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

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2016

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: ______ to: _______

Commission File Number 001-04471

XEROX CORPORATION
(Exact Name of Registrant as specified in its charter)

New York	**16-0468020**
(State of incorporation)	(IRS Employer Identification No.)
P.O. Box 4505, 45 Glover Avenue, Norwalk, Connecticut 06856-4505	**(203) 968-3000**
(Address of principal executive offices)	**(Registrants telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	**New York Stock Exchange**
	Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the voting stock of the registrant held by non-affiliates as of June 30, 2016 was $9,616,251,249.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at January 31, 2017
Common Stock, $1 par value	1,016,583,502

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated herein by reference:

Document	Part of Form 10-K in which Incorporated
Xerox Corporation Notice of 2017 Annual Meeting of Shareholders and Proxy Statement (to be filed no later than 120 days after the close of the fiscal year covered by this report on Form 10-K)	III

FORWARD-LOOKING STATEMENTS

From time to time, we and our representatives may provide information, whether orally or in writing, including certain statements in this Annual Report on Form 10-K, which are deemed to be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended or using other similar expressions. We do not intend to update these forward-looking statements, except as required by law.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this Annual Report on Form 10-K, any exhibits to this Form 10-K and other public statements we make. Such factors include, but are not limited to: our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax laws in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; the risk that partners, subcontractors and software vendors will not perform in a timely, quality manner; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring actions; the risk that individually identifiable information of customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to manage changes in the printing environment and markets and expand equipment placements; interest rates, cost of borrowing and access to credit markets; funding requirements associated with our employee pension and retiree health benefit plans; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; the risk that we do not realize all of the expected strategic and financial benefits from the separation and spin-off of our Business Process Outsourcing (BPO) business; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of this Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

XEROX CORPORATION
FORM 10-K
DECEMBER 31, 2016

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ITEM 1. BUSINESS

Company Separation

On December 31, 2016, Xerox Corporation completed the separation of its Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing (DT/DO) business (the “Separation”). The Separation was accomplished by moving the BPO business into a new legal entity, Conduent Incorporated (“Conduent”), and then distributing one hundred percent (100%) of the outstanding common stock of Conduent to Xerox Corporation stockholders (the “Distribution”). Conduent is now an independent public company listed and traded on the New York Stock Exchange (“NYSE”) under the symbol “CNDT”.

As a result of the Separation and Distribution, the BPO business is presented as a discontinued operation and, as such, has been excluded from continuing operations and segment results for all periods presented.

In connection with the Separation, Xerox entered into several agreements with Conduent to (1) effect the legal and structural separation of Xerox and Conduent, (2) govern the relationship between Xerox and Conduent up to and after the completion of the Separation and (3) allocate between Xerox and Conduent various assets, liabilities and obligations, including, among other things, employee benefits and tax-related assets and liabilities. The agreements included a separation and distribution agreement, a transition service agreement, a tax matters agreement, an employee matters agreement, an intellectual property agreement and a trademark license agreement. The transition services primarily involve Xerox providing services to Conduent related to information technology and human resource infrastructure and are all expected to be for terms of no more than one year post-separation.

Our Business

Xerox is innovating the way the world communicates, connects and works. We apply our expertise in imaging and printing, data analytics, and the development of secure and automated solutions to help our customers improve productivity, maximize profitability and increase client satisfaction.

We are a leading global provider of digital print technology and related solutions; we operate in a market estimated at approximately $85 billion[1]. Our primary offerings span three main areas: Managed Document Services (which largely represents the Document Outsourcing business that was reported in our Services segment before the separation), Workplace Solutions and Graphic Communications. Our Managed Document Services offerings help customers, ranging from small businesses to global enterprises, optimize their printing and related document workflow and business processes. Xerox led the establishment of this expanding market and continues as the industry leader. Our Workplace Solutions and Graphic Communications products and solutions support the work processes of our customers by providing them with an efficient, cost effective printing and communications infrastructure.

(1) Market estimates are derived from third-party forecasts produced by firms such as International Data Corporation (IDC).

Our Strategy and Business Model

Our strategy is to apply innovation in digital print technology and services in order to increase our participation in the growth areas of our market while maintaining leadership in the more mature areas. Our Strategic Transformation program (see: *Accelerate Productivity and Cost Initiatives through Strategic Transformation* section below) is intended to provide the required investments to improve our revenue trajectory while expanding our margins. Our profitable annuity-based business model enables us to deliver strong, sustainable cash flows. We believe the combination of an improving revenue trajectory along with expanding operating margins and strong cash flow will enable us to deliver strong shareholder returns over time. To accomplish this, we focus on the following areas:

Maintain Market Leadership and Focus on Strategic Growth Areas

We are a leader in our industry and have a strong and valuable brand that continues to be ranked in the top percentile of the most valuable global brands. We systematically evaluate the markets, competition, and the needs of our customers and partners; we are focused on maintaining our position in areas where we are the leader, and making the portfolio and distribution investments to further penetrate growth areas of the market.

We will make investments and execute our strategies using the following approach:

- Expand leadership in Managed Document Services by leveraging and extending our strength in large enterprises and broadening our SMB (small to mid-sized business) offerings.
- Increase SMB coverage through resellers and partners (including multi-brand dealers) and continued distribution acquisitions.
- Gain share in the A4 product segment of the market, where historically we have been under-represented, by strengthening our product portfolio and increasing distribution capacity.
- Extend leadership in digital color production through continued innovation and growth in new markets.

Geographically, our footprint spans more than 160 countries and allows us to deliver superior technology and solutions to customers of all sizes, regardless of complexity or number of customer locations.

Innovate to Differentiate Our Offerings

Differentiating our offerings is key to our strategy. A critical role of our research is to envision the future and identify new competency areas for that future. We direct our research and development (R&D) investments to areas such as workflow automation, color printing and customized communication, as well as improving the quality and reducing the environmental impact of digital printing. We are investing in new and novel applications of printing technology that could offer attractive opportunities in adjacent markets. We expect this will deliver incremental value for our customers and drive profitable revenue growth for our business.

Accelerate Productivity and Cost Initiatives through Strategic Transformation

We have a track record of operational excellence and maintaining strong margins through ongoing cost and productivity initiatives. As markets shift, we undertake restructuring to optimize our workforce and facilities to best align our resources with the growth areas of our business, and to maximize profitability and cash flow in businesses that are declining. In 2016, we initiated a three-year Strategic Transformation program to simplify and create a significantly more effective structure that delivers productivity and cost reduction beyond our historical range of $300 to $350 million of annual savings. The program is expected to deliver gross productivity gains and cost savings of at least $1.5 billion over the three- year period. It targets to gain efficiencies in areas such as delivery, remote connectivity, sales productivity, pricing, design efficiency and supply chain optimization. It will improve our competitiveness and enable us to deliver margin expansion while reinvesting in the business to improve the revenue trajectory.

Engage, Develop and Support Our People

Our offerings are supported by a talented global workforce focused on delivering value to our customers. We continue to develop our employees by investing in processes and systems, equipping them with modern tools that enable them to perform their jobs more effectively and providing opportunities for career growth.

Annuity-Based Business Model and Shareholder-Centered Capital Allocation

Our business is based on an annuity model that provides significant recurring revenue and cash generation. In 2016, approximately 75 percent of our total revenue was annuity-based; this includes contracted services, equipment maintenance, consumable supplies and financing, among other elements. The remaining 25 percent of our revenue comes from equipment sales, either from lease agreements that qualify as sales for accounting purposes or outright cash sales.

