



PRIMUS GUARANTY, LTD.

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

**NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON NOVEMBER 20, 2014**

NOTICE IS HEREBY GIVEN that a Special General Meeting of Shareholders (the "Special Meeting") of Primus Guaranty, Ltd. (the "Company") will be held on November 20, 2014 at 4:00 P.M., Eastern Time/5:00 P.M., Atlantic Time, at Deloitte Ltd., Corner House, 20 Parliament Street, Hamilton HM 12, Bermuda, for the purpose of seeking shareholder approval to wind up the Company by way of a members' voluntary liquidation. Specifically, at the Special Meeting, assuming a quorum is present, the following resolutions will be proposed:

- (1) THAT the Company be wound up voluntarily pursuant to the provisions of the Companies Act 1981;
- (2) THAT Mark W.R. Smith be appointed Liquidator, for the purposes of such winding-up, such appointment to be effective forthwith;
- (3) THAT the Liquidator be and he is hereby authorized to distribute the surplus assets in specie as he may determine;
- (4) THAT the Liquidator be and he is hereby authorized to appoint Attorneys-in-Fact to act on his behalf in his absence from Bermuda;
- (5) THAT the Directors and the Officers of the Company (or any one of them) be, and hereby is, authorized to take such steps, make such arrangements, do all such acts and things and exercise such discretion in connection with, relating to or arising from the matters contemplated herein, as they or he may from time to time consider necessary, desirable or expedient to give effect to such matters and this Resolution as they or he may deem fit; and
- (6) THAT the Liquidator be remunerated for all work reasonably and properly carried out in the winding-up of the Company together with reasonable out-of-pocket expenses and proper disbursements incurred in connection with the liquidation.

At the Special Meeting, management also will present the Company's audited consolidated financial statements for the fiscal year ended December 31, 2013. Copies of the audited consolidated financial statements are being mailed to shareholders together with this Notice and the Proxy Statement.

Only holders of record of the Company's common shares, par value \$0.08 per share (the "Common Shares"), on October 22, 2014 are entitled to notice of, and to vote at, the Special Meeting and any adjournment or postponement thereof. **Whether or not you plan to attend the Special Meeting, please register your vote as soon as possible to ensure that your Common Shares are represented at the meeting.** You may vote your Common Shares by completing and returning the proxy card enclosed with the Proxy Statement, over the Internet, or by telephone. Shareholders of record who attend the Special Meeting may vote their Common Shares in person, even though they have sent in proxies by mail, over the Internet, or by telephone.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Scott H. Davis', written over a horizontal line.

Scott H. Davis
Secretary

October 27, 2014



PRIMUS GUARANTY, LTD.

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PROXY STATEMENT

**SPECIAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON NOVEMBER 20, 2014**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Primus Guaranty, Ltd., a company organized under the laws of Bermuda (the "Company"), for use at a Special General Meeting of Shareholders (the "Special Meeting") of the Company to be held at Deloitte Ltd., Corner House, 20 Parliament Street, Hamilton, HM 12, Bermuda, on November 20, 2014 at 4:00 P.M., Eastern Time/5:00 P.M., Atlantic Time, and at any adjournments or postponements thereof.

The Notice of Special General Meeting, this Proxy Statement, and the accompanying proxy card are first being sent or given to shareholders of the Company on or about October 27, 2014.

Purpose of the Special Meeting

The purpose of the Special Meeting is to consider and act upon a proposed winding up of the Company by way of a members' voluntary liquidation and to take certain actions in connection therewith (collectively, the "Proposal").

Record Date

Only holders of record of the Company's common shares, par value \$0.08 per share ("Common Shares"), at the close of business on October 22, 2014, the record date, are entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement thereof. The Company's Common Shares are its only outstanding class of voting securities. Each Common Share entitles the holder of record thereof to one vote. As of the record date, there were 21,326,188 Common Shares outstanding.

