

NUVEEN MUNICIPAL HIGH INCOME OPPORTUNITY FUND

Form N-2

August 22, 2017

As filed with the U.S. Securities and Exchange Commission on August 22, 2017

1933 Act File No. 333-

1940 Act File No. 811-21449

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.

Post-Effective Amendment No.

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 36

Nuveen Municipal High Income Opportunity Fund

(Exact name of Registrant as Specified in Charter)

333 West Wacker Drive, Chicago, Illinois 60606

(Address of Principal Executive Offices)

(Number, Street, City, State, Zip Code)

(800) 257-8787

(Registrant's Telephone Number, including Area Code)

Gifford R. Zimmerman

Vice President and Secretary

333 West Wacker Drive

Chicago, Illinois 60606

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

Copy to:

Thomas S. Harman

Morgan, Lewis & Bockius LLP

1111 Pennsylvania Avenue NW

Washington, DC 20004

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (check appropriate box)

When declared effective pursuant to section 8(c)

Immediately upon filing pursuant to no-action relief granted to Registrant on November 9, 2010.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Shares, \$0.01 par value	1,000 shares	\$ 13.55	\$ 13,550	\$ 1.57

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales prices of the shares of beneficial interest on August 17, 2017, as reported on the NYSE.

(2) Transmitted prior to filing.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED AUGUST 22, 2017

The information in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

Million Common Shares

Nuveen Municipal High Income Opportunity Fund

Nuveen Municipal High Income Opportunity Fund (the Fund) is a diversified, closed-end management investment company. The Fund's primary investment objective is to provide high current income exempt from regular federal income tax. The Fund's secondary investment objective is to seek attractive total return consistent with its primary objective. The Fund cannot assure you that it will achieve its investment objectives.

Investing in the Fund's common shares (Common Shares) involves certain risks that are described in the Risk Factors section of this Prospectus (the Prospectus), including the specific risks relating to the Fund's use of leverage.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information (the SAI), dated _____, 2017, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI, the table of contents of which is on the last page of this Prospectus, annual and semi-annual reports to shareholders and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787, by writing to the Fund or from the Fund's website (<http://www.nuveen.com>). The information contained in, or that can be accessed through, the Fund's website is not part of this Prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the SEC's web site (<http://www.sec.gov>).

The Fund's Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

Portfolio Contents. The Fund invests at least 80% of its Managed Assets (as defined under "Investment Objectives and Policies" in the Prospectus Summary), plus the amount of any borrowings for investment purposes, in municipal securities and other related investments the income from which is exempt from regular federal income tax. Up to 20% of the Fund's Managed Assets may be invested in municipal securities that pay interest that is taxable under the federal alternative minimum tax applicable to individuals, which creates an opportunity for increased Common Share net income and returns, but also creates special risks for Common Shareholders. Under normal circumstances, the Fund will invest at least 50% of its Managed Assets in investment grade securities that, at the time of investment, are rated within the four highest grades (Baa or BBB or better) by all nationally recognized statistical rating organizations ("NRSROs") or are unrated but judged to be of comparable quality by Nuveen Asset Management, LLC ("Nuveen Asset Management"), the Fund's sub-adviser. The Fund may invest up to 50% of its Managed Assets in municipal

securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by Nuveen Asset Management. No more than 10% of the Fund's Managed Assets may be invested in municipal securities rated below B3/B- by any NRSROs that rate the security or that are unrated by all NRSROs but judged to be of comparable quality by Nuveen Asset Management. Municipal securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. The Fund may invest up to 15% of its Managed Assets in inverse floating rate securities. Currently, the Fund employs leverage through its investments in inverse floating rate securities and its outstanding Variable Rate MuniFund Term Preferred Shares (referred to herein as VMTP Shares).

Adviser and Sub-Adviser. Nuveen Fund Advisors, LLC, the Fund's investment adviser, is responsible for determining the Fund's overall investment strategies and their implementation. Nuveen Asset Management, LLC is the Fund's investment sub-adviser and oversees the day-to-day investment operations of the Fund.

The minimum price on any day at which Common Shares may be sold will not be less than the current net asset value per share plus the per share amount of the commission to be paid to Nuveen Securities, LLC (Nuveen Securities). The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price. The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions. For information on how Common Shares may be sold, see the Plan of Distribution section of this Prospectus.

Common Shares are listed on the NYSE. The trading or ticker symbol of the Fund is NMZ. The Fund's closing price on the NYSE on August 2, 2017 was \$13.66.

The date of this Prospectus is _____, 2017

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You should rely only on the information contained or incorporated by reference into this Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is 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 this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Fund will update this Prospectus to reflect any material changes to the disclosures herein.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this Prospectus and in the Statement of Additional Information (the SAI).

The Fund

Nuveen Municipal High Income Opportunity Fund (the Fund) is a diversified, closed-end management investment company. See The Fund. The Fund's common shares, \$.01 par value (Common Shares), are traded on the New York Stock Exchange (the NYSE) under the symbol NMZ. See Description of Common Shares. As of June 30, 2017, the Fund had 61,141,452 Common Shares outstanding, 870 shares of Variable Rate MuniFund Term Preferred Shares (referred to herein as VMTP Shares), and net assets applicable to Common Shares of \$811,387,542.

Investment Objectives and Policies

The Fund's primary investment objective is to provide high current income exempt from regular federal income tax. The Fund's secondary investment objective is to seek attractive total return consistent with its primary objective. The Fund cannot assure you that it will achieve its investment objectives.

The Fund seeks to achieve its investment objectives primarily by investing at least 80% of its Managed Assets (defined below), plus the amount of any borrowings for investment purposes, in municipal securities and other related investments the income from which is exempt from regular federal income tax. Up to 20% of the Fund's Managed Assets may be invested in municipal securities that pay interest that is taxable under the federal alternative minimum tax applicable to individuals. For a discussion of how the federal alternative minimum tax may affect shareholders, see Tax Matters.

The Fund may invest in various municipal securities, including municipal bonds and notes, other securities issued to finance and refinance public projects, and other related securities and derivative instruments creating exposure to municipal securities that provide for the payment of interest income that is exempt from regular federal income tax (as used in this document, the term municipal securities refers to all such investments collectively). Municipal securities are often issued by state and local governmental entities to finance or refinance public projects, such as roads, schools, and water supply systems. Municipal securities also may be issued on behalf of private entities or for private activities, such as housing, medical and educational facility construction, or for privately owned transportation, electric utility and pollution control projects. Municipal securities may be issued on a long-term basis to provide long-term financing. The repayment of such debt may be secured generally by a pledge of the full faith and credit taxing power of the issuer, a limited or special tax, or any other revenue source, including project revenues, which may include tolls, fees and other user charges, lease payments, and mortgage payments. Municipal securities also may be issued to finance projects on a short-term interim basis, anticipating repayment with the proceeds of the later issuance of long-term debt. The Fund may purchase municipal securities in the form of bonds, notes, leases or certificates of participation; structured as callable or non-callable; with payment forms that include fixed coupon, variable rate, zero coupon, capital appreciation

bonds, tender option bonds, and inverse floating rate securities. Such municipal securities also may be acquired through investments in pooled vehicles, partnerships, or other investment companies. See The Fund's Investments Municipal Securities for additional information on the types of municipal securities in which the Fund may invest.

Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Total assets for this purpose shall include assets attributable to the Fund's use of effective leverage (whether or not those assets are reflected in the Fund's financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust's issuance of floating rate certificates. The Fund seeks to achieve its investment objectives by investing in municipal securities that Nuveen Asset Management (defined below under Sub-Adviser) believes are underrated and undervalued. The Fund's investment objectives and certain investment policies identified as such are considered fundamental and may not be changed without shareholder approval.

Under normal circumstances, the Fund will invest at least 50% of its Managed Assets in investment grade securities that, at the time of investment, are rated within the four highest grades (Baa or BBB or better) by all nationally recognized statistical rating organizations (NRSROs) or are unrated but judged to be of comparable quality by Nuveen Asset Management. The Fund may invest up to 50% of its Managed Assets in municipal securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by Nuveen Asset Management. No more than 10% of the Fund's Managed Assets may be invested in municipal securities rated below B3/B- by any NRSROs that rate the security or that are unrated by all NRSROs but judged to be of comparable quality by Nuveen Asset Management. Municipal securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. The Fund may invest up to 15% of its Managed Assets in inverse floating rate securities.

As of October 31, 2016, approximately 53% of the Fund's total investment exposure were invested in municipal securities rated investment grade (using the lowest of Standard & Poor's Corporation Ratings Group, a division of The McGraw-Hill Companies (S&P), Moody's Investors Services, Inc. (Moody's) or Fitch Ratings, Inc. (Fitch) ratings). The relative percentages of the value of the investments attributable to investment grade municipal securities and to below investment grade municipal securities could change over time as a result of rebalancing the Fund's assets by Nuveen Asset Management, market value fluctuations, issuance of additional shares and other events.

As of June 30, 2017, the effective maturity of the Fund's portfolio was 22.44 years. The Fund will generally invest in municipal securities with an average effective maturity of 15 to 30 years, including the effects of

leverage, but it may be shortened or lengthened depending on market conditions and on an assessment by the Fund's portfolio manager of which segments of the municipal securities market offer the most favorable relative investment values and opportunities for tax-exempt income and total return.

The Fund also may invest in certain derivative instruments in pursuit of its investment objectives. Such instruments include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivative instruments. Nuveen Asset Management may use derivative instruments to seek to enhance return, to hedge some of the risk of the Fund's investments in municipal securities or as a substitute for a position in the underlying asset. These types of strategies may generate taxable income. See "The Fund's Investments - Municipal Securities - Derivatives."

See "The Fund's Investments" and "Risk Factors."

Investment Adviser

Nuveen Fund Advisors, LLC ("NFALLC"), the Fund's investment adviser, is responsible for overseeing the Fund's overall investment strategy and implementation. NFALLC offers advisory and investment management services to a broad range of investment company clients. NFALLC has overall responsibility for management of the Fund, oversees the management of the Fund's portfolio, manages the Fund's business affairs and provides certain clerical, bookkeeping and other administrative services. NFALLC is located at 333 West Wacker Drive, Chicago, Illinois 60606. NFALLC is a subsidiary of Nuveen, LLC ("Nuveen"), the investment management arm of Teachers Insurance and Annuity Association of America ("TIAA"). TIAA is a life insurance company founded in 1918 by the Carnegie Foundation for the Advancement of Teaching and is the companion organization of College Retirement Equities Fund. As of June 30, 2017, Nuveen managed approximately \$929 billion in assets, of which approximately \$134 billion was managed by NFALLC.

Sub-Adviser

Nuveen Asset Management, LLC ("Nuveen Asset Management") serves as the Fund's sub-adviser. Nuveen Asset Management, a registered investment adviser is a wholly-owned subsidiary of NFALLC. Nuveen Asset Management oversees the day-to-day investment operations of the Fund.

Nuveen Securities, LLC ("Nuveen Securities"), a registered broker-dealer affiliate of NFALLC and Nuveen Asset Management, is involved in the offering of the Fund's Common Shares. See "Plan of Distribution-Distribution Through At-The-Market Transactions."