We remain committed to maintaining an investment grade credit rating profile while also using our strong cash flow to deliver shareholder returns through a balanced capital allocation strategy. We selectively pursue acquisitions in targeted growth areas to improve portfolio mix and drive profit expansion. Our objective is to deliver over 50% of free cash flow back to shareholders through dividends and share repurchases over time.

Acquisitions and Divestitures

In 2016, as we prepared to spin-off Conduent, we allocated only a modest portion of free cash flow to acquisitions. Consistent with our strategy to expand distribution in under-penetrated markets, we added two equipment dealers to our Global Imaging Systems network. We did not have any divestitures during the year.

Additional details can be found in Note 3 - Acquisitions and Note 4 - Divestitures, in the Consolidated Financial Statements.

Innovation and Research

Xerox has a rich heritage of innovation, and innovation continues to be a core strength of the company as well as a competitive differentiator. Our aim is to create value for our customers, our shareholders and our people by driving innovation in key areas. Our investments in innovation align with our growth opportunities in areas like workflow automation, color printing, customized communication and new and novel applications of printing technology.

Our research efforts can be categorized under four themes:

1. **Digital Printing - Improve the cost and capability of digital printing for documents and beyond**

   Advances in digital printing are enabling mass customization at a run cost approaching the cost of analog printing. We are continuously investing in research to reduce the cost of digital printing consumables while maintaining the high print quality that our customers expect. Our research is also focused on developing new printing technologies that enable us to print digitally on a broader range of media and substrates such as foils, cartons, and directly on end-use products, which will open up new growth markets such as digital packaging. Printing with functional inks will also allow us to add intelligence to packaging, such as sensors, memory, and interactive features, which will enable new analytic-based services, higher security and new consumer experiences. As a responsible corporate citizen, we are also investing in research to lower the environmental impact of our products and consumables.

2. **Personalization at Scale - Enhance value by providing secure, real-time, context-aware personalized products, solutions and services**

   Whether business correspondence, personal communication, manufactured items or an information service, personalization increases the value of communication. Our research leads to technologies that improve the efficiency, economics, relevance and security of our customers' products and services. We help customers improve the impact of their communications by leveraging vast information resources available from private databases or public sources including social media and delivering personalized messages, products and services. Examples of innovation focus areas include creating new capabilities in imaging, multi-media marketing campaign management, workflow automation and augmented reality to deliver personalization at scale.

3. **Agile Enterprise - Create simple, automated and touch-less business workflows resulting in lower cost, higher quality and increased agility**

   Enterprises of all sizes require agility in order to quickly respond to market changes and new requirements. To enable greater business process agility, our research goals are to simplify, automate and enable business processes on the cloud via flexible platforms that run on robust and scalable infrastructures. We continue to invest in new capabilities to help people better leverage and integrate paper and digital workflows. And we go beyond that to develop innovations for the automation of business workflows. These leverage our research in image, video and natural language processing, as well as machine learning. Application of these methods to business workflows enables technology to perform tasks that today are performed manually, thus allowing workers to focus on higher value tasks.

4. **Usable Analytics - Transform big data into useful information resulting in better business decisions**

   Competitive advantage can be achieved by better utilizing available and real-time information. Today, information resides in an ever-increasing universe of servers, repositories and formats. The vast majority of information is unstructured, including text, images, voice and videos. One key research area is making sense of unstructured information using natural language processing and semantic analysis. A second major research area focuses on developing proprietary methods for prescriptive analytics applied to business processes. Here, we seek to better manage very large data systems in order to extract business insights and use those insights to provide our clients with actionable recommendations. Tailoring these methods to various vertical applications leads to new customer value propositions.

Our innovation goals are supported by cross disciplinary research programs in our different research centers. PARC, the most prominent of these centers, is a wholly-owned subsidiary of Xerox located in Silicon Valley. It provides Xerox commercial and government clients with R&D and open innovation services. PARC scientists have deep technological expertise in areas that we consider fundamental to bring high-impact innovations to our customers and the world; such areas include big data analytics, intelligent sensing, computer vision, networking, printed electronics, energy, and digital design and manufacturing.

Investment in R&D is critical for competitiveness in our fast-paced markets. One of the ways that we maintain our market leadership is through strategic coordination of our R&D with Fuji Xerox (an equity investment in which we maintain a 25 percent ownership interest).

Our total research, development and engineering expenses (RD&E), which includes sustaining engineering expenses for hardware engineering and software development after we launch a product, totaled $476 million in 2016, $511 million in 2015 and $531 million in 2014. Fuji Xerox R&D expenses were $628 million in 2016, $569 million in 2015 and $654 million in 2014.

Segment Information

During 2016 our primary reportable segments were Services and Document Technology. The segment financial information for 2016 is provided in Note 2 - Segment Reporting in the Consolidated Financial Statements, which we incorporate by reference here. The Business Process Outsourcing (BPO) business is not reported in our segment financial information as it is now classified as a discontinued operation. Accordingly, the Services reportable segment reflects only the financial information for our legacy Document Outsourcing services business and certain other services businesses that were transferred from the BPO business to Xerox prior to the separation.

Following the separation of the BPO business, we are realigning our business to better manage and serve our customers and the markets in which we operate. As a result, in 2017, we expect to shift to a geographic structure and be primarily organized on the basis of two main business units: North America Operations (U.S. and Canada) and International Operations (Europe, Eurasia, Latin America, Middle East, Africa and India). Although we are still evaluating our segment reporting for 2017, our current expectation is that we will report as one reportable segment. We operate in more than 160 countries worldwide through these two primary business units.

Accordingly, the section below primarily discusses the business based on the offerings (Managed Document Services, Workplace Solutions and Graphic Communications) that are brought to market through these two primary geographic business units.

Revenues

We have a broad and diverse base of customers by both geography and industry, ranging from SMBs to graphic communications companies, governmental entities, educational institutions and Fortune 1000 corporations. Our business does not depend upon a single customer, or a few customers, the loss of which would have a material adverse effect on our business. Our business spans three main offering areas: Managed Document Services, Workplace Solutions and Graphic Communications. In addition, a smaller portion of our revenues comes from non-core streams including paper sales in our developing market countries, wide-format systems, licensing revenue and Global Imaging Systems network integration solutions.

Our Managed Document Services includes a continuum of solutions and services spanning from managing print to automating processes to managing content. This area includes the Document Outsourcing business, as well as a set of communication and marketing solutions offers that were previously part of BPO, both of which were reported in our Services segment before the separation. Our primary offerings within Managed Document Services are Managed Print Services (MPS), including Workflow Automation Services, and Communication and Marketing Solutions (CMS).

- In our MPS business, we help companies assess and optimize their print infrastructure, secure and integrate their environment and automate and simplify their business processes. We provide the most comprehensive portfolio of MPS services in the industry and are recognized as an industry leader by major analyst firms including Gartner, IDC, Quocirca, InfoTrends and Forrester. As the market leader in MPS, we help clients reduce costs, increase productivity and meet their environmental sustainability goals while supporting their mobile and security needs.
    - Our MPS offering targets clients ranging from large, global enterprises, to governmental entities and to small and medium-sized businesses, including those served via our channel partners.
    - Our Next Generation Xerox Partner Print Services is a comprehensive suite of services that allows channel partners to support their SMB customers with some of the same best-in-class tools, processes, and workflow solutions developed by Xerox for large enterprises.