How You Can Vote

Shareholders of record can vote in one of the following ways:

- by completing, signing and returning the proxy card accompanying this Proxy Statement; or
- over the Internet, if you are a registered holder of Common Shares or if you hold your Common Shares through a broker, custodian bank, or other nominee (in "street name"), you may view the materials and follow the instructions at <http://www.envisionreports.com/prsg>; or
- over the telephone, by accessing the telephone voting system at 1-800-652-8683 and following the telephone voting instructions; or
- by attending the Special Meeting and voting in person.

Internet and telephone voting facilities will close at 11:59 P.M., Eastern Time, on November 19, 2014.

Shareholders who hold their Common Shares through a broker, custodian bank, or other nominee (in "street name") must vote their Common Shares in accordance with the procedures prescribed by their broker, custodian bank, or such nominee. Shareholders who wish to vote using the proxy card accompanying this Proxy Statement should sign and return their signed proxies before the Special Meeting. The proxies will vote their Common Shares as they direct.

If a broker that is the holder of Common Shares indicates on a proxy that it does not have discretionary authority to vote those Common Shares on the Proposal, or if Common Shares are voted in other circumstances in which proxy authority is defective, those non-voted Common Shares ("broker non-votes") will be counted as present for quorum purposes but as not voting on the Proposal.

Shareholders can specify they approve, disapprove, or abstain from the Proposal to be presented at the Special Meeting.

If you do not specify on your proxy card how you want to vote your Common Shares, the proxy holders will vote them FOR the Proposal (including each specific resolution described below in this Proxy Statement above and any ancillary resolutions in order to give effect thereto) and, with respect to any other matters which may properly come before the Special Meeting or any adjournment or postponement thereof, at the discretion of the proxy holders.

Revocation of Proxies

You may revoke your proxy at any time before it is exercised in any of the following ways:

- by notifying the Company's Secretary in writing; or
- by submitting another proxy by mail, over the Internet, or by telephone that is received at a later date and that is properly signed or transmitted; or
- by voting in person at the Special Meeting.

You may not revoke a proxy merely by attending the Special Meeting. To revoke a proxy, you must take one of the actions described above.

Quorum and Required Votes

The presence, in person or by proxy, of two or more persons at the start of the Special Meeting and representing, in person or by proxy, in excess of 50 percent of the total issued Common Shares is necessary to constitute a quorum.

The affirmative vote of a majority of the Common Shares represented and voting at the Special Meeting is required for the adoption of the Proposal.

Abstentions are counted as "shares present" at the meeting for the purposes of determining whether a quorum exists. However, since abstentions are not votes cast in favor of or against any matter, they will not affect the outcome of the vote. Proxies submitted by brokers that do not indicate a vote for the Proposal because they do not have discretionary voting authority and have not received instructions as to how to vote on the Proposal ("broker non-votes") are also considered "shares present," but will not affect the outcome of the vote.

Solicitation

This Proxy Statement, including the Notice of the Special General Meeting and the proxy card, will first be sent to shareholders on or about October 27, 2014. Solicitation on behalf of the Board will be made primarily by mail, but shareholders may be solicited by telephone, e-mail, other electronic means, or by personal contact. The Company also will reimburse brokers and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to the persons for whom they hold Common Shares.

Audited Financial Statements

Under Bermuda law, audited financial statements must be presented to shareholders at a general meeting of shareholders. To fulfill this requirement, the Company will present at the Special Meeting its audited consolidated financial statements for fiscal year 2013. Copies of the audited consolidated financial statements are being mailed to shareholders together with this Proxy Statement and related materials.

Other Matters to Be Acted Upon

The Company does not know of any matters to be presented or acted upon at the Special Meeting other than as in this Proxy Statement. If any other matter is presented at the Special Meeting on which a vote may properly be taken, the Common Shares represented by proxies will be voted at the discretion of the proxy holders.

Returning Your Proxy Card

Shareholders should register their votes by mail, over the Internet, or by telephone as soon as possible. In order to assure that your proxy is received in time to be voted at the Special Meeting, the proxy card must be completed in accordance with the instructions on it. If your Common Shares are held in street name, you should return your proxy card or voting instruction card in accordance with the instructions on that card or as provided by the custodian bank, brokerage firm, or other nominee that holds Common Shares on your behalf.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 20, 2014.