Use of Leverage

The Fund uses leverage to seek to enhance total returns. Currently, the Fund employs leverage through its outstanding VMTP Shares, which have seniority over the Common Shares. The Fund also currently invests in residual interest certificates of tender option bond trusts, also called inverse floating rate securities, that have the economic effect of leverage because the Fund's investment exposure to the underlying bonds held by the trust have been effectively financed by the trust's issuance of floating rate certificates. See "Inverse Floating Rate Securities" and "Risk Factors - Inverse Floating Rate Securities." The combined economic effect of the total leverage used by the Fund is referred to herein as "effective leverage."

As of June 30, 2017, the liquidation value of the VMTP Shares outstanding and the annual dividend rate on the VMTP Shares were \$87 million and 1.81%, respectively. As of June 30, 2017, the Fund's effective leverage was approximately 35% of its Managed Assets.

The Fund, along with certain other funds managed by NFALLC (the Participating Funds), also established a 364-day, approximately \$3 billion standby credit facility with a group of lenders, under which the Participating Funds may borrow for various purposes other than leveraging for investment purposes. A large portion of this facility's capacity is currently dedicated for use by a small number of Participating Funds, which does not include the Fund. The remaining capacity under the facility (and the corresponding portion of the facility's annual costs) is separately dedicated to most of the other open-end funds in the Nuveen fund family, along with a number of Nuveen closed-end funds, including the Fund. The credit facility expires in July 2018 unless extended or renewed.

Leverage involves special risks. See Risk Factors Leverage Risk. There is no assurance that the Fund's leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future offerings in a manner consistent with the Fund's investment objectives and policies. See Use of Leverage.

The Fund pays a management fee to NFALLC (which in turn pays a portion of its fee to the Fund's sub-adviser, Nuveen Asset Management) based on a percentage of Managed Assets. Managed Assets include the proceeds realized and managed from the Fund's use of leverage as set forth in the Fund's investment management agreement. Because Managed Assets include the Fund's net assets as well as assets that are attributable to the Fund's use of leverage, it is anticipated that the Fund's Managed Assets will be greater than its net assets. NFALLC and Nuveen Asset Management are responsible for using leverage to pursue the Fund's investment objectives, and base their decision regarding whether and how much leverage to use for the Fund on their assessment of whether use of such leverage will advance the Fund's investment objectives. However, the fact that a decision to increase the Fund's leverage will have the effect, all other things being equal, of increasing Managed Assets and therefore NFALLC's and Nuveen Asset Management's fees means that NFALLC and Nuveen Asset Management may have a conflict of interest in determining whether to increase the Fund's use of leverage. NFALLC and Nuveen Asset Management will seek to manage that potential conflict by only increasing the Fund's use of leverage when they determine that such increase is in the Fund's best interests and consistent with the Fund's investment objective, and by periodically reviewing the Fund's performance and use of leverage with the Fund's Board of Trustees (the Board).

Offering Methods

The Fund may offer shares using one or more of the following methods: (i) at-the-market transactions through one or more broker-dealers that have entered into a selected dealer agreement with Nuveen Securities, one of the Fund's underwriters; (ii) through an underwriting syndicate; and (iii) through privately negotiated transactions between the Fund and specific investors. See Plan of Distribution.

Distribution Through At-The-Market Transactions. The Fund, from time to time, may issue and sell its Common Shares through Nuveen Securities

to certain broker-dealers that have entered into selected dealer agreements with Nuveen Securities. Currently, Nuveen Securities has entered into a selected dealer agreement with UBS Securities LLC (UBS) pursuant to which UBS will be acting as Nuveen Securities' sub-placement agent with respect to at-the-market offerings of Common Shares. Common Shares will only be sold on such days as shall be agreed to by the Fund, Nuveen Securities and UBS. Common Shares will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to a minimum price to be established each day by Nuveen Securities. The minimum price on any day will not be less than the current net asset value per share plus the per share amount of the commission to be paid to Nuveen Securities. The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price.

The Fund will compensate Nuveen Securities with respect to sales of the Common Shares at a commission rate of up to 1.0% of the gross proceeds of the sale of Common Shares. Nuveen Securities will compensate sub-placement agents or other broker-dealers participating in the offering at a rate of up to 0.8% of the gross sales proceeds of the sale of Common Shares sold by that sub-placement agent or other broker-dealer. Settlements of Common Share sales will occur on the third business day following the date of sale.

In connection with the sale of the Common Shares on behalf of the Fund, Nuveen Securities may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the 1933 Act), and the compensation of Nuveen Securities may be deemed to be underwriting commissions or discounts. Unless otherwise indicated in a further Prospectus supplement, Nuveen Securities will act as underwriter on a reasonable efforts basis.

The offering of Common Shares pursuant to the Distribution Agreement (defined below under Plan of Distribution Distribution Through At-The-Market Transactions) will terminate upon the earlier of (i) the sale of all Common Shares subject thereto or (ii) termination of the Distribution Agreement. The Fund and Nuveen Securities each have the right to terminate the Distribution Agreement in its discretion at any time. See Plan of Distribution Distribution Through At-The-Market-Transactions.

The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions.

The Fund's closing price on the NYSE on August 2, 2017 was \$13.66.

UBS, its affiliates and their respective employees hold or may hold in the future, directly or indirectly, investment interests in Nuveen Investments, Inc. (Nuveen Investments), and its funds. The interests held by employees of UBS or its affiliates are not attributable to, and no investment discretion is held by, UBS or its affiliates.

Distribution Through Underwriting Syndicates. The Fund, from time to time, may issue additional Common Shares through a syndicated secondary offering. In order to limit the impact on the market price of the Fund's Common Shares, underwriters will market and price the offering on an expedited basis (e.g., overnight or similarly abbreviated offering period). The Fund will launch a syndicated offering on a day, and upon terms, mutually agreed upon between the Fund, Nuveen Securities and the underwriting syndicate.

The Fund will offer its shares at a price equal to a specified discount of up to 5% from the closing market price of the Fund's Common Shares on the day prior to the offering date. The applicable discount will be negotiated by the Fund and Nuveen Securities in consultation with the underwriting syndicate on a transaction-by-transaction basis. The Fund will compensate the underwriting syndicate out of the proceeds of the offering based upon a sales load of up to 4% of the gross proceeds of the sale of Common Shares. The minimum net proceeds per share to the Fund will not be less than the greater of (i) the Fund's latest net asset value per Common Share or (ii) 91% of the closing market price of the Fund's Common Shares on the day prior to the offering date. See Plan of Distribution Distribution Through Underwriting Syndicates.

Distribution Through Privately Negotiated Transactions. The Fund, through Nuveen Securities, from time to time may sell directly to, and solicit offers from, institutional and other sophisticated investors, who may be deemed to be underwriters as defined in the 1933 Act for any resale of Common Shares. No sales commission or other compensation will be paid to Nuveen Securities or any other FINRA member in connection with such transactions.

The terms of such privately negotiated transactions will be subject to the discretion of the management of the Fund. In determining whether to sell Common Shares through a privately negotiated transaction, the Fund will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the investor seeking to purchase the Common Shares.

Common Shares issued by the Fund through privately negotiated transactions will be issued at a price equal to the greater of (i) the net asset value per Common Share or (ii) at a discount ranging from 0% to 5% of the average daily closing market price of the Fund's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The applicable discount will be determined by the Fund on a transaction-by-transaction basis. See Plan of Distribution Distribution Through Privately Negotiated Transactions.

The principal business address of Nuveen Securities is 333 West Wacker Drive, Suite 3300, Chicago, Illinois 60606.

Special Risk Considerations

Investment in the Fund involves special risk considerations, which are summarized below. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program. See Risk Factors for a more complete discussion of the special risk considerations of an investment in the Fund.

Investment and Market Risk. An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the municipal securities owned by the Fund, which generally trade in the over-the-counter markets. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions. See Risk Factors Investment and Market Risk .

Recent Market Circumstances. The financial crisis in the U.S. and global economies over the past several years, including the European sovereign debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. Liquidity in some markets has decreased and credit has become scarcer worldwide. Recent regulatory changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the introduction of new international capital and liquidity requirements set forth by the Basel Committee on Banking Supervision (known as Basel III), may cause lending activity within the financial services sector to be constrained for several years as Basel III rules phase in and rules and regulations are promulgated and interpreted under the Dodd-Frank Act.

Since 2010, the risks of investing in certain foreign government debt have increased dramatically as a result of the ongoing European debt crisis, which began in Greece and has spread to varying degrees throughout various other European countries. These debt crises and the ongoing efforts of governments around the world to address these debt crises have also resulted in increased volatility and uncertainty in the global securities markets and it is impossible to predict the effects of these or similar events in the future on the Fund, though it is possible that these or similar events could have a significant adverse impact on the value and risk profile of the Fund.

In the United States, on August 5, 2011, S&P lowered its long-term sovereign credit rating on the U.S. federal government debt to AA+ from AAA. Any additional downgrade by S&P, or any other rating agency, could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase the costs of all kinds of debt.

Global economies and financial markets are also becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region. For example, in a referendum held on June 23, 2016, citizens of the United Kingdom voted to leave the European Union (EU), creating economic and political uncertainty in its wake. The country's departure from the EU (known as Brexit) sparked depreciation in the value of the British pound, short-term declines in the stock markets and heightened risk of continued economic volatility worldwide.

As a consequence of the United Kingdom's vote to withdraw from the EU, the government of the United Kingdom has, pursuant to the Treaty of Lisbon (the Treaty), given notice of its withdrawal and the period for entering into negotiations with the EU Council to agree to terms for the United Kingdom's withdrawal from the EU has commenced. The Treaty provides for a two-year negotiation period, which may be shortened or

extended by agreement of the parties. However, there is still considerable uncertainty relating to the potential consequences and precise timeframe for the exit, how the negotiations for the withdrawal and new trade agreements will be conducted, and whether the United Kingdom's exit will increase the likelihood of other countries also departing the EU. During this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

The impact of these developments in the near- and long-term is unknown and could have additional adverse effects on economies, financial markets and asset valuations around the world.

Legislation and Regulatory Risk. At any time after the date of this Prospectus, legislation or additional regulations may be enacted that could negatively affect the assets of the Fund, securities held by the Fund or the issuers of such securities. Fund shareholders may incur increased costs resulting from such legislation or additional regulation. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on the Fund or will not impair the ability of the Fund to achieve its investment objectives.

The U.S. Securities and Exchange Commission (the "SEC") has proposed rules governing the use of derivatives by registered investment companies, which could affect the nature and extent of derivatives used by the Fund. The proposed rules have not yet been adopted and therefore the full extent of such rules is uncertain at this time. It is possible that such rules, if adopted, could limit the implementation of the Fund's use of derivatives, which could have an adverse impact on the Fund.

Economic and Political Events Risk. The Fund may be more sensitive to adverse economic, business or political developments if it invests a substantial portion of its assets in the bonds of similar projects (such as those relating to the education, health care, housing, transportation, or utilities industries), industrial development bonds, or in particular types of municipal securities (such as general obligation bonds, private activity bonds or moral obligation bonds). Such developments may adversely affect a specific industry or local political and economic conditions, and thus may lead to declines in the bonds' creditworthiness and value.

Market Discount from Net Asset Value. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund's net asset value than at the time of purchase, assuming a stable net asset value. Proceeds from the sale of Common Shares in this offering will be reduced

by shareholder transaction costs (if applicable, which vary depending on the offering method used).

