

Further Developments in Icahn's & Deason's Battle Against Xerox

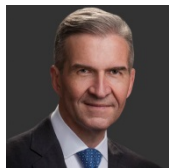
We previously released an *M&A Watch* note detailing the recent NY decision of *In re Xerox Corporation Consolidated Shareholder Litigation* and the subsequent settlement agreement entered into between activist investors Carl Icahn and Darwin Deason and the Xerox Corporation ("Xerox"). The agreement provided for the resignations of Xerox's CEO, Jeff Jacobson, and six other members of Xerox's board, with the newly opened vacancies to be filled by Icahn's and Deason's designees. The agreement was to become effective upon dismissal of the litigation.

In an unexpected and unusual turn of events, the parties were apparently unable to agree on terms dismissing the litigation. It is unclear exactly which terms the parties were unable to agree on, but Icahn alleges in an amendment filed to his Schedule 13D that the "Xerox Board declined to take the actions they unanimously approved as in the best interest of Xerox shareholders unless they obtained additional unprecedented protections from the court, which all parties (and the judge!) agree are not required under applicable law."

As a result, the settlement between the activist investors and Xerox appears to have fallen apart. Jacobson and the Xerox board will remain in their current roles (at least pending further developments). However, the amendment filed to Icahn's Schedule 13D indicates that additional litigation may be forthcoming, as it states that Icahn and Deason intend to see that Jeff Jacobson and the other directors "are held fully and personally liable for their misconduct."

We will continue to monitor this highly unusual situation as it evolves.

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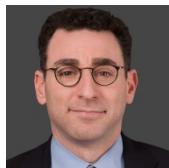
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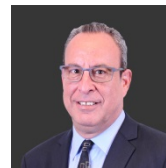
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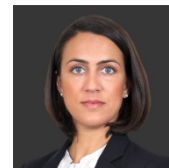
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