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UPDATE 1-Perelman's Morgan Stanley suit comes to an end

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(Adds comment from Perelman spokesman, background)

By [Joseph A. Giannone](#)

NEW YORK, Dec 12 (Reuters) - The Florida Supreme Court on Wednesday said it would not review an appeals court ruling that dismissed a \$1.5 billion verdict against Morgan Stanley (MS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) in a breach of contract lawsuit brought by billionaire Ronald Perelman.

The ruling marks the end of a long but unsuccessful battle by Perelman against the world's second largest investment bank.

"The court has ruled. We will abide by its decision," Perelman spokeswoman Chris Taylor said.

The state supreme court ruling offers good news for Morgan Stanley shareholders. The bank had set aside \$360 million of reserves to cover potential damages for the Perelman case. That money now returns to the bank's balance sheet in its first fiscal quarter of 2008, a bank spokeswoman said.

"We are pleased that the Florida Supreme Court has decided not to review the court of appeals' decision dismissing Coleman's claims with no opportunity for retrial. We believe this brings Coleman's claims against Morgan Stanley to an end," Morgan Stanley said.

Florida's Fourth District Court of Appeal had overturned the \$1.45 billion verdict in March against Morgan Stanley. The bank had served as merger advisor to Sunbeam Corp, an appliance maker that collapsed shortly after it acquired Perelman's 82 percent stake in Coleman (Parent) Holdings Inc, a camping equipment maker, in 1998 for \$1.5 billion in cash and stock.

Coleman had received 14.1 million Sunbeam shares in the transaction. The stock became worthless after Sunbeam fired chief executive Al Dunlap and admitted it had inflated sales to prop up earnings. Sunbeam went bankrupt in February 2001.

Perelman, in his April 2005 lawsuit accused Morgan Stanley of fraud in helping Sunbeam hide its shaky finances while arranging the deal.

A Florida jury had ruled in Perelman's favor in May 2005 after trial judge Elizabeth Maass, fed up with with Morgan Stanley's failure to produce e-mails, ordered the jury to assume the bank and Sunbeam conspired to defraud Perelman.

Jurors awarded Perelman \$1.45 billion, including \$604 million of compensatory damages and \$850 million of punitive damages. The total rose to \$1.58 billion with interest before the appellate court dismissed the case.

The verdict was just one more strike against former Morgan Stanley chief executive Philip Purcell, who was forced out a month later. Morgan Stanley was scolded by Judge Maass for its repeated failure to produce e-mail documents and for claiming documents were destroyed only to find them later.

In a 2-1 decision, the appellate court said Perelman failed to show he was damaged because he didn't demonstrate what Sunbeam shares would be worth had there been no fraud. The dissenting judge would have upheld the compensatory damages award and ordered a new trial on punitive damages.

Note: This reasoning is astonishing in how utterly absurd and irrelevant it is to the issue of contract fraud in a securities transaction, in that:

- (1) Perelman accepted the shares of Sunbeam stock as consideration for the sale Coleman because he relied on the fair valuation of those shares, based on Morgan Stanley representations as advisor to Sunbeam
- (2) The shares were shown to be worthless, a fact that was affirmed by the US Bankruptcy Court; therefore the damages are absolutely measurable.
- (3) Had Perelman known about the fraudulent overstatement of earnings, he obviously would have walked from the deal, and his damages would NOT have occurred.
- (4) And that's all he needed to show.
- (6) To have to show what the shares would have been worth had Sunbeam's earnings not been propped up is IRRELEVANT.

IMPORTANT: Look to see if there has been a material change in the lifestyles of the judges who overturned or affirmed the overturning the initial verdict -- then follow the money or other assets (via barter), but don't overlook changes in lifestyles of family members, particularly those who may live outside the U.S.

Perelman's investment vehicle, MacAndrews & Forbes Holdings Inc, controls cosmetics maker Revlon Inc (REV.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), where Perelman is chairman. Forbes estimates Perelman has a net worth of \$10 billion, where he ranks 28th on its list of the 400 richest Americans. (Reporting by Joseph A. Giannone; Editing by Gary Hill and Tim Dobbyn)

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