The net asset value per Common Share will also be reduced by costs associated with any future issuances of Common or preferred shares. Depending on the premium of Common Shares at the time of any offering of Common Shares hereunder, the Fund's net asset value may be reduced by an amount up to the offering costs borne by the Fund (estimated to be an additional 0.10% of the offering price assuming a Common Share offering price of \$13.66 (the Fund's closing price on the NYSE on August 2, 2017)). Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes. See Risk Factors Market Discount from Net Asset Value.

Credit Risk. Credit risk is the risk that one or more municipal securities in the Fund's portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. If a municipal security satisfies certain rating requirements at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, Nuveen Asset Management will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. This means that the Fund may invest in municipal securities that are involved in bankruptcy or insolvency proceedings or are experiencing other financial difficulties at the time of acquisition (such securities are commonly referred to as distressed securities).

See Risk Factors Credit Risk.

Below Investment Grade Risk. Municipal securities of below investment grade quality are predominately speculative with respect to the issuer's capacity to pay interest and repay principal when due, and are susceptible to default or decline in market value due to adverse economic and business developments, and are commonly referred to as junk bonds. Also, to the extent that the rating assigned to a municipal security in the Fund's portfolio is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for municipal securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade municipal securities. For these reasons, an investment in the Fund compared with a portfolio consisting solely of investment grade securities, may experience the following:

increased price sensitivity resulting from changing interest rates and/or a deteriorating economic environment;

greater risk of loss due to default or declining credit quality;

adverse issuer specific events that are more likely to render the issuer unable to make interest and/or principal payments; and

the possibility that a negative perception of the below investment grade market develops, resulting in the price and liquidity of below investment grade securities becoming depressed, and this negative perception could last for a significant period of time.

See Risk Factors Below Investment Grade Risk.

Interest Rate Risk. Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the municipal securities in the Fund's portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of municipal securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities and potentially reducing the Fund's income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund's value. Currently, market interest rates are at or near historically low levels. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change. Because the Fund will invest primarily in long-term municipal securities, the Common Share net asset value and market price per share will fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term municipal securities. In comparison to maturity (which is the date on which a debt instrument ceases and the issuer is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument's expected principal and interest payments. Duration differs from maturity in that it considers a security's yield, coupon payments, principal payments and call features, in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration.

Prices of securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. In general, a portfolio of securities with a longer duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter duration. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield.

Yield curve risk is associated with either a flattening or steepening of the yield curve, which is a result of changing yields among comparable bonds with different maturities. When market interest rates, or yields, increase, the price of a bond will decrease and vice versa. When the yield curve shifts, the price of the bond, which was initially priced based on the initial yield curve, will change in price. If the yield curve flattens, then the yield spread between long- and short-term interest rates narrows, and the price of the bond will change accordingly. If the bond is short-term and the yield decreases, the price of this bond will increase. If the yield curve steepens, this means that the spread between long- and short-term interest rates increases. Therefore, long-term bond prices, like the ones held by the Fund, will decrease relative to short-term bonds. Changes in the yield curve are based on bond risk premiums and expectations of future interest rates.

Because the values of lower-rated and comparable unrated debt securities are affected both by credit risk and interest rate risk, the price movements of such lower grade securities in response to changes in interest rates typically have not been highly correlated to the fluctuations of the prices of investment grade quality securities in response to changes in market interest

rates. The Fund's use of leverage, as described herein, will tend to increase Common Share interest rate risk. See Risk Factors Interest Rate Risk.

Municipal Securities Market Risk. The municipal market is one in which dealer firms make markets in bonds on a principal basis using their proprietary capital, and during the recent market turmoil these firms' capital was severely constrained. As a result, some firms were unwilling to commit their capital to purchase and to serve as a dealer for municipal bonds.

Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the municipal securities in the Fund's portfolio will decline in value because of increases in market interest rates. Currently, market interest rates are at or near historically low levels which may be unsustainable. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change. Because the Fund will invest primarily in longer-term municipal securities, the Common Share net asset value and market price per share will fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term municipal securities. See Risk Factors Municipal Securities Market Risk and Risk Factors Special Risks Related to Certain Municipal Obligations.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the Common Share's market price or your overall returns. See Risk Factors Reinvestment Risk.

Tax Risk. To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things, the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources and satisfy a diversification test on a quarterly basis. If the Fund fails to satisfy the qualifying income or diversification requirements in any taxable year, the Fund may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. Additionally, relief is provided for certain de minimis failures of the diversification requirements where the Fund corrects the failure within a specified period. In order to be eligible for the relief provisions with respect to a failure to meet the diversification requirements, the Fund may be required to dispose of certain assets. If these relief provisions were not available to the Fund and it were to fail to qualify for treatment as a regulated investment company for a taxable year, all of its taxable income (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions would be taxable as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits.

To qualify to pay exempt-interest dividends, which are treated as items of interest excludable from gross income for federal income tax purposes, at least 50% of the value of the total assets of the Fund must consist of obligations exempt from regular income tax as of the close of each quarter of the Fund's taxable year. If the proportion of taxable investments held by the Fund exceeds 50% of the Fund's total assets as of the close of any

quarter of any Fund taxable year, the Fund would not for that taxable year satisfy the general eligibility test that would otherwise permit it to pay exempt-interest dividends.

The Fund may enter into various types of derivatives transactions, including financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivative instruments. The use of such derivatives may generate taxable income. The Fund's use of derivatives may also affect the amount, timing, and character of distributions to shareholders and, therefore, may increase the amount of taxes payable by shareholders.

The value of the Fund's investments and its net asset value may be adversely affected by changes in tax rates and policies. Because interest income from municipal securities is normally not subject to regular federal income taxation, the attractiveness of municipal securities in relation to other investment alternatives is affected by changes in federal income tax rates or changes in the tax-exempt status of interest income from municipal securities. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the demand for and supply, liquidity and marketability of municipal securities. This could in turn affect the Fund's net asset value and ability to acquire and dispose of municipal securities at desirable yield and price levels. Additionally, the Fund is not a suitable investment for individual retirement accounts, for other tax-exempt or tax-deferred accounts or for investors who are not sensitive to the federal income tax consequences of their investments.

Generally, the Fund's investments in inverse floating rate securities do not generate taxable income.

Leverage Risk. The use of financial leverage created through borrowing, the Fund's outstanding preferred shares, or the use of tender option bonds creates an opportunity for increased Common Share net income and returns, but also creates special risks for Common Shareholders. There is no assurance that the Fund's leveraging strategy will be successful. The risk of loss attributable to the Fund's use of leverage is borne by Common Shareholders. The Fund's use of financial leverage can result in a greater decrease in net asset values in declining markets. The Fund's use of financial leverage similarly can magnify the impact of changing market conditions on Common Share market prices. See Risk Factors Inverse Floating Rate Securities Risk.

Because the long-term municipal securities in which the Fund invests generally pay fixed rates of interest while the Fund's costs of leverage generally fluctuate with short- to intermediate-term yields, the incremental earnings from leverage will vary over time. However, the Fund may use derivatives, such as interest rate swaps, to fix the effective rate paid on all or a portion of the Fund's leverage, in an effort to lower leverage costs over an extended period. Accordingly, the Fund cannot assure you that the use of leverage will result in a higher yield or return to Common Shareholders. The income benefit from leverage will be reduced to the extent that the difference narrows between the net earnings on the Fund's portfolio securities and its cost of leverage. The income benefit from leverage will increase to the extent that the difference widens between the net earnings on the Fund's portfolio securities and its cost of leverage. If short- or intermediate-term rates rise, the

Fund's cost of leverage could exceed the fixed rate of return on longer-term bonds held by the Fund that were acquired during periods of lower interest rates, reducing income and returns to Common Shareholders. This could occur even if short- or intermediate-term and long-term municipal rates rise. Because of the costs of leverage, the Fund may incur losses even if the Fund has positive returns, if they are not sufficient to cover the costs of leverage. The Fund's cost of leverage includes interest on borrowing, dividends paid on VMTP shares, or the interest expense attributable to tender option bonds (See Risk Factors Inverse Floating Rate Securities Risk), as well as any one-time costs (e.g., issuance costs) and ongoing fees and expenses associated with such leverage.

The Fund is required to maintain certain regulatory and rating agency asset coverage requirements in connection with its use of leverage, in order to be able to maintain the ability to declare and pay Common Share distributions and to maintain the VMTP Shares' rating. An NRSRO could downgrade its ratings on the Fund's outstanding preferred shares, including VMTP Shares. A ratings downgrade of the Fund's preferred shares may result in higher dividend rates and may also force the redemption of such preferred shares at what might be an inopportune time in the market. These factors may result in reduced net earnings or returns to Common Shareholders.

In order to maintain required asset coverage levels, the Fund may be required to alter the composition of its investment portfolio or take other actions, such as redeeming preferred shares or reducing leverage levels with the proceeds from portfolio transactions, at what might be an inopportune time in the market. Such actions could reduce the net earnings or returns to Common Shareholders over time.

The Fund may invest in the securities of other investment companies, which may themselves be leveraged and therefore present similar risks to those described above and magnify the Fund's leverage risk.

See Risk Factors Leverage Risk and Use of Leverage.

Inverse Floating Rate Securities Risk. The Fund may invest in inverse floating rate securities. Typically, inverse floating rate securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor for the purpose of holding municipal bonds. See The Fund's Investments Inverse Floating Rate Securities. In general, income on inverse floating rate securities will decrease when interest rates increase and increase when interest rates decrease. Investments in inverse floating rate securities may subject the Fund to the risks of reduced or eliminated interest payments and losses of principal. In addition, inverse floating rate securities may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Fund's investment. As a result, the market value of such securities generally will be more volatile than that of fixed rate securities.

The Fund may invest in inverse floating rate securities, issued by special purpose trusts that have recourse to the Fund. In Nuveen Asset Management's discretion, the Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. The Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the special purpose trust exceeds the level

that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the special purpose trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require the Fund to reimburse the third-party sponsor of the trust, upon termination of the trust issuing the inverse floater, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. In such instances, the Fund may be at risk of loss that exceeds its investment in the inverse floating rate securities.

The Fund's investments in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund may be highly leveraged. The structure and degree to which the Fund's inverse floating rate securities are highly leveraged will vary based upon a number of factors, including the size of the trust itself and the terms of the underlying municipal security. An inverse floating rate security generally is considered highly leveraged if the principal amount of the short-term floating rate interests issued by the related special purpose trust is in excess of three times the principal amount of the inverse floating rate securities owned by the trust (the ratio of the principal amount of such short-term floating rate interests to the principal amount of the inverse floating rate securities is referred to as the "gearing"). In the event of a significant decline in the value of an underlying security, the Fund may suffer losses in excess of the amount of its investment (up to an amount equal to the value of the municipal securities underlying the inverse floating rate securities) as a result of liquidating special purpose trusts or other collateral required to maintain the Fund's anticipated effective leverage ratio.