    - Our Xerox Workflow Automation Services help our customers assess, optimize and automate their workflow in a secure and integrated IT environment. By eliminating ineffective processes, we bring our clients operational excellence in routine workflows as well as industry-specific processes.
- In our CMS business, we help large enterprise and global clients drive effective multi-channel customer communications across different digital and physical touch points. CMS offers a full range of managed services that deliver relevant and timely communications focused on customer acquisition, onboarding or retention. Our portfolio includes Document Publishing Services and Transactional Print Services, which continue to serve our existing and well established print and publishing clients. It also includes an expanded suite of service offerings focused on our new on-line digital services including Collateral Management Services, Demand Generation Services, Inbound and Outbound Digital Services, Product Information Management Services and multi-channel Communication Services.

Our Workplace Solutions area is made up of two strategic product groups, Entry and Mid-Range, which share common technology, manufacturing and product platforms. Workplace Solutions revenues include the sale of products and supplies, as well as the associated technical service and financing of those products.

- Entry comprises desktop monochrome and color printers and multifunction printers (MFPs) ranging from small personal devices to workgroup printers and multifunction printers that serve the needs of office workgroups. Entry products are sold to customers in all segments from SMB to enterprise, principally through a global network of reseller partners and service providers, as well as through our direct sales force.
- Mid-Range comprises products for enterprises of all sizes. These products are sold through dedicated partners, our direct sales force, multi-branded channel partners and resellers worldwide. We are a leader in this area of the market and offer a wide range of multifunction printers, copiers, digital printing presses and light production devices, and solutions that deliver flexibility and advanced features.

Our Graphic Communications Solutions are designed for customers in the graphic communications, in-plant and production print environments with high-volume printing requirements. These solutions enable full-color, on-demand printing of a wide range of applications, including variable data for personalized content and one-to-one marketing. Graphic Communications Solutions revenues includes the sale of products, software and supplies, as well as the associated technical service and financing of those products.

- Our cut-sheet presses provide graphic communications and commercial printers with high speed, high-volume printing. They are ideal for publishing, transaction printing, print on demand and one-to-one marketing, offering the best in high speed, productivity and resolution and color. We are the worldwide leader in the cut-sheet color and monochrome production industry.
- Our inkjet presses offer a broad range of roll fed, continuous feed printing technologies, including waterless inkjet and aqueous inkjet for vivid color, and toner-based flash fusing for black and white. Our portfolio spans a variety of print speeds, image quality, feeding, finishing and media options. We continue to develop and integrate our production inkjet business to bring the high-end capabilities of toner-based presses such as speed and inline color correction to the more price sensitive market of inkjet.
- Our FreeFlow portfolio of software offerings brings intelligent automation and integration to the processing of print jobs, from file preparation to final production, for a touchless workflow. It helps customers of all sizes address a wide range of business opportunities including automation, personalization and even electronic publishing.

Geographic Information

Our global presence is one of our core strengths. Overall, approximately 40 percent of our revenue is generated by customers outside the U.S.

In 2016, our revenues by geography were as follows: U.S. - $6,403 million (59 percent of total revenue), Europe - $2,861 million (27 percent of total revenue), and Other areas - $1,507million (14 percent of total revenue). Revenues by geography are based on the location of the unit reporting the revenue and include export sales.

Patents, Trademarks and Licenses

Prior to the separation, Xerox and its subsidiaries were awarded 766 U.S. utility patents in 2016. Including our research partner Fuji Xerox, we were awarded 1,352 U.S. utility patents in 2016. Our patent portfolio evolves as new patents are awarded to us and as older patents expire. As of December 31, 2016, we held about 12,235 U.S. design and utility patents. These patents expire at various dates up to 20 years or more from their original filing dates. While we believe that our portfolio of patents and applications has value, in general no single patent is essential to our business or any individual segment. In addition, any of our proprietary rights could be challenged, invalidated or circumvented, or may not provide significant competitive advantages.

Upon separation, 296 U.S. patents were transferred to the patent portfolio of Conduent and its subsidiaries. Of those patents, 82 were utility patents issued in 2016. Xerox retains approximately 11,940 utility and design patents in its portfolio, including 684 utility patents issued in 2016.

In the U.S., we are party to numerous patent-licensing agreements and, in a majority of them, we license or assign our patents to others in return for revenue and/or access to their patents. Most patent licenses expire concurrently with the expiration of the last patent identified in the license. We are also a party to a number of cross-licensing agreements with companies that hold substantial patent portfolios, including Conduent. These agreements vary in subject matter, scope, compensation, significance and time.

In the U.S., prior to the separation, we owned more than 396 U.S. trademarks, either registered or applied for. These trademarks have a perpetual life, subject to renewal every 10 years. We vigorously enforce and protect our trademarks. Upon separation, 165 trademarks were transferred to Conduent, while Xerox retains 231 trademarks.

Marketing and Distribution

We go to market with a services-led approach and sell our products and services directly to customers through our world-wide sales force and through a network of independent agents, dealers, value-added resellers, systems integrators and the Web. In addition, our wholly-owned subsidiary, Global Imaging Systems (GIS), an office technology dealer comprised of regional core companies in the U.S., sells document management and network integration systems and services. We continued to expand our distribution to small and medium-size businesses in 2016 through GIS's acquisition of two equipment and document services dealer companies.

In Europe, Africa, the Middle East and parts of Asia, we distribute our products through Xerox Limited, a company established under the laws of England, as well as through related non-U.S. companies. Xerox Limited enters into distribution agreements with unaffiliated third parties to distribute our products in many of the countries located in these regions, and previously entered into agreements with unaffiliated third parties who distribute our products in Sudan. Sudan, among others, has been designated as a state sponsor of terrorism by the U.S. Department of State and is subject to U.S. economic sanctions. We maintain an export and sanctions compliance program, and believe that we have been, and are in compliance with, U.S. laws and government regulations for Sudan. We have no assets, liabilities or operations in Sudan other than liabilities under the distribution agreements. After observing required prior notice periods, Xerox Limited terminated its distribution agreements with distributors servicing Sudan in August 2006. Now, Xerox has only legacy obligations to third parties, such as providing spare parts and supplies to these third parties. In 2016, total Xerox revenues of $10.8 billion included less than $14 thousand attributable to Sudan.

Competition

Although we encounter competition in all areas of our business, we are the leader - or among the leaders - in each of our main offering areas. We compete on the basis of technology, performance, price, quality, reliability, brand, distribution and customer service and support.

Our larger competitors include Canon, Hewlett-Packard Inc., Konica Minolta and Ricoh. Our brand recognition, reputation for document management expertise, innovative technology and service delivery excellence are our competitive advantages. These advantages, combined with our breadth of product offerings, global distribution channels and customer relationships, position us as a strong competitor going forward.

Global Employment

We had approximately 37,600 employees worldwide as of December 31, 2016.

Customer Financing

We finance a large portion of our direct channel customer purchases of Xerox equipment through bundled lease agreements. Financing facilitates customer acquisition of Xerox technology and enhances our value proposition, while providing Xerox an attractive gross margin and a reasonable return on our investment in this business. Additionally, because we primarily finance our own products and have a long history of providing financing to our customers, we are able to minimize much of the risk normally associated with a finance business.

Because our lease contracts permit customers to pay for equipment over time rather than at the date of installation, we maintain a certain level of debt to support our investment in these lease contracts. We fund our customer financing activity through a combination of cash generated from operations, cash on hand and proceeds from capital market offerings. At December 31, 2016, we had $3.7 billion of finance receivables and $0.5 billion of equipment on operating leases, or Total Finance assets of $4.2 billion. We maintain an assumed 7:1 leverage ratio of debt to equity as compared to our Finance assets, which results in the majority of our $6.3 billion of debt being allocated to our financing business.

Refer to "Debt and Customer Financing Activities" in the Capital Resources and Liquidity section of Management's Discussion and Analysis included in Item 7 of this 2016 Form 10-K, which is incorporated here by reference, for additional information.

