,969	16,047	4,850	2,617
Foreign currency revaluation gain (loss)	(56)	(1,464)	(1,546)	726	—
Other income	1,222	160	190	55	107
Total revenues	$ 107,861	$ 25,637	$ 38,202	$ 53,755	$ 106,050
Expenses:					
Compensation and employee benefits	$ 15,517	$ 12,139	$ 15,935	$ 17,801	$ 11,701
Other expenses	18,602	9,618	14,273	10,085	14,196

Total expenses	$ 34,119	$ 21,757	$ 30,208	$ 27,886	$ 25,897
Distributions on preferred securities of subsidiary	$ (4,206)	$ (2,797)	$ (3,865)	$ (2,138)	$ (1,854)
Income before benefit (provision) for income taxes	$ 69,536	$ 1,083	$ 4,129	$ 23,731	$ 78,299
Benefit (provision) for income taxes	(41)	(108)	(46)	(46)	172
Net income	$ 69,495	$ 975	$ 4,083	$ 23,685	$ 78,471
Cash Flow Data:					
Net cash provided by operating activities	$ 32,470	$ 23,638	$ 36,297	$ 33,112	$ 43,458
Net cash used in investing activities	(38,760)	(258,684)	(404,319)	(158,057)	(4,601)
Net cash provided by (used in) financing activities	(4,449)	(4,992)	116,388	187,967	(1,865)

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	As of September 30,		As of December 31,		
	2006	2005	2005	2004	2003
	(unaudited)			(audited)	
(amounts in thousands)					
Balance Sheet Data:					
Assets					
Cash and cash equivalents	$ 58,701	$ 80,951	$ 69,355	$ 320,989	$ 257,967
Available-for-sale investments	599,932	416,597	560,147	161,101	3,968
Unrealized gain on credit and other swaps, at fair value	59,930	29,157	25,342	46,517	46,594
Fixed assets and software costs, net	5,753	5,042	4,993	6,097	7,124
Other assets	19,815	9,823	13,245	8,014	5,776
Total assets	$ 744,131	$ 541,570	$ 673,082	$ 542,718	$ 321,429
Liabilities and shareholders’ equity					
Unrealized loss on credit and other swaps, at fair value	$ 1,350	$ 1,737	$ 3,521	$ 259	$ 68
Long-term debt of subsidiary	200,000	75,000	200,000	75,000	—
Other liabilities	9,325	7,027	9,189	7,941	8,002
Total liabilities	$ 210,675	$ 83,764	$ 212,710	$ 83,200	$ 8,070
Preferred securities of subsidiary	$ 98,521	$ 98,521	$ 98,521	$ 98,521	$ 98,521
Shareholders’ equity					
Common stock	$ 3,572	$ 3,682	$ 3,572	$ 3,535	$ 230
Additional paid-in-capital	268,365	264,698	265,848	264,860	1,325
Convertible preferred stock	—	—	—	—	143,908
Warrants to purchase common shares	612	612	612	612	1,070
Accumulated other comprehensive loss	(3,182)	(2,670)	(4,254)	—	—
Retained earnings	165,568	92,963	96,073	91,990	68,305

Total shareholders' equity	$ 434,935