The Fund's investment in inverse floating rate securities will create effective leverage, which will create an opportunity for increased Common Share net income and returns, but will also create the possibility that Common Share long-term returns will be diminished if the cost of leverage exceeds the return on the inverse floating rate securities purchased by the Fund. Inverse floating rate securities have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a special purpose trust. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. The leverage attributable to such inverse floating rate securities may be called away on relatively short notice and therefore may be less permanent than more traditional forms of leverage. In certain circumstances, the likelihood of an increase in the volatility of net asset value and market price of the Common Share may be greater for a fund (like the Fund) that relies primarily on inverse floating rate securities to achieve a desired effective leverage ratio. The Fund may be required to sell its inverse floating rate securities at less than favorable prices, or liquidate other Fund portfolio holdings in certain circumstances, including, but not limited to, the following:

If the Fund has a need for cash and the securities in a special purpose trust are not actively trading due to adverse market conditions;

If special purpose trust sponsors (as a collective group or individually) experience financial hardship and consequently seek to terminate their respective outstanding special purpose trusts; and

If the value of an underlying security declines significantly (to a level below the notional value of the floating rate securities issued by the trust) and if additional collateral has not been posted by the Fund.

See Risk Factors Inverse Floating Rate Securities Risk.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. See Risk Factors Inflation Risk.

Derivatives Risk, Including the Risk of Swaps. The Fund's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Whether the Fund's use of derivatives is successful will depend on, among other things, if Nuveen Asset Management correctly forecasts market values, interest rates and other applicable factors. If Nuveen Asset Management incorrectly forecasts these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the

Name: Michael J. Frey

By: /s/ Michael J. Frey

Title: Chairman and Chief Executive Officer

LYDIARD PARTNERS III, LLC

By: /s/ Michael J. Frey

Name: Michael J. Frey

Title: Chairman and Chief Executive Officer

/s/ Michael J. Frey
Michael J. Frey

January 5, 2011

Attention: Intentional misstatements or omissions of fact constitute federal violations (see 18 U.S.C. 1001).

SCHEDULE 13D

CUSIP No. G72457107

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EXHIBIT A

JOINT FILING AGREEMENT

The undersigned hereby agree that the statement on Schedule 13D with respect to the common shares, \$0.08 par value per share of Primus Guaranty, Ltd., dated as of January 5, 2011 is, and any amendments thereto (including amendments on Schedule 13G) signed by each of the undersigned shall be, filed on behalf of each of us pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934.

GLOBAL CAPITAL MANAGEMENT, INC.

By: /s/ Michael J. Frey
Name: Michael J. Frey
Title: Chairman and Chief Executive Officer

EBF & ASSOCIATES, L.P.

By: GLOBAL CAPITAL MANAGEMENT, INC., General Partner

Name: Michael J. Frey

By: /s/ Michael J. Frey

Title: Chairman and Chief Executive Officer

LYDIARD PARTNERS III, LLC

By: /s/ Michael J. Frey
Name: Michael J. Frey
Title: Chairman and Chief Executive Officer

/s/ Michael J. Frey
Michael J. Frey

January 5, 2011

CUSIP No. G72457107

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EXHIBIT B

SCHEDULE OF TRANSACTIONS

First MP

Date	Shares Acquired or Disposed of	Price Per Share
12/30/2010	3,678,071	\$4.58

Second MP

Date	Shares Acquired or Disposed of	Price Per Share
12/30/2010	7,587,929	\$4.58



CUSIP No. G72457107

SCHEDULE 13D

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EXHIBIT C

PRIMUS GUARANTY, LTD. SHAREHOLDERS AGREEMENT

Dated as of December 30, 2010

SCHEDULE 13D

CUSIP No. G72457107

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SHAREHOLDERS AGREEMENT, dated as of December 30, 2010 (as it may be amended from time to time, this "Agreement"), by and among (i) PRIMUS GUARANTY, LTD., a Bermuda company (the "Company"), (ii) MERCED PARTNERS LIMITED PARTNERSHIP, a Delaware limited partnership ("First MP"), (iii) MERCED PARTNERS III (CAYMAN), L.P., a Cayman exempted limited partnership ("Second MP" and together with First MP and any Permitted Transferees, the "Investors") and (iv) EBF & ASSOCIATES, L.P., a Delaware limited partnership ("EBF").

W I T N E S S E T H:

WHEREAS, on December 20, 2010, the total equity capitalization of the Company consisted of 37,958,622 common shares, par value \$0.08 each (the "Common Shares"), issued and outstanding;

WHEREAS, on the date hereof, XL Insurance (Bermuda) Ltd, a Bermuda exempted company ("Seller") and First MP and Second MP have entered into a Share Purchase Agreement (as it may be amended from time to time, the "Purchase Agreement") pursuant to which First MP and Second MP are acquiring from Seller, subject to the terms and conditions thereof, 11,266,000 Common Shares (the "Acquired Shares"), for an aggregate purchase price of \$51,598,280; and

WHEREAS, each of the parties hereto wishes to set forth in this Agreement certain terms and conditions regarding the Investors' ownership of the Acquired Shares.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I
GOVERNANCE

Section 1.1 Composition of the Board of Directors. Effective on the Closing, (i) the Company will cause the two Investor Designees to become members of the Board and (ii) the Company will cause the number of directors on the Company's board of directors (the "Board") to be increased by two. The initial Investor Directors shall be (i) Vince Vertin, as a Class II Director, and (ii) Mike Sullivan, as a Class III Director. Effective on the Closing, the Company will cause Vince Vertin to be appointed as a member of the Finance, Investment and Risk Committee of the Board (the "Finance Committee").

Section 1.2 Subsequent Composition of the Board of Directors Following the Closing Date. (a) Following the Closing Date, subject to compliance with Section 1.2(c), at each annual or special general meeting of shareholders of the Company at which directors are to be elected to the Company's Board, the Company will nominate and use its reasonable best efforts to cause the election to the Company's Board of a slate of directors that includes, (i) if the Investor Percentage Interest equals or exceeds 50.0% (the "First Threshold"), two Investor Designees, reduced by the number of Investor Directors then in office, if any, who will continue as directors

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of the Company following such election because their director class, if then applicable, is not then due for election or (ii) if the Investor Percentage Interest is less than the First Threshold but equals or exceeds 25.0% (the "Second Threshold"), one Investor Designee, reduced by the number of Investor Directors then in office, if any, who will continue as directors of the Company following such election because their director class, if then applicable, is not then due for election. If the Investor Percentage Interest is less than the Second Threshold, the Company will be under no obligation to nominate or otherwise act to cause the appointment of any Investor Designee.

(b) Until such time as the Investor Percentage Interest is less than the Second Threshold, each Investor agrees to cause each Acquired Share Beneficially Owned by it to be present in person or represented by proxy at all meetings of shareholders of the Company at which directors are to be elected to the Board, so that each such Acquired Share shall be counted as present for determining the presence of a quorum at such meetings and to support and cause each such Acquired Share to be voted in favor of the Investor Designee and those persons (and only those persons) nominated by the Board or the relevant committee thereof. Notwithstanding the foregoing, the Investors shall have no obligation to vote in favor of those persons nominated by the Board or the relevant committee thereof in the event that (i) the election of such person to the Board would cause the Company to be not in compliance with Applicable Law, or (ii) such person has been involved in any of the events enumerated in Item 2(d) or (e) of Schedule 13D or Item 401(f) of Regulation S-K.

(c) The Investors shall notify the Company of the identity of the proposed Investor Designees, in writing, together with all information about the proposed Investor Designees as shall be reasonably requested by the Board or the relevant committee thereof no later than ten (10) days after the Board or the relevant committee thereof gives the Investors notice requesting such information for inclusion in a proxy statement for a meeting of shareholders; provided, however, that in the event the Investors fail to provide such notice following the delivery of such notice by the Board or a committee thereof, the persons then serving as the Investor Directors shall be deemed to be the Investor Designees for such meeting.

(d) In the event of the death, disability, resignation or removal of an Investor Director (other than pursuant to Section 1.5), the Board will promptly appoint to the Board a replacement Investor Director designated in writing by the Investors to fill the resulting vacancy, and such individual shall then be deemed an Investor Director for all purposes hereunder; provided that if an Investor Director is removed for cause, the replacement Investor Director will not be the same person who was removed.

(e) In the event an Investor Designee fails to be elected to the Board following any annual or special general meeting of the shareholders at which the Investor Designee stood for election but was nevertheless not elected, the Company will promptly, and in any event not later than three (3) days following such meeting of the shareholders, appoint a replacement Investor Director designated in writing by the Investors to the Board either by expanding the size of the Board or causing a non-Investor Director to resign, and such individual shall then be deemed an Investor Director for all purposes hereunder. Without the prior written consent of the Investors, the Board shall take no action until such time as the replacement Investor Designee is so appointed.

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(f) The Investors agree that the Investor Directors shall waive all rights to compensation for their service on the Board other than (i) the indemnification rights generally provided to directors of the Company and (ii) reasonable expenses incurred by such directors in connection with their attendance at meetings of the Board and its committees, which expenses shall be reimbursed only in such amounts as are consistent with the Company's policies with respect to director expense reimbursement.

(g) The Board shall cause the Investor Director as specified by the Investors from time to time to be appointed to and to remain as a member of the Finance Committee. For as long as any members of the Board are also directors of the Board of Primus Financial Products, LLC ("PFP"), the Company shall cause one Investor Director, as specified by the Investors from time to time, to be appointed to and remain as a member of the Board of PFP.

Section 1.3 Objection to an Investor Designee. Notwithstanding the provisions of this Article I, the Investors will not be entitled to designate an Investor Designee to the Board (or any committee thereof), in the event that (i) the election of such Investor Designee to the Board would cause the Company to be not in compliance with Applicable Law, (ii) such Investor Designee has been involved in any of the events enumerated in Item 2(d) or (e) of Schedule 13D or Item 401(f) of Regulation S-K, or (iii) such Investor Designee is not reasonably acceptable to the Board or the relevant committee thereof. In any such case described in clauses (i), (ii) or (iii) of the immediately preceding sentence, the Investors will withdraw the designation of such proposed Investor Designee and designate a replacement therefor (which replacement Investor Designee will also be subject to the requirements of this Section 1.3). The Company will notify the Investors of any objection (together with the basis thereof in reasonable detail) to an Investor Designee sufficiently in advance of the date on which proxy materials are mailed by the Company in connection with such election of directors to enable the Investors to submit a replacement Investor Designee or Investor Designees, as the case may be, in accordance with the terms of this Agreement. The Company agrees that this Section 1.3 shall not be a basis for objecting to the Investor Designees specified in Section 1.1 with respect to their initial service as directors but may apply with any re-election or reappointment of such persons.

Section 1.4 Adjustments for Reduced Board Membership. If, at any time, the number of seats on the Board is reduced to six or fewer, then (a) the number of Investor Designees to be nominated by the Company pursuant to clause (i) of Section 1.2(a) will be reduced to one and (b) if at such time there are two Investor Directors on the Board, the Investors cause one Investor Director to promptly resign from the Board such that promptly following such resignation there is one Investor Director on the Board.