Manufacturing and Supply

Our manufacturing and distribution facilities are located around the world. Our largest manufacturing site is in Webster, N.Y., where we produce the Xerox iGen, Nuvera, Brenva and Direct to Object Inkjet Printer systems, components, EA Toner, consumables, fusers and other products. Our other primary manufacturing operations are located in Dundalk, Ireland, for our High-End production products and consumables; Wilsonville, OR, for solid ink consumable supplies and components; and Aubagne, France, for Impika aqueous-ink production ink-jet systems. We also have a facility in Venray, Netherlands, that manufactures certain supplies and provides supply chain management for our international operations.

We have arrangements with Fuji Xerox under which we purchase and sell products, some of which are the result of mutual research and development agreements. Refer to Note 9 - Investments in Affiliates, at Equity in the Consolidated Financial Statements, which is incorporated here by reference, for additional information regarding our relationship with Fuji Xerox.

We maintain a long-standing relationship of over 15 years with Flextronics, a global electronics manufacturing services company, for our mid-range and entry businesses. Our master supply agreement with Flextronics continues through December 2017 (exclusive of extension rights). We also acquire products from various third parties in order to increase the breadth of our product portfolio and meet channel requirements.

Fuji Xerox

Fuji Xerox is an unconsolidated entity in which we own a 25 percent interest and FUJIFILM Holdings Corporation (FujiFilm) owns a 75 percent interest. Fuji Xerox develops, manufactures and distributes document processing products in Japan, China, Hong Kong, other areas of the Pacific Rim, Australia and New Zealand. We retain significant rights as a minority shareholder. Our technology licensing agreements with Fuji Xerox ensure that the two companies retain uninterrupted access to each other's portfolio of patents, technology and products. Refer to Note 9 - Investment in Affiliates, at Equity in the Consolidated Financial Statements, which is incorporated by reference here, for additional information regarding our investment in Fuji Xerox.

International Operations

The financial measures by geographical area for 2016, 2015 and 2014 that are included in Note 2 - Segment Reporting in the Consolidated Financial Statements, are incorporated here by reference. See also the risk factor entitled “Our business, results of operations and financial condition may be negatively impacted by conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes” in Part I, Item 1A included herein.

Backlog

Backlog, or the value of unfilled orders, is not a meaningful indicator of future business prospects because of the significant proportion of our revenue that follows contract signing and/or equipment installation, the large volume of products we deliver from shelf inventories and the shortening of product life cycles.

Seasonality

Our revenues are affected by such factors as the introduction of new products, the length of sales cycles and the seasonality of technology purchases and printing volumes. These factors have historically resulted in lower revenues, operating profits and operating cash flows in the first quarter and the third quarter.

Other Information

Xerox is a New York corporation, organized in 1906, and our principal executive offices are located at 45 Glover Avenue, P.O. Box 4505, Norwalk, Connecticut 06856-4505. Our telephone number is (203) 968-3000. As of March 27, 2017, our principal executive offices will be located at 201 Merritt 7, P.O. Box 4505, Norwalk, Connecticut 06856-4505.

In the Investor Information section of our Internet website, you will find our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports. We make these documents available as soon as we can after we have filed them with, or furnished them to, the U.S. Securities and Exchange Commission.

Our Internet address is **www.xerox.com**.

ITEM 1A. RISK FACTORS

If we are unsuccessful at addressing our business challenges, our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.

We are in the process of addressing many challenges facing our business. One set of challenges relates to dynamic and accelerating market trends, such as the declines in installations and printed pages, fewer devices per location and an increase in electronic documentation. A second set of challenges relates to changes in the competitive landscape. Our primary competitors are exerting increased competitive pressure in targeted areas and are entering new markets; our emerging competitors are introducing new technologies and business models. These market and competitive trends make it difficult to reverse the current declines in revenue over the past several years. A third set of challenges relates to our continued efforts to reduce costs and increase productivity in light of declining revenues. In addition, we are vulnerable to increased risks associated with our efforts to address these challenges given the markets in which we compete, as well as, the broad range of geographic regions in which we and our customers and partners operate. If we do not succeed in these efforts, or if these efforts are more costly or time-consuming than expected, our business and results of operations may be adversely affected, which could limit our ability to invest in and grow our business.

Our business, results of operations and financial condition may be negatively impacted by conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes.

A significant portion of our revenue is generated from operations outside the United States. In addition, we maintain significant operations and acquire or manufacture many of our products and/or their components outside the United States. Our future revenues, costs and results of operations could be significantly affected by changes in foreign currency exchange rates - particularly the Japanese Yen to the U.S. Dollar and Euro and the Pound Sterling and Euro to the U.S. Dollar - as well as by a number of other factors, including changes in economic conditions from country to country, changes in a country's political conditions, trade protection measures, licensing requirements, local tax issues, capitalization and other related legal matters. We generally hedge foreign currency denominated assets, liabilities and anticipated transactions primarily through the use of currency derivative contracts. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility. We do not hedge the translation effect of international revenues and expenses, which are denominated in currencies other than our U.S. parent functional currency, within our consolidated financial statements. If our future revenues, costs and results of operations are significantly affected by economic conditions abroad and we are unable to effectively hedge these risks, they could materially adversely affect our results of operations and financial condition.

We operate globally and changes in tax laws could adversely affect our results.

We operate globally and changes in tax laws could adversely affect our results. We operate in over 160 countries and generate substantial revenues and profits in foreign jurisdictions. The international tax environment continues to change as a result of both coordinated actions by governments and unilateral measures designed by individual countries, both intended to tackle concerns over base erosion and profit shifting and perceived international tax avoidance techniques. The recommendations of the BEPS Project led by the Organization for Economic Cooperation and Development (OECD) are involved in much of the coordinated activity, although the timing and methods of implementation vary. Additionally, comprehensive US tax reform has been stated to be a priority for the US Congress and new Administration. Such changes in tax laws or their interpretation, if adopted, could adversely affect our effective tax rates and our results.

If we fail to successfully develop new products, technologies and service offerings and protect our intellectual property rights, we may be unable to retain current customers and gain new customers and our revenues would decline.

The process of developing new high technology products and solutions is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must work with our supply partners and make certain investments and commit resources before knowing whether these initiatives will eventually result in products that achieve customer acceptance and generate the revenues required to provide desired returns. In developing these new technologies and products, we rely upon patent, copyright, trademark and trade secret laws in the United States and similar laws in other countries, and agreements with our employees, customers, suppliers and other parties, to establish and maintain our intellectual property rights in technology and products used in our operations. However, the laws of certain countries may not protect our proprietary rights to the same extent as the laws of the United States and we may be unable to protect our proprietary technology adequately against unauthorized third-party copying or use, which could adversely affect our competitive position. In addition, some of our products rely on technologies developed by third parties. We may not be able to obtain or to continue to obtain licenses and technologies from these third parties at all or on reasonable terms, or such third parties may demand cross-licenses to our intellectual property. It is also possible that our intellectual property rights could be challenged, invalidated or circumvented, allowing others to use our intellectual property to our competitive detriment. We also must ensure that all of our products comply with existing and newly enacted regulatory requirements in the countries in which they are sold, particularly European Union environmental directives. If we fail to accurately anticipate and meet our customers' needs through the development of new products, technologies and service offerings or if we fail to adequately protect our intellectual property rights or if our new products are not widely accepted or if our current or future products fail to meet applicable worldwide regulatory requirements, we could lose market share and customers to our competitors and that could materially adversely affect our results of operations and financial condition.

Our government contracts are subject to termination rights, audits and investigations, which, if exercised, could negatively impact our reputation and reduce our ability to compete for new contracts.