This Proxy Statement and the Company's 2013 Audited Consolidated Financial Statements are available at <http://www.envisionreports.com/prsg>

THE PROPOSAL — MEMBERS' VOLUNTARY LIQUIDATION

Background

The Company was incorporated under the Companies Act 1981 of Bermuda (the "Companies Act") on June 25, 1998 and completed the public offering of its Common Shares on October 5, 2004. In conjunction therewith the Company's common shares were listed on the New York Stock Exchange under the trading symbol "PRS". The Company acted as a holding company, with one of its principal operating subsidiaries, Primus Financial Products, LLC ("Primus Financial"), providing protection against the risk of default on corporate, sovereign and asset-backed security obligations through the sale of credit swaps to dealers and banks. Its other principal operating subsidiary, Primus Asset Management, Inc. ("Primus Asset Management"), among other things, advised private funds investing in credit derivatives and fixed income assets, including collateralized loans and investment grade and high yield corporate bonds. Following the global credit crisis in 2008, Primus Financial ceased entering into new credit swap transactions and the Company announced that Primus Financial would be amortizing its portfolio of credit swaps. In December 2010, the Company sold its asset management operations through the sale of its CypressTree Investment Management, LLC subsidiary, and discontinued its operations in this area. On September 22, 2014, the last of Primus Financial's outstanding credit swaps matured and Primus Financial received the final premiums associated therewith, and the Company is in the process of winding up that entity.

At the time the Company announced the amortization of Primus Financial's credit swap portfolio, the Company also announced its plan to seek to return capital to shareholders. As part of this process, the Company de-listed the Common Shares and certain other outstanding securities from the New York Stock Exchange on December 19, 2011 and de-registered its securities from the U.S. Securities and Exchange Commission on January 6, 2012. Following de-listing, the Common Shares began trading in the OTC Pink Market under the trading symbol "PRSG", where they continue to trade. On November 8, 2013, the Company announced that its Board of Directors (the "Board") had adopted a Plan of Liquidation for U.S. Federal Income Tax Purposes (the "Plan of Tax Liquidation") and the Company made appropriate filings with the U.S. Internal Revenue Service. On that date, the Company also announced a partial liquidation distribution made pursuant to the Plan of Tax Liquidation of \$2.00 per Common Share, which was paid to shareholders on December 11, 2013. Subsequently, the Company announced a second partial liquidation distribution under the Plan of Tax Liquidation on June 6, 2014 of \$7.25 per Common Share, which was paid to shareholders on June 26, 2014, and a third partial liquidation distribution under the Plan of Tax Liquidation on September 30, 2014 of \$1.45 per Common Share, which was paid on October 21, 2014.

Rationale

Now that the credit swap portfolio of Primus Financial has matured and Primus Asset Management is no longer active in the asset management business, the Company believes it is in the best interest of shareholders to enter into voluntary dissolution so as to wind up the Company's remaining affairs efficiently in a cost-effective manner under the auspices of a professional liquidator in accordance with the provisions of the Companies Act. This recommendation fulfills the Company's plan of seeking to return capital to shareholders, as a final cash distribution is expected to be made as soon as practicable following the performance, satisfaction, and termination of the Company's and Primus Asset Management's remaining contingent liabilities and obligations. The Company's remaining assets consist substantially of cash and are expected to be fully reduced to cash prior to the Company's final dissolution. Following satisfaction of its liabilities, the Company will then distribute all remaining assets to its shareholders. In addition, the Company may make one or more additional distributions prior to its final distribution while it remains in liquidation should the liquidator deem it be appropriate and prudent to do so. However, the Company is unable to predict the amount or timing of any subsequent partial or final liquidating distribution, which will depend upon the expenses incurred by the Company, the timing of the resolution of matters for which the Company has established reserves, the amount to be paid in satisfaction of contingencies, and the Company's ability to convert any remaining non-cash assets into cash, among other things. Certain of these matters are more fully discussed below.