Section 1.5 Termination of Investor Rights. If as of the close of any Business Day following the Closing Date, the Investor Percentage Interest has fallen below the First Threshold, the Investors shall promptly notify the Company and, unless otherwise consented to by a majority of the non-Investor Directors on the Board, the Investors shall cause one Investor Director to promptly resign from the Board such that promptly following such resignation there is one Investor Director on the Board. If as of the close of any Business Day following the Closing Date, the Investor Percentage Interest falls below the Second Threshold, the Investors shall promptly notify the Company and, unless otherwise consented to by a majority of the non-Investor Directors on the Board, the Investors shall cause the remaining Investor Director to

promptly resign from the Board such that immediately following such resignation no Investor Directors remain on the Board. Immediately upon the Investor Percentage Interest falling below the Second Threshold and without relieving the Company of any prior breach hereof, the Company shall have no further obligation pursuant to this Article I to nominate or appoint Investor Designees.

ARTICLE II
TRANSFERS; STANDSTILL PROVISIONS

Section 2.1 Transfer Restrictions. (a) No Investor shall Transfer any of the Acquired Shares prior to the six-month anniversary of the Closing Date, other than to a Permitted Transferee. In the event that prior to the six-month anniversary of the Closing Date, any Permitted Transferee ceases to be a Controlled Affiliate of the transferring Investor, then any prior Transfer to such Person pursuant to such exception shall become null and void and ownership and title to any such securities so Transferred shall revert to such transferring Investor. An Investor shall notify the Company prior to any transfer to a Permitted Transferee during such six-month period.

(b) From and after the six-month anniversary of the Closing Date, the Investors shall not Transfer any Acquired Shares except in compliance with the restrictions on Transfer generally applicable to holders of the Common Shares; provided, however, that Transfer of Acquired Shares following the six-month anniversary of the Closing Date shall not, in and of itself, be deemed to result in an adverse regulatory or legal consequence to the Company under Clause 13.1 of the Company's bye-laws (the "Bye-laws").

(c) The foregoing restrictions on Transfer may be waived with respect to any specific Transfer by the prior approval of a majority of the members of the Board who are not Investor Directors.

(d) Any Transfer or attempted Transfer of Acquired Shares in violation of this Section 2.1 shall, to the fullest extent permitted by law, be null and void ab initio, and the Company shall not, and shall instruct its transfer agent and other third parties not to, record or recognize any such purported transaction on the share register of the Company.

(e) Any certificates for Acquired Shares shall bear a legend or legends (and appropriate comparable notations or other arrangements will be made with respect to any uncertificated shares) referencing restrictions on transfer of such Acquired Shares under the Securities Act, which legend shall state in substance:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE BEEN ISSUED AND SOLD WITHOUT REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES (A "STATE ACT") IN RELIANCE UPON CERTAIN EXEMPTIONS FROM REGISTRATION UNDER SAID ACTS. THE SECURITIES EVIDENCED BY THIS CERTIFICATE CANNOT BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES UNLESS SUCH SALE, ASSIGNMENT OR OTHER TRANSFER IS (I)

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MADE PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH EACH APPLICABLE STATE ACT OR (II) EXEMPT FROM, OR NOT SUBJECT TO, THE SECURITIES ACT AND EACH APPLICABLE STATE ACT.

Notwithstanding the foregoing, the holder of any certificate(s) for Acquired Shares shall be entitled to receive from the Company new certificates for a like number of Acquired Shares not bearing such legend (or the elimination or termination of such notations or arrangements) upon the request of such holder (i) at such time as such restrictions are no longer applicable, and (ii) if required by the Company's transfer agent, with respect to the restriction on transfer of such shares other than pursuant to a Registration Statement under the Securities Act, upon delivery of an opinion of counsel to such holder, which opinion is reasonably satisfactory in form and substance to such transfer agent, that the securities law restriction referenced in such legend is no longer required in order to ensure compliance with the Securities Act.

(f) The Company will cause the Acquired Shares to be registered in the name of the Investors as record owners promptly following the Closing.

Section 2.2 Standstill Provisions. During the Standstill Period, the Investors and EBF shall not, and shall not permit any Investment Fund, directly or indirectly, to, without the Company's prior written consent:

- (a) acquire or agree to acquire any additional Common Shares, or any other securities or assets of the Company;
- (b) form a Group or deposit the Acquired Shares in a voting trust;
- (c) grant any proxy to vote any Acquired Shares to any Person or Group, other than the Company or a Person specified by the Company in a proxy card provided to all shareholders of the Company on or on behalf of the Company;
- (d) propose (A) any merger, consolidation or other business combination with the Company, (B) any purchase of all or substantially all of the assets of the Company or any of its subsidiaries, (C) any recapitalization, restructuring, liquidation, or dissolution of the Company or (D) any other extraordinary transaction with respect to the Company or any of its subsidiaries (each of the foregoing, an "Extraordinary Transaction");
- (e) make a tender or exchange offer for any securities of the Company or any of its subsidiaries;
- (f) participate in any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Commission) to vote, or knowingly seek to advise or influence any Person with respect to the voting of, any voting securities of the Company;
- (g) call, or seek to call, a meeting of the shareholders of the Company or initiate any shareholder proposal for action by shareholders of the Company, seek Board representation other than as provided for in this Agreement or seek the removal of any member of the Board;

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- (h) otherwise act, alone or in concert with others, to seek to Control or influence the management or the policies of the Company;
- (i) publicly disclose any intention, plan or arrangement prohibited by this Section 2.2, other than Nonpublic Communication;
- (j) knowingly advise, assist or encourage any Persons engaged in any of the activities prohibited by this Section 2.2;
- (k) request the Company to waive any provision of this Section 2.2, or
- (l) take any other action that such Person reasonably believes will require the Company to make a public announcement regarding the possibility of a business combination, merger or other type or transaction described in this Section 2.2.
- (m) “Standstill Period” shall mean the period from the Closing Date until the earliest of the following: (i) the fourth anniversary of the Closing Date, (ii) the first date on which the Investors no longer have the right to nominate at least one Investor Designee for election or appointment to the Board pursuant to Article I hereof, (iii) the first date on which the Company or any of its subsidiaries commences or becomes subject to any proceeding of bankruptcy, dissolution or liquidation and (iv) five (5) business days after the Company receives written notice from Investor of a material breach by the Company of its obligations with respect to Section 1.1 or Section 1.2 of this Agreement, which breach is not cured by the Company in such five-day period.
- (n) The restrictions contained in this Section 2.2 shall not apply to nonpublic communications, including any nonpublic acquisition offer, provided that such communication is (i) not reasonably likely to require the Company to make a public announcement with respect to the subject matter of the communications or regarding the possibility of a business combination, merger or other type or transaction described in this Section 2.2, and (ii) communicated solely (A) among any of the Investors, the Investor Designees and the Investor Directors or (B) among any of the Investors, the Investor Designees, the Investor Directors and the Company (all such communication, “Nonpublic Communication”); provided, further, that nothing in this Section 2.2 shall prohibit the Investors from communicating solely in the ordinary course of business with their directors, officers, employees, representatives, agents, owners, limited partners or other applicable stakeholders who have been informed of, and agreed to be bound by, the terms of Section 7.3.
- (o) Nothing in this Section 2.2 shall be interpreted as preventing the Investors from making regulatory filings required by Applicable Law, including, for the avoidance of doubt, filings with the Commission on Schedule 13D and amendments thereto, and on Forms 3, 4, and 5 for the purposes of disclosing acquisitions and dispositions of securities of the Company (“Mandatory Public Filings”); provided, however, that no Mandatory Public Filing may disclose any intention to undertake any activity prohibited by this Section 2.2. Further, nothing in this Section 2.2 shall in any way limit the activities of any Investor Director taken in his or her capacity as a director of the Company.

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ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Investors. Each of First MP and Second MP, solely on behalf of itself and not on behalf of any other Investor, hereby represents and warrants to the Company as follows:

- (a) Immediately following the Closing, such Investor and one or more of its Affiliates will be the Beneficial Owner of the number of Common Shares listed on Annex B opposite such Investor's name and at that time such Acquired Shares will constitute all of the Common Shares Beneficially Owned by such Investor and such of its Affiliates.
- (b) Such Investor has been duly formed, is validly existing and is in good standing under the laws of its state of organization. Such Investor has all requisite limited partnership power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby.
- (c) The execution and delivery by such Investor of this Agreement, the performance by such Investor of its obligations under this Agreement and the consummation by such Investor of the transactions contemplated hereby do not and will not conflict with, violate any provision of, or require the consent or approval of any Person which has not been obtained under, Applicable Law, the organizational documents of such Investor or any contract or agreement to which such Investor is a party.
- (d) The execution, delivery and performance of this Agreement by such Investor have been duly authorized by all necessary limited partnership action on the part of such Investor. This Agreement has been duly executed and delivered by such Investor and, assuming the due authorization, execution and delivery by each of the other parties hereto, constitutes a legal, valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and subject to general principles of equity.
- (e) Such Investor: (i) is acquiring the Acquired Shares for its own account, solely for investment and not with a view toward, or for sale in connection with, any distribution thereof in violation of any federal or state securities or "blue sky" laws, or with any present intention of distributing or selling such Acquired Shares in violation of any such laws, (ii) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of its investment in the Acquired Shares and of making an informed investment decision and (iii) is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act. Such Investor has requested, received, reviewed and considered all information that such Investor deems relevant in making an informed decision to invest in the Shares and has had an opportunity to discuss the Company's business, management and financial affairs with its management and also had an opportunity to ask questions of officers of the Company that were answered to such Investor's satisfaction. Such Investor understands that the Company is relying on the statements contained herein to establish an exemption from registration under the Securities Act and under state securities laws and acknowledges that the Acquired Shares are not registered under the Securities Act or any

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other Applicable Law and that such shares may not be Transferred except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom.

Section 3.2 Representations and Warranties of EBF. EBF hereby represents and warrants to the Company as follows:

- (a) As of the date hereof, EBF does not Beneficially Own, directly or indirectly, any Common Shares or other securities of the Company.
- (b) EBF has been duly formed, is validly existing and is in good standing under the laws of its state of organization. EBF has all requisite limited partnership power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby.
- (c) The execution and delivery by EBF of this Agreement, the performance by EBF of its obligations under this Agreement and the consummation by EBF of the transactions contemplated hereby do not and will not conflict with, violate any provision of, or require any consent or approval of any Person which has not been obtained under, Applicable Law, the organizational documents of EBF or any contract or agreement to which EBF is a party.
- (d) The execution, delivery and performance of this Agreement by EBF have been duly authorized by all necessary limited partnership action on the part of EBF. This Agreement has been duly executed and delivered by EBF and, assuming the due authorization, execution and delivery by each of the other parties hereto, constitutes a legal, valid and binding obligation of EBF, enforceable against EBF in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and subject to general principles of equity.

Section 3.3 Representations and Warranties of the Company. The Company hereby represents and warrants to the Investors and EBF as follows:

- (a) The Company is a company duly incorporated, validly existing and in good standing under the laws of Bermuda. The Company has all requisite power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby.
- (b) The execution and delivery by the Company of this Agreement, the performance of the obligations of the Company under this Agreement and the consummation by the Company of the transactions contemplated hereby do not and will not conflict with, violate any provision of, or require any consent or approval of any Person under, Applicable Law, the organizational documents of the Company or any contract or agreement to which the Company is a party.
- (c) The execution, delivery and performance of this Agreement by the Company have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by each of the other parties hereto, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its

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terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and subject to general principles of equity.