A significant portion of our revenues is derived from contracts with U.S. federal, state and local governments and their agencies, as well as international governments and their agencies. Government entities typically finance projects through appropriated funds. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions (e.g., Congressional sequestration of funds under the Budget Control Act of 2011) or other debt or funding constraints could result in lower governmental sales and in our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. Additionally, government contracts are generally subject to audits and investigations by government agencies. If the government finds that we inappropriately charged any costs to a contract, the costs are not reimbursable or, if already reimbursed, the cost must be refunded to the government. If the government discovers improper or illegal activities or contractual non-compliance in the course of audits or investigations, we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government. Any resulting penalties or sanctions could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, the negative publicity that arises from findings in such audits, investigations or the penalties or sanctions therefore could have an adverse effect on our reputation in the industry and reduce our ability to compete for new contracts and may also have a material adverse effect on our business, financial condition, results of operations and cash flow.

We face significant competition and our failure to compete successfully could adversely affect our results of operations and financial condition.

We operate in an environment of significant competition, driven by rapid technological developments, changes in industry standards, and demands of customers to become more efficient. Our competitors include large international companies some of which have significant financial resources and compete with us globally to provide document processing products and services in each of the markets we serve. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, distribution and customer service and support. Our success in future performance is largely dependent upon our ability to compete successfully in the markets we currently serve, to promptly and effectively react to changing technologies and customer expectations and to expand into additional market segments. To remain competitive, we must develop services, applications and new products; periodically enhance our existing offerings; remain cost efficient; and attract and retain key personnel and management. If we are unable to compete successfully, we could lose market share and important customers to our competitors and that could materially adversely affect our results of operations and financial condition.

Our profitability is dependent upon our ability to obtain adequate pricing for our products and services and to improve our cost structure.

Our success depends on our ability to obtain adequate pricing for our products and services that will provide a reasonable return to our shareholders. Depending on competitive market factors, future prices we obtain for our products and services may decline from previous levels. In addition, pricing actions to offset the effect of currency devaluations may not prove sufficient to offset further devaluations or may not hold in the face of customer resistance and/or competition. If we are unable to obtain adequate pricing for our products and services, it could materially adversely affect our results of operations and financial condition.

We continually review our operations with a view towards reducing our cost structure, including reducing our employee base, exiting certain businesses, improving process and system efficiencies and outsourcing some internal functions. We from time to time engage in restructuring actions to reduce our cost structure. If we are unable to continue to maintain our cost base at or below the current level and maintain process and systems changes resulting from prior restructuring actions, it could materially adversely affect our results of operations and financial condition.

Our ability to sustain and improve profit margins is dependent on a number of factors, including our ability to continue to improve the cost efficiency of our operations through such programs as Strategic Transformation program, the level of pricing pressures on our products and services, the proportion of high-end as opposed to low-end equipment sales (product mix), the trend in our post-sale revenue growth and our ability to successfully complete information technology initiatives. If any of these factors adversely materialize or if we are unable to achieve and maintain productivity improvements through design efficiency, supplier and manufacturing cost improvements and information technology initiatives, our ability to offset labor cost inflation, potential materials cost increases and competitive price pressures would be impaired, all of which could materially adversely affect our results of operations and financial condition.

We are subject to laws of the United States and foreign jurisdictions relating to individually identifiable information, and failure to comply with those laws, whether or not inadvertent, could subject us to legal actions and negatively impact our operations.

We receive, process, transmit and store information relating to identifiable individuals, both in our role as a technology provider and as an employer. As a result, we are subject to numerous United States (both federal and state) and foreign jurisdiction laws and regulations designed to protect individually identifiable information. These laws have been subject to frequent changes, and new legislation in this area may be enacted at any time. Changes to existing laws, introduction of new laws in this area, or failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices, liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to obtain and process information and allegations by our customers and clients that we have not performed our contractual obligations, any of which may have a material adverse effect on our profitability and cash flow.

We are subject to breaches of our security systems, cyber attacks and service interruptions which could expose us to liability, litigation, and regulatory action and impair our reputation.

We have implemented security systems with the intent of maintaining and protecting our own, and our customers', clients' and suppliers' confidential information, including information related to identifiable individuals, against unauthorized access or disclosure. Despite such efforts, we may be subject to breaches of our security systems resulting in unauthorized access to our facilities or information systems and the information we are trying to protect. The techniques used to obtain unauthorized access are constantly changing, are becoming increasingly more sophisticated and often are not recognized until after an exploitation of information has occurred. Therefore, we may be unable to anticipate these techniques or implement sufficient preventative measures. Unauthorized access to our facilities or electronic information systems, or those of our suppliers, or accidental loss or disclosure of proprietary or confidential information about us, our clients or our customers could result in, among other things, a total shutdown of our systems that would disrupt our ability to conduct business or pay vendors and employees, unfavorable publicity, governmental inquiry and oversight, difficulty in performing or marketing our services, litigation by affected parties and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our profitability and cash flow. We may also find it necessary to make significant further investments to protect this information and our infrastructure.

We have outsourced a significant portion of our overall worldwide manufacturing operations and increasingly are relying on third-party manufacturers, subcontractors and external suppliers.

We have outsourced a significant portion of our overall worldwide manufacturing operations to third parties and various service providers. To the extent that we rely on third-party manufacturing relationships, we face the risk that those manufacturers may not be able to develop manufacturing methods appropriate for our products, they may not be able to quickly respond to changes in customer demand for our products, they may not be able to obtain supplies and materials necessary for the manufacturing process, they may experience labor shortages and/or disruptions, manufacturing costs could be higher than planned and the reliability of our products could decline. If any of these risks were to be realized, and assuming similar third-party manufacturing relationships could not be established, we could experience interruptions in supply or increases in costs that might result in our being unable to meet customer demand for our products, damage our relationships with our customers and reduce our market share, all of which could materially adversely affect our results of operations and financial condition.

In addition, in our services business we may partner with other parties, including software and hardware vendors, to provide the complex solutions required by our customers. Therefore, our ability to deliver the solutions and provide the services required by our customers is dependent on our and our partners' ability to meet our customers' requirements and schedules. If we or our partners fail to deliver services or products as required and on time, our ability to complete the contract may be adversely affected, which may have an adverse impact on our revenue and profits.

We need to successfully manage changes in the printing environment and market because our operating results may be negatively impacted by lower equipment placements and usage trends.

The printing market and environment is changing as a result of new technologies, shifts in customer preferences in office printing and the expansion of new printing markets. Examples include mobile printing, color printing, packaging, print on objects, continuous feed inkjet printing and the expansion of the market for entry products (A4 printers) and high-end products. A significant part of our strategy and ultimate success in this changing market is our ability to develop and market technology that produces products and services that meet these changes. Our future success in executing on this strategy depends on our ability to make the investments and commit the necessary resources in this highly competitive market. If we are unable to develop and market advanced and competitive technologies, it may negatively impact expansion of our worldwide equipment placements, as well as sales of services and supplies occurring after the initial equipment placement (post sale revenue) in the key growth markets of digital printing, color and multifunction systems. We expect that revenue growth can be improved through our document management and consulting services in the areas of personalized and product life cycle communications, enterprise managed print services and document content and imaging. The ability to achieve growth in our equipment placements is subject to the successful implementation of our initiatives to provide advanced systems, industry-oriented global solutions and services for major customers, improve direct and indirect sales efficiency and expand and successfully manage our indirect distribution channels in the face of global competition and pricing pressures. Our ability to preserve our post sale revenue streams is largely dependent on our ability to increase the volume of pages printed, the mix and price of color pages, equipment utilization and color adoption, as well as our ability to retain a high level of supplies sales in unbundled contracts. There will be a lag between the increase in equipment placements and an increase in post-sale revenues. In addition, with respect to our indirect distribution channels, many of our partners may sell competing products, further increasing the need to successfully manage our relationships with our partners to ensure they meet our specific sale and distribution requirements for equipment placements and post sale revenues. If we are unable to maintain a consistent level of revenue, it could materially adversely affect our results of operations and financial condition.

