

WATSA V PREM ET AL  
Form 3  
November 05, 2010

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0104  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *			2. Date of Event Requiring Statement	3. Issuer Name <b>and</b> Ticker or Trading Symbol	
Â FAIRFAX FINANCIAL HOLDINGS LTD/ CAN			(Month/Day/Year)	FIRST MERCURY FINANCIAL CORP [FMR]	
(Last)	(First)	(Middle)		4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
95 WELLINGTON STREET WEST,Â SUITE 800				(Check all applicable)	
(Street)				<input type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner	6. Individual or Joint/Group Filing(Check Applicable Line)
TORONTO,Â A6Â M5J 2N7				<input type="checkbox"/> Officer (give title below)	<input type="checkbox"/> Other (specify below)
(City)	(State)	(Zip)			<input type="checkbox"/> Form filed by One Reporting Person
					<input checked="" type="checkbox"/> Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Beneficially Owned**

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common stock, \$0.01 par value per share (?Shares?)	0	I	See notes (1), (2), (3) and (4). <u>(1)</u> <u>(2)</u> <u>(3)</u> <u>(4)</u>

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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**Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security	4. Conversion or Exercise	5. Ownership Form of	6. Nature of Indirect Beneficial Ownership (Instr. 5)
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Date Exercisable	Expiration Date	(Instr. 4) Title	Amount or Number of Shares	Price of Derivative Security	Derivative Security: Direct (D) or Indirect (I) (Instr. 5)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FAIRFAX FINANCIAL HOLDINGS LTD/ CAN 95 WELLINGTON STREET WEST SUITE 800 TORONTO, A6 M5J 2N7	Â	Â X	Â	Â
WATSA V PREM ET AL 95 WELLINGTON STREET WEST SUITE 800 TORONTO, A6 M5J 2N7	Â	Â X	Â	Â
1109519 ONTARIO LTD 95 WELLINGTON STREET WEST SUITE 800 TORONTO, A6 M5J 2N7	Â	Â X	Â	Â
SIXTY TWO INVESTMENT CO LTD 1600 CATHEDRAL PLACE 925 WEST GEORGIA ST. VANCOUVER, A1 V6C 3L3	Â	Â X	Â	Â
810679 ONTARIO LTD 95 WELLINGTON STREET WEST SUITE 800 TORONTO, A6 M5J 2N7	Â	Â X	Â	Â

## Signatures

BY: /s/ Bradley P. Martin , NAME: Bradley P. Martin, TITLE: Vice President, Chief Operating Officer and Corporate Secretary	11/05/2010
Signature of Reporting Person	Date
/s/ V. Prem Watsa	11/05/2010
Signature of Reporting Person	Date
BY: /s/ V. Prem Watsa, NAME: V. Prem Watsa, TITLE: President	11/05/2010
Signature of Reporting Person	Date
BY: /s/ V. Prem Watsa, NAME: V. Prem Watsa, TITLE: President	11/05/2010
Signature of Reporting Person	Date
BY: /s/ V. Prem Watsa, NAME: V. Prem Watsa, TITLE: President	11/05/2010
Signature of Reporting Person	Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) On October 28, 2010, Fairfax Financial Holdings Limited, a Canadian corporation ("Fairfax"), Fairfax Investments III USA Corp., a Delaware corporation and wholly owned subsidiary of Fairfax ("Merger Sub") and First Mercury Financial Corporation, a Delaware corporation ("First Mercury") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into First Mercury (the "Merger"), with First Mercury surviving the Merger as a wholly owned indirect subsidiary of Fairfax.

(2) (continued from footnote 1) Concurrently with the execution and delivery of the Merger Agreement, Richard H. Smith, the Chairman, President and Chief Executive Officer of First Mercury, and Jerome M. Shaw, a director of First Mercury (collectively, the "Signing Stockholders"), each solely in his capacity as stockholder of First Mercury, entered into Voting Agreements with Fairfax (the "Voting Agreements") with respect to the Shares owned by them. Such Shares (together with any Shares acquired by the Signing Stockholders on or after the date of the Voting Agreements, the "Voting Agreement Shares") constituted approximately 17% of the total issued and outstanding Shares as of October 28, 2010.

(3) (continued from footnote 2) Pursuant to the Voting Agreements, the Signing Stockholders (i) have agreed to vote, or cause to be voted, the Voting Agreement Shares in favor of the approval of the Merger Agreement and the transactions contemplated thereby, against any action, agreement, transaction or proposal, including any "Takeover Proposal" as defined in the Merger Agreement that would result in a material breach by First Mercury under the Merger Agreement or a failure of any condition to First Mercury's obligations thereunder to be satisfied and in favor of any other matter necessary to the consummation of the transactions contemplated by the Merger Agreement and (ii) have granted Fairfax an irrevocable proxy to vote the Voting Agreement Shares in accordance with the foregoing if the Signing Stockholders fail to do so.

(4) Neither the filing of this Form 3 nor the information contained herein shall be deemed to constitute an affirmation by V. Prem Watsa, 1109519 Ontario Limited, Sixty Two Investment Company Limited, 810679 Ontario Limited or Fairfax (collectively, the "Reporting Persons") that it is the beneficial owner of the Shares referred to herein for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or for any other purpose, and such beneficial ownership is expressly disclaimed. For additional information regarding the Voting Agreements and the Merger, see the Schedule 13D filed by the Reporting Persons with the Securities and Exchange Commission on the date hereof.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

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