Voluntary Liquidation and Trading of the Common Shares

Under the Companies Act, shareholders may place a company into voluntary liquidation. The corporate state and corporate powers of the Company shall continue until the Company is dissolved, however the functions and powers of the Directors and officers of the Company cease on the appointment of a liquidator. The Directors have made the Declaration of Solvency as required by Section 206 of the Companies Act and the Company will be filing that Declaration with the Registrar of Companies in Bermuda prior to the Special Meeting.

Additionally, upon commencement of the voluntary liquidation if approved by the shareholders (the "Liquidation"), the Company's stock transfer books, known under the Companies Act as a register of members, will be frozen, and the Company's transfer agent will not record or recognize any subsequent assignments or transfers of the Common Shares made by registered shareholders. Securities brokers, however, may continue to make a market for the Common Shares held in street name, and the Common Shares may continue to be traded in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the OTC Markets Pink Sheets or the OTC Bulletin Board. There can be no assurance, however, that such trading will continue on the OTC Markets Pink Sheets, the OTC Bulletin Board, or otherwise. In addition, the market liquidity of the Common Shares may be reduced and, as a result, investors may find it more difficult to dispose of, or obtain accurate quotations for the price of, the Common Shares, if they are able to trade the Common Shares at all.

During the Liquidation, the Company will continue to exist and will operate to wind up its affairs. Based on the remaining consolidated assets and liabilities of the Company and its subsidiaries, it is currently anticipated that the Liquidation will be completed early in 2016. Once all such liabilities have been satisfied and all such remaining assets have been distributed to shareholders, the Company will be dissolved.

Proposed Liquidator and Costs of the Liquidation

Mark W.R. Smith, a partner of Deloitte Ltd., Hamilton, Bermuda, is the proposed liquidator (if so approved, the "Liquidator") of the Company. Mr. Smith has over 35 years' experience in public accounting in New Zealand, Canada, and Bermuda. He has been in charge of Deloitte Ltd.'s financial advisory practice since 1995. He has acted as a liquidator and as a receiver of a number of Bermuda companies and properties, including master-feeder funds, reinsurance companies, and commercial enterprises. Mr. Smith currently serves as the Chairman of the Insurance Advisory Committee, a statutory committee that advises the Minister of Finance of Bermuda and the Bermuda Monetary Authority on insurance regulatory matters. He is a member of the Institutes of Chartered Accountants of New Zealand, Ontario (Canada), and Bermuda. Mr. Smith received his Bachelor of Commerce and Administration from Victoria University of Wellington (New Zealand). He has given his consent to act as Liquidator of the Company, subject to the shareholders' approval being obtained at the Special Meeting in respect of his appointment.

The remuneration of the Liquidator is estimated to be \$90,000 and is subject to the terms and conditions of an engagement letter between the Company and Deloitte Ltd. Engagement-related expenses, including administrative costs, will be reimbursed as incurred. The Liquidator's remuneration shall be subject to the approval of the shareholders at the Special Meeting. Mr. Smith expects to utilize the services of junior staff members at Deloitte Ltd., who bill at hourly rates, as well as one or more external consultants. One such consultant will be Richard Claiden, currently the Chief Executive Officer and a Director of the Company and of Primus Asset Management. As noted above, Mr. Claiden's officer and director authorities, and consequently his employment, will cease upon the Company's entry into voluntary liquidation but his long familiarity and experience with the Company in various senior capacities are expected to assist the Liquidator in the timely and proper winding up of the Company's affairs and settlement of Primus Asset Management's contingent liabilities.

Financial Information

The Company operates on a calendar fiscal year. Its last available audited consolidated financial statements are for the year ended December 31, 2013 and accompany this Proxy Statement. The Company announced its unaudited results for the quarter ended March 31, 2014 on May 12, 2014 and for the quarter and six months ended June 30, 2014 on July 30, 2014. That information is available on the Investor Relations page of the Company's Web site at www.primusguaranty.com.