Our ability to fund our customer financing activities at economically competitive levels depends on our ability to borrow and the cost of borrowing in the credit markets.

The long-term viability and profitability of our customer financing activities is dependent, in part, on our ability to borrow and the cost of borrowing in the credit markets. This ability and cost, in turn, is dependent on our credit ratings, which is currently investment grade, and is subject to credit market volatility. We primarily fund our customer financing activity through a combination of cash generated from operations, cash on hand, capital market offerings, sales and securitizations of finance receivables and commercial paper borrowings. Our ability to continue to offer customer financing and be successful in the placement of equipment with customers is largely dependent on our ability to obtain funding at a reasonable cost. If we are unable to continue to offer customer financing, it could materially adversely affect our results of operations and financial condition.

Our significant debt could adversely affect our financial health and pose challenges for conducting our business.

Our ability to provide customer financing is a significant competitive advantage. We have and will continue to have a significant amount of debt and other obligations, the majority of which support our customer financing activities. Our substantial debt and other obligations could have important consequences. For example, it could (i) increase our vulnerability to general adverse economic and industry conditions; (ii) limit our ability to obtain additional financing for future working capital, capital expenditures, acquisitions and other general corporate requirements; (iii) increase our vulnerability to interest rate fluctuations because a portion of our debt has variable interest rates; (iv) require us to dedicate a substantial portion of our cash flows from operations to service debt and other obligations thereby reducing the availability of our cash flows from operations for other purposes; (v) limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; (vi) place us at a competitive disadvantage compared to our competitors that have less debt; and (vii) become due and payable upon a change in control. If new debt is added to our current debt levels, these related risks could increase.

Our financial condition and results of operations could be adversely affected by employee benefit-related funding requirements.

We sponsor several defined benefit pension and retiree-health benefit plans throughout the world. We are required to make contributions to these plans to comply with minimum funding requirements imposed by laws governing these employee benefit plans. Although most of our major defined benefit plans have been amended to freeze current benefits and eliminate benefit accruals for future service, the projected benefit obligations under these benefit plans is measured annually and at December 31, 2016 exceeded the value of the assets of those plans by approximately $2.2 billion. The current underfunded status of these plans is a significant factor in determining the ongoing future contributions we will be required to make to these plans. Accordingly, we expect to have additional funding requirements in future years and we may make additional, voluntary contributions to the plans. Depending on our cash position at the time, any such funding or contributions to our defined benefit plans could impact our operating flexibility and financial position, including adversely affecting our cash flow for the quarter in which such funding or contributions are made. Weak economic conditions and related under-performance of asset markets could also lead to increases in our funding requirements.

We need to maintain adequate liquidity in order to meet our operating cash flow requirements, repay maturing debt and meet other financial obligations, such as payment of dividends to the extent declared by our Board of Directors. If we fail to comply with the covenants contained in our various borrowing agreements, it may adversely affect our liquidity, results of operations and financial condition.

Our liquidity is a function of our ability to successfully generate cash flows from a combination of efficient operations and continuing operating improvements, access to capital markets and funding from third parties. We believe our liquidity (including operating and other cash flows that we expect to generate) will be sufficient to meet operating requirements as they occur; however, our ability to maintain sufficient liquidity going forward depends on our ability to generate cash from operations and access to the capital markets and funding from third parties, all of which are subject to the general liquidity of and on-going changes in the credit markets as well as general economic, financial, competitive, legislative, regulatory and other market factors that are beyond our control.

The Credit Facility contains financial maintenance covenants, including maximum leverage (debt for borrowed money divided by consolidated EBITDA, as defined) and a minimum interest coverage ratio (consolidated EBITDA divided by consolidated interest expense, as defined). At December 31, 2016, we were in full compliance with the covenants and other provisions of the Credit Facility. Failure to comply with material provisions or covenants in the Credit Facility could have a material adverse effect on our liquidity, results of operations and financial condition.

Our business, results of operations and financial condition may be negatively impacted by legal and regulatory matters.

We have various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting, servicing and procurement laws; intellectual property law; environmental law; employment law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations, as discussed in the “Contingencies” note in the Consolidated Financial Statements. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual or materially increase an existing accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts above any existing accruals, it could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Due to the international scope of our operations, we are subject to a complex system of commercial and trade regulations around the world. Recent years have seen an increase in the development and enforcement of laws regarding trade compliance and anti-corruption, such as the U.S. Foreign Corrupt Practices Act and similar laws from other countries. Our numerous foreign subsidiaries, affiliates and joint venture partners are governed by laws, rules and business practices that differ from those of the U.S. The activities of these entities may not comply with U.S. laws or business practices or our Code of Business Conduct. Violations of these laws may result in severe criminal or civil sanctions, could disrupt our business, and result in an adverse effect on our reputation, business and results of operations or financial condition. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

Our operations and our products are subject to environmental regulations in each of the jurisdictions in which we conduct our business and sell our products. Some of our manufacturing operations use, and some of our products contain, substances that are regulated in various jurisdictions. For example, various countries and jurisdictions have adopted, or are expected to adopt, restrictions on the types and amounts of chemicals that may be present in electronic equipment or other items that we use or sell. Recently, a number of studies have been published by third parties regarding chemicals utilized in our industry, as well as potential health/safety impacts of machine emissions. Additional studies are planned, and depending on the results of such studies, regulatory initiatives could follow. Xerox is monitoring these developments. If we do not comply with applicable rules and regulations in connection with the use of such substances and the sale of products containing such substances, then we could be subject to liability and could be prohibited from selling our products in their existing forms, which could have a material adverse effect on our results of operations and financial condition. Further, various countries and jurisdictions have adopted or are expected to adopt, programs that make producers of electrical goods, including computers and printers, responsible for certain labeling, collection, recycling, treatment and disposal of these recovered products. If we are unable to collect, recycle, treat and dispose of our products in a cost-effective manner and in accordance with applicable requirements, it could materially adversely affect our results of operations and financial condition.

Other potentially relevant initiatives throughout the world include proposals for more extensive chemical registration requirements and/or possible bans on the use of certain chemicals, various efforts to limit energy use in products and other environmentally related programs impacting products and operations, such as those associated with climate change accords, agreements and regulations. For example, the European Union's Energy-Related Products Directive (ERP) has led to the adoption of “implementing measures” or "voluntary agreements" that require certain classes of products to achieve certain design and/or performance standards, in connection with energy use and potentially other environmental parameters and impacts. A number of our products are already required to comply with ERP requirements and further regulations are being developed by the EU authorities. Another example is the European Union “REACH” Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), a broad initiative that requires parties throughout the supply chain to register, assess and disclose information regarding many chemicals in their products. Depending on the types, applications, forms and uses of chemical substances in various products, REACH and similar regulatory programs in other jurisdictions could lead to restrictions and/or bans on certain chemical usage. In the United States, the Toxics Substances Control Act

(“TSCA”) is undergoing a major overhaul with similar potential for regulatory challenges. Xerox continues its efforts toward monitoring and evaluating the applicability of these and numerous other regulatory initiatives in an effort to develop compliance strategies. As these and similar initiatives and programs become regulatory requirements throughout the world and/or are adopted as public or private procurement requirements, we must comply or potentially face market access limitations that could have a material adverse effect on our operations and financial condition. Similarly, environmentally driven procurement requirements voluntarily adopted by customers in the marketplace (e.g., U.S. EPA EnergyStar, EPEAT) are constantly evolving and becoming more stringent, presenting further market access challenges if our products fail to comply. Concern over climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting greenhouse gas emissions. For example, proposals that would impose mandatory requirements on greenhouse gas emissions continue to be considered by policy makers in the countries, states and territories in which we operate. Enacted laws and/or regulatory actions to address concerns about climate change and greenhouse gas emissions could negatively impact our business, including the availability of our products or the cost to obtain or sell those products.

