

Court Dismisses Fairfax Financial Suit

By Amy Or

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A New Jersey State Court judge Friday dismissed Canadian insurer Fairfax Financial Holdings Ltd.'s lawsuit against hedge-fund managers Dan Loeb, Jim Chanos and their firms, alleging the managers were part of a group that targeted the Toronto company in a short-selling conspiracy.

In his judgment, Judge Stephan Hansbury said New Jersey wasn't the correct jurisdiction to hear the case against Third Point LLC, Kynikos Associates LP and their executives.

"Fairfax is located in Canada and has no direct connection with the State of New Jersey," he wrote. "None of the defendants maintain offices, reside in or have any direct connection with the State of New Jersey."

But unlike his earlier verdict involving SAC Capital Advisors LP, the judge didn't mention the merits of the case itself. In September, the judge dismissed Fairfax's allegations against the hedge-fund giant, saying there was no evidence SAC was part of a short-selling conspiracy.

A lawyer for Fairfax, Michael Bowe of Kasowitz, Benson, Torres & Friedman, said the ruling "did not in any way address the merits of plaintiffs' claims." He said they would appeal the decision at the appropriate time.

Fairfax alleged that a group of hedge funds had worked together to spread false information about the insurer that would enable them to profit from short-selling in Fairfax shares and sought \$6 billion in compensatory damages.

In short selling, a trader borrows shares to sell them, hoping to buy them back later at a lower price, settle the loan and pocket the difference. Short selling is profitable when the shares in question drop.

The move by the Toronto company illustrates how companies are getting more aggressive about challenging hedge funds that hope to profit by declines in the companies' share prices.

Bill Carmody, a litigator who represented Loeb and Third Point, said that, while Fairfax can attempt to file another lawsuit in New York, he believes the chances of it being heard is low.

"It's too late," he said. "This is final justice for Third Point."

In a statement, Mr. Chanos said, "We are gratified by the Court's ruling, but have no further comment at this time."