

PRIMUS GUARANTY LTD  
Form 10-Q  
August 09, 2006  
Table of Contents

---

---

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-32307

Primus Guaranty, Ltd.

(Exact name of registrant as specified in its charter)

Bermuda  
(State or other jurisdiction of  
incorporation or organization)

Not Required  
(I.R.S. Employer Identification No.)

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

(Address of principal executive offices, including zip code)

441-296-0519

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Edgar Filing: PRIMUS GUARANTY LTD - Form 10-Q

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2006, the number of shares outstanding of the issuer's common stock, \$0.08 par value, was 43,306,239.

---

---

Primus Guaranty, Ltd.  
Form 10-Q  
For the three months ended June 30, 2006

INDEX

|          |   |           |
|----------|---|-----------|
| Part I.  | Financial Information   |           |
| Item 1.  | Financial Statements  |           |
|          | <u>Condensed Consolidated Statements of Financial Condition as of</u>             |           |
|          | <u>June 30, 2006 (Unaudited) and December 31, 2005</u>                            | <u>3</u>  |
|          | <u>Condensed Consolidated Statements of Operations (Unaudited) for the</u>        |           |
|          | <u>Three and six months ended June 30, 2006 and 2005</u>                          | <u>4</u>  |
|          | <u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the</u>        |           |
|          | <u>Six months ended June 30, 2006 and 2005</u>                                    | <u>5</u>  |
|          | <u>Notes to Condensed Consolidated Financial Statements</u>                       | <u>6</u>  |
| Item 2.  | <u>Management’s Discussion and Analysis of Financial Condition and Results of</u> |           |
|          | <u>Operations</u>   | <u>18</u> |
|          | <u>Cautionary Statement Regarding Forward Looking Information</u>                 | <u>35</u> |
| Item 3.  | <u>Quantitative and Qualitative Disclosures about Market Risk</u>                 | <u>36</u> |
| Item 4.  | <u>Controls and Procedures</u>  | <u>36</u> |
| Part II. | Other Information   |           |
| Item 1.  | <u>Legal Proceedings</u>  | <u>37</u> |
| Item 1A. | <u>Risk Factors</u>   | <u>37</u> |
| Item 2.  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                | <u>37</u> |
| Item 3.  | <u>Defaults upon Senior Securities</u>  | <u>37</u> |
| Item 4.  | <u>Submission of Matters to a Vote of Security Holders</u>                        | <u>37</u> |
| Item 5.  | <u>Other Information</u>  | <u>37</u> |

|                         |           |
|-------------------------|-----------|
| <u>Item 6. Exhibits</u> | <u>38</u> |
| <u>Signatures</u>       | <u>39</u> |

2

Table of Contents

## Part I. Financial Information

## Item 1. Financial Statements

Primus Guaranty, Ltd.

Condensed Consolidated Statements of Financial Condition

(in thousands except per share amounts)

|  | June 30,<br>2006 | December<br>31,<br>2005 |
|--|------------------|-------------------------|
|  | (unaudited)      |                         |
| Assets   |                  |                         |
| Cash and cash equivalents  | \$ 96,648        | \$ 69,355               |
| Available-for-sale investments                                     | 550,160          | 560,147                 |
| Accrued interest receivable  | 5,340            | 5,127                   |
| Accrued premiums and interest receivable on credit and other swaps | 3,500            | 3,461                   |
| Premiums receivable on financial guarantees                        | 100              | 300                     |
| Unrealized gain on credit and other swaps, at fair value           | 50,440           | 25,342                  |
| Fixed assets and software costs, net                               | 5,803            | 4,993                   |
| Debt issuance costs, net   | 3,074            | 3,147                   |
| Other assets   | 1,665            | 1,210                   |
| Total assets   | \$ 716,730       | \$ 673,082              |
| Liabilities and stockholders' equity                               |                  |                         |
| Accounts payable and accrued expenses                              | \$ 1,793         | \$ 3,035                |
| Compensation payable   | 3,875            | 4,833                   |
| Interest payable   | 160              | 404                     |
| Accrued premiums on credit swaps                                   | 26               | —                       |
| Taxes payable  | 46               | 54                      |
| Unrealized loss on credit and other swaps, at fair value           | 4,350            | 3,521                   |
| Deferred credit swap premiums                                      | 35               | 46                      |
| Deferred financial guarantee premiums                              | 200              | 401                     |
| Deferred rent payable  | 540              | 416                     |
| Long-term debt   | 200,000          |                         |