(d) The Board has approved the Purchase Agreement and the acquisition of the Acquired Shares by the Investors and none of the Investors will be deemed an Interested Person under the Bye-Laws. Such approval will remain in effect and will not be amended, qualified or rescinded in any respect.

(e) The Company has taken all necessary action to exempt the acquisition of the Acquired Shares by the Investors and their Affiliates and Associates (as defined in the Rights Agreement) from the provisions of the Rights Agreement and has delivered to First MP and Second MP a true and complete copy of the amendment to the Rights Agreement giving effect to such exemption. Such exemption will remain in effect and will not be amended, qualified or rescinded in any respect.

(f) The authorized capital stock of the Company consists of 62,500,000 Common Shares and, as of December 20, 2010: (i) 37,958,622 Common Shares were issued and outstanding, (ii) 877,689 Common Shares were unissued and reserved for issuance pursuant to options issued to employees of the Company and its subsidiaries, (iii) 990,674 Common Shares were unissued and reserved for issuance pursuant to restricted share units and (iv) 267,850 Common Shares were unissued and reserved for issuance pursuant to performance share units issued to employees of the Company and its subsidiaries.

(g) True and complete copies of the (i) Company's Memorandum of Association and all amendments thereto, (ii) Bye-laws, as amended to date, and (iii) the Rights Agreement and the amendment thereto have been delivered to First MP and Second MP. None of such instruments shall be amended prior to the Closing Date.

(h) Except as listed on Schedule 3.3(h), the Company is not a party to any agreement granting any other person registration rights.

ARTICLE IV
REGISTRATION

Section 4.1 Piggyback Registrations.

(a) Right to Piggyback. Whenever the Company proposes to register any Common Shares in connection with a Public Offering solely for cash, other than pursuant to a Special Registration, and the registration form to be filed may be used for the registration or qualification for distribution of Registrable Securities, the Company will give prompt written notice to all holders of Registrable Securities of its intention to effect such a registration and, subject to Section 4.1(c), will include in such registration all Registrable Securities that are permitted to be Transferred pursuant to Section 2.1 with respect to which the Company has received written requests for inclusion therein within five (5) Business Days after the date of the Company's notice (a "Piggyback Registration"). Any holder of Registrable Securities that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter(s), if any, on or before the fifth Business Day prior to the planned effective date of such Piggyback Registration. The

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Company may, in its sole discretion, terminate or withdraw any registration under this Section 4.1 prior to the effectiveness of such registration, whether or not any holder of Registrable Securities has elected to include Registrable Securities in such registration and the Company will have no liability to any holder of Registrable Securities in connection with such termination or withdrawal.

(b) Underwritten Registration. If the registration referred to in Section 4.1(a) is proposed to be underwritten, the Company will so advise the holders of Registrable Securities. In such event, the right of any holder of Registrable Securities to registration pursuant to this Section 4.1 will be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's Registrable Securities in the underwriting, and upon each such holder of Registrable Securities' compliance with Section 4.7 of this Agreement.

(c) Priority on Primary Registrations. If a Piggyback Registration relates to an underwritten primary offering on behalf of the Company, and the managing underwriter(s) advise the Company that, in their opinion, the number of securities requested to be included in such registration exceeds the number that can be sold without adversely affecting the marketability of such offering within a per share price range acceptable to the Company, the Company will include in such registration or prospectus only such number of securities that in, the opinion of such underwriters, can be sold without adversely affecting the marketability of the offering within the per share price range acceptable to the Company, which securities will be so included in the following order of priority: (i) first, the number of securities the Company proposes to sell, (ii) second, the number of Registrable Securities of any holders of Registrable Securities who have requested registration of Registrable Securities pursuant to Section 4.1(a), pro rata on the basis of the aggregate number of such securities owned by each such holder of Registrable Securities and (iii) third, any securities requested to be included pursuant to the exercise of other contractual registration rights granted by the Company, pro rata among such holders (if applicable) on the basis of the aggregate number of securities requested to be included by such holders.

Section 4.2 Shelf Registration.

(a) Subject to Sections 4.2(b) and 4.4, from and after the six-month anniversary of the Closing Date, Investor shall be entitled to request in writing that the Company file with the Commission a Shelf Registration Statement relating to the offer and sale of all of the Registrable Securities (the "Shelf Registration") and, upon the receipt of such a written request, the Company will use its reasonable best efforts to cause such a Shelf Registration to be filed and to be declared effective under the Securities Act as soon as possible after filing. The Company shall amend or supplement such Shelf Registration Statement to include additional Registrable Securities at such time as the Transfer of such Registrable Securities is permitted pursuant to Section 2.1(a). The Company shall use its reasonable best efforts to cause the Shelf Registration Statement to remain effective, including by filing a replacement Shelf Registration Statement upon the expiration of the original Shelf Registration Statement, until such time as there are no remaining Registrable Securities. During such time, the Company shall use its reasonable best efforts to amend the Shelf Registration Statement from time to time as requested by the holders of Registrable Securities, in their reasonable discretion, to permit disposition of Registrable

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Securities pursuant thereto in accordance with the preferred method of distribution of Common Shares under the Shelf Registration Statement of such holders.

(b) The Company may suspend the effectiveness of any Shelf Registration (or decline to file or request effectiveness of a Shelf Registration) for a period not to exceed thirty (30) days in any ninety (90) day period or an aggregate of ninety (90) days in any twelve (12) month period if the Board of the Company shall have determined in good faith that because of valid business reasons (not including avoidance of the Company's obligations hereunder), including without limitation the acquisition or divestiture of assets, pending corporate developments and similar events, it is in the best interests of the Company to suspend such effectiveness, and prior to such suspension, the Company provides the Investors with written notice of such suspension, which notice need not specify the nature of the event giving rise to such suspension.

Section 4.3 Demand Registration.

(a) Requests for Registration. Subject to Section 4.3(b), at any time following the six-month anniversary of the Closing Date if a Shelf Registration Statement is not effective, Investor may request in writing that the Company effect the underwritten registration of all or any part of the Registrable Securities held by such Investor or Investors (a "Registration Request") (which Registration Request shall specify the number of Registrable Securities intended to be registered). Promptly after its receipt of any Registration Request, the Company will give written notice of such request to all other holders of Registrable Securities (which notice shall be given in any event within five (5) Business Days of the date on which the Company received the applicable Registration Request) and will use its reasonable best efforts to register, as soon as practicable (and in any event within ninety (90) days of the date of such Registration Request) in accordance with the provisions of this Agreement, all Registrable Securities that have been requested to be registered in the Registration Request or by any other holders of Registrable Securities by written notice to the Company given within ten (10) Business Days after the date the Company has given such holders of Registrable Securities notice of the Registration Request. Any registration requested by an Investor or Investors pursuant to this Section 4.3(a) is referred to in this Agreement as a "Demand Registration."

(b) Limitation on Demand Registrations.

(i) The Company shall not be required to (A) effect more than three (3) Demand Registrations, or (B) effect more than one (1) Demand Registration within any twelve (12) month period. No Demand Registration will count for the purposes of the limitations in this Section 4.3(b) unless the registration has been declared or ordered effective by the Commission and remains continuously effective until the earlier of (x) the date on which all Registrable Securities covered thereby have been sold pursuant to such registration (or if earlier, the first date on which no Registrable Securities remain outstanding) and (y) the close of business on the 180th day after such registration has been declared or ordered effective by the Commission.

(ii) The Company also shall not be required to effect any Demand Registration if the Company has notified the Investor or Investors making the Registration Request that, in the good faith judgment of the Company, it would be

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materially detrimental to the Company for such registration to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than forty-five (45) days after receipt of the request of the Investor or Investors; provided that such right to delay a request pursuant to this Section 4.3(b)(ii) shall be exercised by the Company not more than three times in any twelve (12) month period and not more than ninety (90) days in the aggregate in such twelve (12) month period. If the Company postpones the filing of a prospectus or the effectiveness of a Registration Statement pursuant to this Section 4.3(b)(ii), an Investor or Investors will be entitled to withdraw its or their Registration Request and, if such request is withdrawn, such registration request will not count for the purposes of the limitation set forth in this Section 4.3(b).

(c) Selection of Underwriters.

(i) The lead underwriter to administer the offering in connection with any Demand Registration will be chosen by the Investors subject to the prior written consent, not to be unreasonably denied, withheld, conditioned or delayed, of the Company.

(ii) The right of any holders of Registrable Securities to registration pursuant to this Section 4.3 will be conditioned upon such holders of Registrable Securities complying with Section 4.7 of this Agreement.

(d) Priority on Demand Registrations. The Company will not include in any Demand Registration pursuant to this Section 4.3 any shares of Common Shares that are not Registrable Securities, without the prior written consent of the Investor who delivered the Registration Request. If the managing underwriter advises the Company that in its reasonable opinion the number of Registrable Securities (and, if permitted hereunder, other shares of Common Shares requested to be included in such offering) exceeds the number of securities that can be sold in such offering without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), the Company will include in such offering only such number of securities that in the reasonable opinion of such underwriters can be sold without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities will be so included in the following order of priority: (i) first, Registrable Securities of the Investors, (ii) second, any shares of Common Shares to be sold by the Company and (iii) third, any shares of Common Shares requested to be included pursuant to the exercise of other contractual registration rights granted by the Company pro rata among such holders (if applicable) on the basis of the aggregate number of securities requested to be included by such holders.

Section 4.4 NYSE Listing and Registration with the Commission. Nothing in this Article IV shall require the Company to (i) maintain the listing of its Common Shares on the NYSE or (ii) maintain the registration of its Common Shares with the Commission, and the Company's obligations under this Article IV shall be limited to the extent that the Company's Common Shares are not listed on the NYSE or registered with the Commission.