The separation of our Business Process Outsourcing (“BPO”) business from our Document Technology and Document Outsourcing business into two independent, publicly-traded companies may not yield the expected benefits.

The separation of our BPO business from our Document Technology and Document Outsourcing business into two independent, publicly-traded companies was completed on December 31, 2016. The Company may not be able to achieve the full strategic and financial benefits expected to result from the separation, or such benefits may be delayed or not occur at all. The expected increased focus of management exclusively on the Company’s own business and its distinct needs, may not yield expected long-term growth and profitability. In addition, the separation has resulted in the Company becoming a smaller, less diversified enterprise with a narrower market focus, which could make it more vulnerable to changing market conditions and other adverse events. Further, although we have received an opinion from outside counsel as to the tax-free nature of the Separation, there can be no assurance that the United States Internal Revenue Service will not challenge this position or that a court would not sustain such a challenge. The potential negative impact of these events could have a material adverse impact on our business, financial condition, results of operations and prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We own several manufacturing, engineering and research facilities and lease other facilities. Our principal manufacturing and engineering facilities are located in New York, California, Oklahoma, Oregon, Canada, U.K., Ireland and the Netherlands. Our principal research facilities are located in California, New York, Canada and France. The research activities in our principal research centers benefit all of our technology lines of business. Our Corporate Headquarters is a leased facility located in Norwalk, Connecticut.

As a result of implementing our restructuring programs (refer to Note 11 - Restructuring and Asset Impairment Charges in the Consolidated Financial Statements, which is incorporated here by reference) as well as various productivity initiatives, several leased and owned properties became surplus. We are obligated to maintain our leased surplus properties through required contractual periods. We have disposed or subleased certain of these properties and are actively pursuing the successful disposition of remaining surplus properties.

In 2016 we owned or leased numerous facilities globally, which house general offices, sales offices, service locations, data centers, call centers and distribution centers. The size of our property portfolio at December 31, 2016 was approximately 16 million square feet and was comprised of 879 leased properties and 109 owned properties (of which 74 are located on our Webster, New York campus). It is our opinion that our properties have been well maintained, are in sound operating condition and contain all the necessary equipment and facilities to perform their functions. We believe that our current facilities are suitable and adequate for our current businesses.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under Note 18 "Contingencies and Litigation" in the Consolidated Financial Statements is incorporated here by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Exchange Information

Xerox common stock (XRX) is listed on the New York Stock Exchange and the Chicago Stock Exchange.

Xerox Common Stock Prices and Dividends

New York Stock Exchange composite prices *	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016				
High	$ 11.16	$ 11.25	$ 10.30	$ 10.12
Low	8.69	8.96	9.24	8.72
Dividends declared per share	0.0775	0.0775	0.0775	0.0775
2015				
High	$ 14.00	$ 13.26	$ 11.37	$ 10.88
Low	12.59	10.64	9.49	9.29
Dividends declared per share	0.07	0.07	0.07	0.07

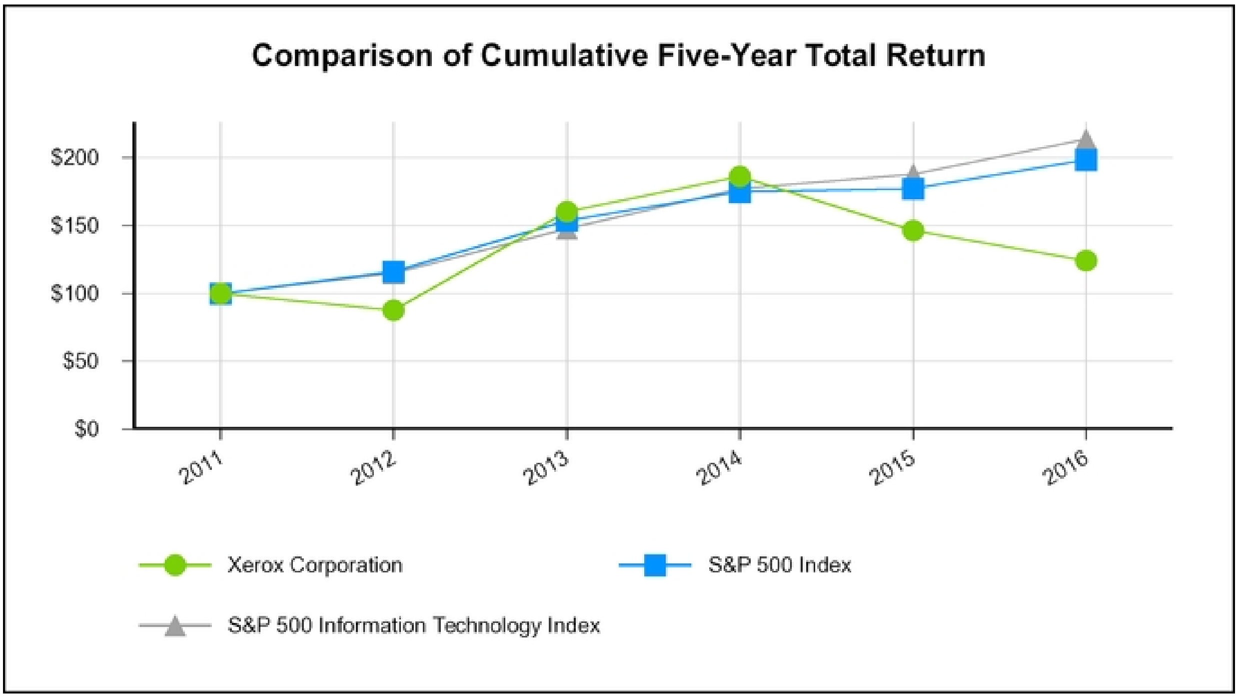
* *Price as of close of business.*

In February 2017, the Board of Directors approved a post-split dividend of 6.25 cents per share ($0.25 annualized) for the Company's quarterly cash dividend, beginning with the dividend payable on April 28, 2017.

Common Shareholders of Record

See Item 6 - Selected Financial Data, Five Years in Review, Common Shareholders of Record at Year-End, which is incorporated here by reference.

PERFORMANCE GRAPH



Total Return To Shareholders

(Includes reinvestment of dividends)	Year Ended December 31, 2011	2012	2013	2014	2015	2016
Xerox Corporation	$ 100.00	$ 87.64	$ 160.07	$ 185.93	$ 146.32	$ 124.01
S&P 500 Index	100.00	116.00	153.57	174.60	177.01	198.18
S&P 500 Information Technology Index	100.00	114.82	147.47	177.13	187.63	213.61

Source: Standard & Poor's Investment Services
Notes: Graph assumes $100 invested on December 31, 2011 in Xerox, the S&P 500 Index and the S&P 500 Information Technology Index, respectively, and assumes dividends are reinvested.

SALES OF UNREGISTERED SECURITIES DURING THE QUARTER ENDED DECEMBER 31, 2016

During the quarter ended December 31, 2016, Registrant issued the following securities in transactions that were not registered under the Securities Act of 1933, as amended (the “Act”).