Set forth below is an unaudited condensed consolidated statement of financial condition of the Company as of October 22, 2014, after payment of the distribution of \$1.45 per Common Share to shareholders on October 21, 2014.

Assets	Amount (\$000)
Cash and cash equivalents	7,267
Investments, at fair value	402
Accrued interest	2
Other assets (includes \$457 at fair value as of October 22, 2014)	1,156
Total assets	<u>8,827</u>
Liabilities and Equity	
Liabilities	
Accounts payable and accrued expenses	1,817
Other liabilities (at fair value as of October 22, 2014)	527
Total liabilities	<u>2,344</u>
Equity	
Common shares, \$0.08 par value, 62,500,000 shares authorized, 21,326,188 shares issued and outstanding as of October 22, 2014	1,706
Additional paid-in capital and retained earnings	4,777
Total equity	6,483
Total liabilities and equity	<u>8,827</u>

The Company's estimated incremental costs and expenses expected to be incurred in the period from October 22, 2014 through the commencement of Liquidation and during the period of Liquidation are listed below. The unaudited condensed consolidated statement of financial condition of the Company as of October 22, 2014 set forth above does not incorporate these estimated incremental costs and expenses.

Estimated Expense Type	Amount (\$000)
Operating expenses from October 22, 2014 through commencement of Liquidation	350
Net cost to terminate lease on office space	850
Insurance coverage expense	1,010
Liquidator fees	90
Other Liquidation expenses, including consultancy fees, tax preparation, and transfer agent expense	300
Total Estimated Costs and Expenses from October 22, 2014 through completion of Liquidation .	<u>2,600</u>

The Proposal

At the Special Meeting, assuming a quorum is present, the following resolutions will be proposed:

- (1) THAT the Company be wound up voluntarily pursuant to the provisions of the Companies Act 1981;
- (2) THAT Mark W.R. Smith be appointed Liquidator, for the purposes of such winding-up, such appointment to be effective forthwith;
- (3) THAT the Liquidator be and he is hereby authorized to distribute the surplus assets in specie as he may determine;
- (4) THAT the Liquidator be and he is hereby authorized to appoint Attorneys-in-Fact to act on his behalf in his absence from Bermuda;
- (5) THAT the Directors and the Officers of the Company (or any one of them) be, and hereby is, authorized to take such steps, make such arrangements, do all such acts and things and exercise such discretion in connection with, relating to or arising from the matters contemplated herein, as they or he may from time to time consider necessary, desirable or expedient to give effect to such matters and this Resolution as they or he may deem fit; and

(6) THAT the Liquidator be remunerated for all work reasonably and properly carried out in the winding-up of the Company together with reasonable out-of-pocket expenses and proper disbursements incurred in connection with the liquidation.

The Board recommends that shareholders vote FOR the entry into members' voluntary liquidation, FOR the appointment of Mark W.R. Smith, and FOR approval of the Liquidator's fee.

OTHER MATTERS

Registered and Principal Executive Offices

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The offices of the Company's principal operating subsidiaries, Primus Financial Products and Primus Asset Management, are located at 360 Madison Avenue, 25th Floor, New York, NY 10017, U.S.A., and their telephone number is +1 (212) 697-2227.

Financial Statements

Copies of the Company's audited consolidated financial statements for the year ended December 31, 2013 are available free of charge on the Company's Web site at www.primusguaranty.com or upon written request to the Company's Secretary or to the Company's Investor Relations Officer, c/o Primus Asset Management, Inc., 360 Madison Avenue, 25th Floor, New York, NY 10017.

General

The enclosed proxy is solicited on behalf of the Company's Board. Please vote all of your Common Shares. Unless otherwise directed, proxies held by the Chief Executive Officer or the General Counsel will be voted at the Special Meeting or any adjournment or postponement thereof FOR the Proposal (including each specific resolution described above and any ancillary resolutions in order to give effect thereto). If any matter other than those described in this Proxy Statement properly comes before the Special Meeting, or with respect to any adjournment or postponement thereof, the proxy holders will vote the Common Shares represented by such proxies in accordance with their discretion.