Section 4.5 Registration Procedures. Subject to Section 4.3(b), whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to

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Sections 4.1, 4.2 or 4.3 of this Agreement, the Company will use its reasonable best efforts to effect the registration and sale of such Registrable Securities as soon as reasonably practicable in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall use its reasonable best efforts to as expeditiously as reasonably practicable:

- (a) With respect to a Demand Registration or a Piggyback Registration, prepare and file with the Commission a Registration Statement with respect to such Registrable Securities (which, for the avoidance of doubt, may be a Shelf Registration) and use its reasonable best efforts to cause such Registration Statement to become effective, or prepare and file with the Commission a prospectus supplement with respect to such Registrable Securities pursuant to an effective Registration Statement;
- (b) Prepare and file with the Commission such amendments and supplements to the applicable Registration Statement and the prospectus or prospectus supplement used in connection with such Registration Statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement;
- (c) Furnish to the holders of Registrable Securities such number of copies of the applicable Registration Statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;
- (d) Use its reasonable best efforts to register and qualify the securities covered by such Registration Statement under such other securities, "blue sky" or other laws of such jurisdictions as shall be reasonably requested by the holders of Registrable Securities, to keep such registration or qualification in effect for so long as such Registration Statement remains in effect, and to take any other action that may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such holder of Registrable Securities; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;
- (e) Enter into customary agreements (including, if permitted hereunder, if the method of distribution is by means of an underwriting, an underwriting agreement in customary form with the managing underwriter(s) of such offering) and take such other actions (including participating in and making documents available for the due diligence review of underwriters if the method of distribution is by means of an underwriting) as are reasonably required in order to facilitate the disposition of such Registrable Securities. Each holder of Registrable Securities participating in such underwriting shall also enter into and perform its obligations under such underwriting agreement;
- (f) With respect to a Demand Registration, at the reasonable request of the Investor who delivered the Registration Request, cause its senior executives to participate, at the Company's expense, in customary investor presentations and "road shows" (to be scheduled in a

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collaborative manner so as not to unreasonably interfere with the conduct of the business of the Company);

(g) Notify each holder of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing (any such defect, a "Material Defect"), promptly upon the executive officers of the Company obtaining actual knowledge of such Material Defect;

(h) Use its commercially reasonable efforts to furnish to the managing underwriter, if any, (i) an opinion of outside legal counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten Public Offering, addressed to the underwriters, and (ii) a "comfort letter" from the independent registered public accountants of the Company addressed to underwriters, if any, in form and substance as is customarily given by independent registered public accountants to underwriters in an underwritten Public Offering;

(i) Give written notice to the holders of Registrable Securities, promptly upon the executive officers of the Company obtaining actual knowledge:

(i) that any Registration Statement relating to such registrations or any amendment thereto has been filed with the Commission and that such Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to any Registration Statement filed in connection therewith or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of any Registration Statement filed in connection therewith or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Common Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Company to make changes in any effective Registration Statement filed in connection therewith or the prospectus related to the Registration Statement in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(j) Use commercially reasonable efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any Registration Statement referred to in Section 4.5(i)(iii) at the earliest practicable time;

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(k) Upon the executive officers of the Company obtaining actual knowledge of the occurrence of any event contemplated by Section 4.5(i)(v), promptly prepare a post-effective amendment to such Registration Statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the holders of Registrable Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the holders of Registrable Securities in accordance with Section 4.5(i)(v) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the holders of Registrable Securities shall suspend the use of such prospectus and use their commercially reasonable efforts to return to the Company all hard copies of such prospectus (at the Company's expense) other than permanent file copies then in such holder's possession, and the period of effectiveness of such Registration Statement provided for above shall be extended by the number of days from and including the date of the giving of such notice to the date holders of Registrable Securities shall have received such amended or supplemented prospectus pursuant to this Section 4.5(k); and

(l) Use commercially reasonable efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the holders of Registrable Securities or the underwriters.

Section 4.6 Registration Expenses. Except as specifically provided herein, all Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the holders of the Acquired Shares proposed to be registered, pro rata on the basis of the aggregate offering or sale price of the Acquired Shares proposed to be registered.

Section 4.7 Participation in Underwritten Registrations. No holder of Registrable Securities may participate in any registration hereunder that is underwritten (whether in connection with a Piggyback Registration, Shelf Registration or Demand Registration) unless such holder (i) agrees to sell its Registrable Securities on the basis provided in any underwriting arrangements reasonably approved by the Company, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and (iii) cooperates with the Company's reasonable requests in connection with such registration or qualification (it being understood that the Company's failure to perform its obligations hereunder, which failure is caused by such holder's failure to so cooperate, will not constitute a breach by the Company of this Agreement).

Section 4.8 Suspension of Sales. Upon receipt of written notice from the Company that a Registration Statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, each holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until the holder of Registrable Securities has received copies of a supplemented or amended prospectus or prospectus supplement, or until such holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the

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Company, such holder shall deliver to the Company (at the Company's expense) all hard copies, other than permanent file copies then in such holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension pursuant to this Section 4.8 may be in effect in any 12-month period shall not exceed ninety (90).

Section 4.9 Rule 144; Legended Securities. Subject to Section 4.4, the Company will use its reasonable best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder, with a view to enabling such holder of Registrable Securities to sell shares of Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such information requirements.

Section 4.10 Holdback. In consideration for the Company agreeing to its obligations under this Agreement, each holder of Registrable Securities agrees that if requested by the underwriter(s) managing any underwritten offering by the Company of Common Shares or any securities convertible into or exchangeable or exercisable for Common Shares, such holder shall (whether or not such holder is participating in such offering) agree not to (other than pursuant to such underwritten offering) Transfer any Common Shares, any other equity securities of the Company or any securities convertible into or exchangeable or exercisable for any equity securities of the Company without the prior written consent of the Company or such underwriters during the period specified by the managing underwriter(s) which period shall not exceed ten (10) days prior or ninety (90) days following any registered offering of such securities by the Company.

Section 4.11 Delay of Registration; Furnishing Information.

(a) No holder of Registrable Securities shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration as the result of any controversy that might arise with respect to the interpretation or implementation of Section 4.1.

(b) No holder of Registrable Securities shall use any free writing prospectus (as defined in Rule 405 under the Securities Act) in connection with the sale of Registrable Securities without the prior written consent of the Company.

ARTICLE V
PREEMPTIVE RIGHTS

Section 5.1 Preemptive Rights.

(a) From the Closing Date and until the first date upon which no Investor Designee is entitled hereunder to serve on the Board, in the event the Company proposes to issue Common Shares or any securities exercisable, convertible or exchangeable for shares of its capital stock (collectively, the "Preemptive Securities"), other than (w) pursuant to any employee stock option plan of the Company, (x) pursuant to any merger, share exchange or acquisition, (y) pro rata distributions to all holders of Common Shares (including without limitation stock dividends and

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stock splits) and (z) the issuance of employee stock options and exercise thereof, the Company shall:

- (i) deliver to the Investors written notice setting forth in reasonable detail (A) the terms and provisions of the Preemptive Securities proposed to be issued (the "Proposed Securities"), (B) the price and other terms of the proposed sale of such securities, (C) the amount of such securities proposed to be issued, (D) the proposed closing date and (E) such other information as the Investors may reasonably request in order to evaluate the proposed issuance; and
 - (ii) offer to issue to each Investor a portion of the Proposed Securities equivalent to a percentage determined by dividing (x) the number of Acquired Shares Beneficially Owned by such Investor prior to such issuance by (y) the number of Common Shares issued and outstanding at such time.
- (b) The Investors must give notice to the Company of their election to exercise the purchase rights hereunder within ten (10) Business Days after receipt of such notice from the Company.
- (c) Upon the expiration of the offering period described in Section 5.1(b), or if any Investor shall default in paying for or purchasing the Proposed Securities on the terms offered by the Company, the Company shall thereafter be free to sell such Proposed Securities that such Investor has not elected to purchase during the one hundred eighty (180) days following such expiration on terms and conditions no more favorable to the purchasers thereof than those offered to the Investors. Any Proposed Securities offered or sold by the Company after such 180-day period must be reoffered to the Investors pursuant to this Section 5.1, subject to the terms hereof.
- (d) The election by the Investors not to exercise preemptive rights under this Section 5.1 in any one instance shall not affect their rights (other than in respect of a reduction in their percentage holdings) as to any subsequent proposed issuance. Any sale of such securities by the Company without first giving the Investors the rights described in this Section 5.1 shall be void and of no force and effect, and the Company shall not register such sale or issuance on the books and records of the Company.

ARTICLE VI
DEFINITIONS

Section 6.1 Defined Terms. Capitalized terms when used in this Agreement have the following meanings:

"Acquired Shares" shall have the meaning set forth in the recitals and shall also be deemed to refer to any securities issued in respect of Common Shares received by the Investors pursuant to the Purchase Agreement, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization.

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“Affiliate” means, with respect to any Person, any Person who directly or indirectly Controls, is Controlled by, or is under common Control with the specified Person.

“Agreement” has the meaning set forth in the preamble.

“Applicable Law” means all applicable provisions of (i) constitutions, statutes, laws, rules, regulations, ordinances, codes or orders of any Governmental Entity and (ii) any orders, decisions, injunctions, judgments, awards, decrees of or agreements with any Governmental Entity.

“Beneficially Own” with respect to any securities shall mean having “beneficial ownership” of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act without giving effect to the 60-day limitation on determining beneficial ownership contained in Rule 13d-3(d)), including pursuant to any agreement, arrangement or understanding, whether or not in writing.

“Board” has the meaning set forth in Section 1.1.

“Business” has the meaning set forth in Section 7.4.

“Business Day” means any day other than a day on which banks are required or authorized to be closed in the City of New York or the country of Bermuda.

“Business Opportunities” has the meaning set forth in Section 7.4.

“Bye-laws” has the meaning set forth in Section 2.1(b).

“Closing” means the closing of the purchase and sale of the Acquired Shares pursuant to the Purchase Agreement.

“Closing Date” means the date on which the Acquired Shares are purchased by the Investors.

“Commission” means the Securities and Exchange Commission or any other federal agency administering the Securities Act or any successor act.

“Common Shares” has the meaning set forth in the recitals.

“Company” has the meaning set forth in the preamble.

“Confidentiality Agreement” means that certain confidentiality agreement, dated as of November 17, 2010, between EBF and the Company.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Controlled Affiliate” means any Affiliate of the specified Person that is, directly or indirectly, Controlled by the specified Person.

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“Demand Registration” has the meaning set forth in Section 4.3(a).

“EBF” has the meaning specified in the preamble.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Extraordinary Transaction” has the meaning set forth in Section 2.2(d).

“Finance Committee” has the meaning set forth in Section 1.1.

“First MP” has the meaning set forth in the preamble.

“First Threshold” has the meaning set forth in Section 1.2(a).

“Governmental Entity” means any foreign, federal or state government, or regulatory or enforcement authority of any such government, or any court, administrative agency or commission or other authority or instrumentality of any such government or any SRO.

“Group” has the meaning assigned to such term in Section 13(d)(3) of the Exchange Act.

“Investment Fund” means any investment fund or separate investment account that is managed by the Investors or any of their respective Affiliates.

“Investor” and “Investors” have the meanings set forth in the preamble.

“Investor Designees” means individuals designated in writing to the Company by the Investors for election or appointment to the Board.

“Investor Director” means an Investor Designee who has been elected or appointed to the Board.

“Investor Percentage Interest” means the percentage calculated by dividing (x) the number of Common Shares that are as of the date of such calculation Beneficially Owned by the Investors, in the aggregate, by (y) the number of Acquired Shares purchased pursuant to the Purchase Agreement.

“Mandatory Public Filings” has the meaning set forth in Section 2.2(o).

“Material Defect” has the meaning set forth in Section 4.5(g).

“Nonpublic Communication” has the meaning set forth in Section 2.2(n).

“Permitted Transferee” means a Controlled Affiliate of an Investor that remains a Controlled Affiliate of Investor and agrees to be bound by the provisions of this Agreement as if it were an Investor hereunder by the execution of a Joinder, in substantially the form attached hereto as Annex A.

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“Person” means an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization or a government or department or agency thereof.

“PFP” has the meaning set forth in Section 1.2(g).

“Piggyback Registration” has the meaning set forth in Section 4.1(a).

“Preemptive Securities” has the meaning set forth in Section 5.1(a).

“Proposed Securities” has the meaning set forth in Section 5.1(a)(i).

“Public Offering” means a public offering of equity securities of the Company pursuant to an effective Registration Statement under the Securities Act (other than a Special Registration).

“Purchase Agreement” has the meaning set forth in the recitals.

“Register,” “registered” and “registration” shall refer to a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such Registration Statement or (ii) filing a prospectus and/or prospectus supplement in respect of an appropriate effective Registration Statement on Form S-3.

“Registrable Securities” means the Acquired Shares held by the Investors provided that the Acquired Shares shall cease to be Registrable Securities when (i) they are sold pursuant to an effective Registration Statement under the Securities Act, (ii) they are sold pursuant to Rule 144 under the Securities Act (or any similar rule then in force), or (iii) they have ceased to be outstanding.

“Registration Request” has the meaning set forth in Section 4.3(a).

“Registration Expenses” means all (i) reasonable expenses incurred by the Company in effecting any registration pursuant to this Agreement, including, all registration and filing fees, Financial Industry Regulatory Authority, Inc. fees, printing expenses, fees and disbursements of counsel for the Company, “blue sky” fees and expenses and expenses of the Company’s independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration and (iii) Selling Expenses.

“Registration Statement” means the prospectus and other documents filed with the Commission to effect a registration under the Securities Act.

“Rights Agreement” means that certain Rights Agreement dated as of May 29, 2009 between the Company and Mellon Investor Services LLC.

“Second MP” has the meaning set forth in the preamble.

“Second Threshold” has the meaning set forth in Section 1.2(a).

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“Securities Act” has the meaning set forth in Section 2.1(e).

“Seller” has the meaning set forth in the recitals.

“Selling Expenses” means all underwriting discounts, selling commissions and transfer taxes applicable to the sale of Registrable Securities hereunder, fees and disbursements of counsel for any holders of any Registration Expenses required by Applicable Law to be paid by a selling shareholder.

“Shelf Registration” has the meaning set forth in Section 4.2(a).

“Shelf Registration Statement” means a Registration Statement on Form S-3 (or any successor or similar provision) or any similar short-form or other appropriate Registration Statement that may be available at such time, in each case for an offering to be made on a continuous or delayed basis pursuant to Rule 415 (or any successor or similar provision) under the Securities Act covering Registrable Securities. To the extent that the Company is a “well-known seasoned issuer” (as such term is defined in Rule 405 (or any successor or similar rule) of the Securities Act), a “Shelf Registration Statement” shall be deemed to refer to an “automatic shelf Registration Statement,” as such term is defined in Rule 405 (or any successor or similar rule) of the Securities Act.

“Special Registration” means the registration of (i) equity securities and/or options or other rights in respect thereof solely registered on Form S-4 or Form S-8 (or any successor or similar forms) or (ii) shares of equity securities and/or options or other rights in respect thereof to be offered to directors, members of management, employees, consultants or sales agents, distributors or similar representatives of the Company or its direct or indirect subsidiaries or in connection with dividend reinvestment plans.

“Specified Persons” has the meaning set forth in Section 7.4.

“SRO” means (i) any “self regulatory organization” as defined in Section 3(a)(26) of the Exchange Act, or (ii) any other United States or foreign securities exchange, futures exchange, commodities exchange or contract market and (iii) any other securities exchange.

“Standstill Period” has the meaning set forth in Section 2.2(m).

“State Act” has the meaning set forth in Section 2.1(e).

“Transfer” means (i) any direct or indirect sale, assignment, disposition or other transfer, either voluntary or involuntary, of any capital stock or interest in any capital stock or (ii) in respect of any capital stock or interest in any capital stock, to enter into any swap or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such capital stock or interest in capital stock, whether any such transaction, swap or series of transactions is to be settled by delivery of securities, in cash or otherwise.

Section 6.2 Terms Generally. The words “hereby,” “herein,” “hereof,” “hereunder” and words of similar import refer to this Agreement as a whole and not merely to the specific

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section, paragraph or clause in which such word appears. All references herein to Articles and Sections shall be deemed references to Articles and Sections of this Agreement unless the context shall otherwise require. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” References to “\$” or “dollars” mean United States dollars. The definitions given for terms in this Article VI and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. References herein to any agreement (including the Purchase Agreement) shall be deemed references to such agreement as it may be amended, restated or otherwise revised from time to time.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Term. This Agreement will be effective as of the date hereof and, except as otherwise set forth herein, will continue in effect thereafter until the earlier of (i) termination of this Agreement by the consent of First MP and Second MP and the Company or their respective successors in interest or (ii) termination of the Purchase Agreement prior to the Closing.

Section 7.2 No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities that violates the rights granted to the holders of Registrable Securities in this Agreement.

Section 7.3 Confidentiality. The Investors and EBF agree (i) to keep confidential all non-public information regarding the Company and its Affiliates received through any Investor Director, and not to disclose or reveal any such information to any Person other than its directors, officers, managers, employees, agents, attorneys, consultants, shareholders, members and owners who need to know such information, and (ii) not to use such non-public information for any purpose other than evaluating or monitoring the investment by the Investors in the Company, and (iii) not to use such non-public information in a manner that is competitive against or otherwise harmful to the Company; provided that nothing herein shall prevent the Investors from disclosing any such information that (A) is or hereafter becomes part of the public domain without any violation of this Agreement on the part of an Investor; (B) was within an Investor’s possession prior to its being furnished to the Investor by the Investor Director; (C) was or is hereafter received by an Investor or an Investor Director from a third party not known by Investor to be under any obligation of confidentiality to the Company, or (D) is required to be disclosed by Applicable Law (provided that prior to such disclosure, the Investor shall promptly notify the Company of any such disclosure to the extent legally permitted).

Section 7.4 Investment Opportunities; Conflicts of Interest. The Company expressly acknowledges and agrees that (a) the Investors and their respective Affiliates (but excluding the Company and its subsidiaries from the definition of Affiliates for purposes of this Section 7.4) and their respective managers, directors, officers, shareholders, partners, members, employees, representatives, and agents (including the Investor Directors) (collectively, the “Specified Persons”) are permitted (i) to have and develop, and may presently or in the future have and develop, investments, transactions, business ventures, contractual, strategic or other business

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relationships, prospective economic advantages or other opportunities (the “Business Opportunities”) in the lines of business conducted by the Company or its subsidiaries (the “Business”) or in businesses that are and may be competitive or complementary with the Business, for their own account or for the account of any Person other than the Company or any of its subsidiaries, and (ii) to direct any such Business Opportunities to any other Person, (b) none of the Specified Persons will be prohibited by virtue of their investments in the Company or his or her service as a Investor Director or otherwise from pursuing and engaging in any such activities, (c) none of the Specified Persons will be obligated to inform or present the Company or any of its subsidiaries or the Board or the board of directors of any of the Company’s subsidiaries of or with any such Business Opportunity, (d) neither the Company or any of its subsidiaries will have or acquire or be entitled to any interest or expectancy or participation (such right to any interest, expectancy or participation, if any, being hereby renounced and waived) in any Business Opportunity as a result of the involvement therein of any of the Specified Persons, and (e) the involvement of any of the Specified Persons in any Business Opportunity will not constitute a conflict of interest, breach of fiduciary duty, or breach of this Agreement by such Persons with respect to the Company or any of its subsidiaries.

Section 7.5 Investor Actions. Any action taken by the Investors pursuant to this Agreement shall be by the act of the holders of a majority of the Acquired Shares held by all Investors.

Section 7.6 Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and the Investors. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Applicable Law.

Section 7.7 Successors and Assigns. Except for any assignment by any Investor to any Permitted Transferee, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto, in whole or in part (whether by operation of law or otherwise), without the prior written consent of the Company and the Investors. This Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective permitted successors and assigns. Any attempted assignment in violation of this Section 7.7 shall be void.

Section 7.8 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 7.9 Counterparts. This Agreement may be executed in two or more counterparts (including by facsimile or electronic scanned image), all of which shall be

considered originals and one and the same agreement, and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that each party need not sign the same counterpart.

Section 7.10 Entire Agreement. This Agreement (including the documents and the instruments referred to in this Agreement) constitutes the entire agreement and supersedes all prior term sheets, communications, correspondence, discussions, agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement, including the Confidentiality Agreement.

Section 7.11 Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to contracts made and wholly performed within such state, without regard to any applicable conflicts of law principles. The parties hereto agree that any suit, action or proceeding brought by any party to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought exclusively in any federal or state court located in the State of New York. Each of the parties hereto submits to the exclusive jurisdiction of any such court in any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, this Agreement or the transactions contemplated hereby and hereby irrevocably waives the benefit of jurisdiction derived from present or future domicile or otherwise in such action or proceeding. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 7.12 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 7.13 Specific Performance. The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to seek injunction or injunctions or other equitable relief to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any court set forth in Section 7.11, in addition to any other remedy to which they are entitled at law or in equity.

Section 7.14 No Third Party Beneficiaries. Nothing in this Agreement shall confer any rights upon any Person other than the parties hereto and each such party's respective heirs, successors and permitted assigns, all of whom shall be third party beneficiaries of this Agreement; provided that any Permitted Transferee shall be an intended third party beneficiary hereof.

Section 7.15 Notices. All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given if delivered personally, sent via facsimile (with confirmation), mailed by registered or certified mail (return receipt requested) or

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delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, to:

Primus Guaranty, Ltd.
Clarendon House
2 Church Street
Hamilton HM 11 Bermuda
Attention: Secretary

with a copy to:

Primus Asset Management, Inc.
360 Madison Avenue
New York, NY 10017
Attention: General Counsel
Facsimile: (212) 697-3731

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attention: David E. Shapiro
Facsimile: (212) 403-2000

If to any Investor or EBF, to it:

c/o EBF & Associates, L.P.
601 Carlson Parkway
Suite 200
Minnetonka, MN 55305
Attention: Vince Vertin
Facsimile: (952) 476-7201

with a copy (which shall not constitute notice) to:

EBF & Associates, L.P.
601 Carlson Parkway, Suite 200
Minnetonka, MN 55305
Attention: Mike Sullivan
Facsimile: (952) 476-7201

The remainder of this page intentionally left blank.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement by their authorized representatives as of the date first above written.

PRIMUS GUARANTY, LTD.

By:
Name: Richard Claiden
Title: Chief Executive Officer

MERCED PARTNERS LIMITED PARTNERSHIP

By:
Its Authorized Representative

MERCED PARTNERS III (CAYMAN), L.P.

By:
Its Authorized Representative

EBF & ASSOCIATES, L.P.

By:
Its Authorized Representative

[Signature Page to Shareholders Agreement]

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Annex A – Form of Joinder

By execution of this Joinder, the undersigned agrees to become a party to that certain Shareholders Agreement, dated as of December 30, 2010 (the “Agreement”), among Primus Guaranty, Ltd., the Investors and EBF, as defined therein. By execution of this Joinder, effective as of the date below, the undersigned shall have all the rights, and shall observe all the obligations, of an Investor.

Investor: _____

(print)

Address for notices:

With copies to:

By: _____
Name:
Title:
Date:

Accepted and Agreed:

PRIMUS GUARANTY, LTD.

By: _____
Name:
Title:

[Joinder to Shareholders Agreement]



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Annex B – Investor Ownership

Investor	Number of Shares
Merced Partners Limited Partnership	3,678,071
Merced Partners III (Cayman), L.P.	7,587,929

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Schedule 3.3(h)

Registration Rights Agreement, dated as of October 5, 2004, among Primus Guaranty, Ltd. and the Holders (as defined therein) as amended by First Amendment to Registration Rights Agreement, dated as of January 2006, among Primus Guaranty, Ltd. and the Holders (as defined therein).