Dividend Equivalent

(a) Securities issued on October 31, 2016: Registrant issued 6,789 deferred stock units (DSUs), representing the right to receive shares of Common stock, par value $1 per share, at a future date.
(b) No underwriters participated. The shares were issued to each of the non-employee Directors of Registrant: Jonathan Christodoro, Richard J. Harrington, William Curt Hunter, Robert J. Keegan, Charles Prince, Ann N. Reese, Stephen H. Rusckowski, Sara Martinez Tucker and Mary Agnes Wilderotter.
(c) The DSUs were issued at a deemed purchase price of $10.11 per DSU (aggregate price $68,637), based upon the market value of our Common Stock on the date of record, in payment of the dividend equivalents due to DSU holders pursuant to Registrant’s 2004 Equity Compensation Plan for Non-Employee Directors.
(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

Issuer Purchases of Equity Securities During the Quarter Ended December 31, 2016

Board Authorized Share Repurchase Program

Repurchases of Xerox Common Stock, par value $1 per share include the following:

	Total Number of Shares Purchased	Average Price Paid per Share[1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs[2]
October 1 through 31	—	$ —	—	$ 244,710,381
November 1 through 30	—	—	—	244,710,381
December 1 through 31	—	—	—	244,710,381
Total	—		—	

(1) Exclusive of fees and costs.
(2) Of the cumulative $8.0 billion of share repurchase authority granted by our Board of Directors, exclusive of fees and expenses, approximately $7.8 billion has been used through December 31, 2016. Repurchases may be made on the open market, or through derivative or negotiated transactions. Open-market repurchases will be made in compliance with the Securities and Exchange Commission's Rule 10b-18, and are subject to market conditions, as well as applicable legal and other considerations.

Repurchases Related to Stock Compensation Programs[1]:

	Total Number of Shares Purchased	Average Price Paid per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased under the Plans or Programs
October 1 through 31	25,046	$ 10.13	n/a	n/a
November 1 through 30	408	9.92	n/a	n/a
December 1 through 31	—	—	n/a	n/a
Total	25,454			

(1) These repurchases are made under a provision in our stock-based compensation programs and represent the indirect repurchase of shares through a net-settlement feature upon the vesting of shares in order to satisfy minimum statutory tax-withholding requirements.
(2) Exclusive of fees and costs.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEARS IN REVIEW

(in millions, except per-share data)

	2016	2015(1)	2014(1)	2013(1)	2012(1)
Per-Share Data					
Income from continuing operations					
Basic	$ 0.58	$ 0.77	$ 0.87	$ 0.77	$ 0.67
Diluted	0.58	0.77	0.86	0.75	0.66
Net (Loss) Income Attributable to Xerox					
Basic	(0.49)	0.42	0.86	0.93	0.90
Diluted	(0.49)	0.42	0.84	0.91	0.88
Common stock dividends declared	0.31	0.28	0.25	0.23	0.17
Operations					
Revenues	$ 10,771	$ 11,465	$ 12,679	$ 13,194	$ 13,722
Sales	4,319	4,674	5,214	5,496	5,757
Outsourcing, maintenance and rentals	6,127	6,445	7,078	7,215	7,368
Financing	325	346	387	483	597
Income from continuing operations	627	866	1,052	983	929
Income from continuing operations - Xerox	616	848	1,029	963	901
Net (loss) income	(466)	492	1,036	1,179	1,223
Net (loss) income - Xerox	(477)	474	1,013	1,159	1,195
Financial Position(2)(3)					
Working capital	$ 2,338	$ 1,431	$ 2,798	$ 2,825	$ 2,363
Total Assets	18,145	25,541	27,658	29,036	30,015
Consolidated Capitalization(2)(3)					
Short-term debt and current portion of long-term debt	$ 1,011	$ 985	$ 1,427	$ 1,117	$ 1,042
Long-term debt	5,305	6,382	6,314	6,904	7,447
Total Debt(4)	6,316	7,367	7,741	8,021	8,489
Convertible preferred stock	214	349	349	349	349
Xerox shareholders' equity	4,803	9,074	10,678	12,300	11,521
Noncontrolling interests	38	43	75	119	143
Total Consolidated Capitalization	$ 11,371	$ 16,833	$ 18,843	$ 20,789	$ 20,502
Selected Data and Ratios					
Common shareholders of record at year-end	31,803	33,843	35,307	37,552	39,397
Book value per common share	$ 4.73	$ 8.96	$ 9.56	$ 10.35	$ 9.41
Year-end common stock market price	$ 8.73	$ 10.63	$ 13.86	$ 12.17	$ 6.82

(1) *Income Statement items have been revised for all periods to reflect our discontinued operations. Refer to Note 4 - Divestitures in our Consolidated Financial Statements, which is incorporated here by reference, for additional information.*

(2) *Balance sheet amounts at December 31, 2016 exclude Conduent Incorporated (Conduent) balances as a result of the Separation and Distribution. Refer to Note 4 - Divestitures in our Consolidated Financial statements.*

(3) *Balance sheet amounts prior to 2016 include amounts for Conduent. Refer to Note 4 - Divestitures in our Consolidated Financial Statements, which is incorporated here by reference, for additional information.*

(4) *Includes capital lease obligations.*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of Xerox Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying notes. Throughout the MD&A, we refer to various notes to our Consolidated Financial Statements which appear in Item 8 of this 2016 Form 10-K, and the information contained in such notes is incorporated by reference into the MD&A in the places where such references are made.

Throughout this document, references to "we," "our," the "Company," and "Xerox" refer to Xerox Corporation and its subsidiaries. References to "Xerox Corporation" refer to the stand-alone parent company and do not include its subsidiaries.

Executive Overview

With annual revenues of $10.8 billion we are a leading global provider of digital print technology and related solutions; we operate in a market estimated at approximately $85 billion. Our primary offerings span three main areas: Managed Document Services (which largely represents the Document Outsourcing business that is currently reported in our Services segment), Workplace Solutions and Graphic Communications. Our Managed Document Services offerings help customers, ranging from small businesses to global enterprises, optimize their printing and related document workflow and business processes. Our Workplace Solutions and Graphic Communications products and solutions support the work processes of our customers by providing them with an efficient, cost effective printing and communications infrastructure.

Headquartered in Norwalk, Connecticut, the 37,600 people of Xerox serve customers in more than 160 countries providing extensive leading-edge document technology, services, software and genuine Xerox supplies for a range of customers including small and mid-size businesses, large enterprises, governments, graphic communications providers, and for our partners who serve them. In 2016, approximately 40% of our revenue was generated outside the U.S.

Separation Update

On December 31, 2016, Xerox Corporation completed the separation of its Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing (DT/DO) business (the "Separation"). The Separation was accomplished by moving the BPO business into a new legal entity, Conduent Incorporated ("Conduent"), and then distributing one hundred percent (100%) of the outstanding common stock of Conduent to Xerox Corporation stockholders (the "Distribution"). Conduent is now an independent public company trading on the New York Stock Exchange ("NYSE") under the symbol "CNDT".

As a result of the Separation and Distribution, the BPO business is presented as a discontinued operation and, as such, has been excluded from continuing operations and segment results for all periods presented.

Refer to Note 4 - Divestitures in the Consolidated Financial Statements for additional information regarding the Separation.

Market Strategy

Although the overall market in which we operate is in decline, there are components of the market that are growing at rates from low single digits to double digits. Our strategy is to increase our participation in those areas, which include the following:

- Document Outsourcing, especially managed print services in the small and medium business - or SMB - market.
- Entry products, where pages are moving from single-function A4 sized printers to higher value A4 multi-function printers where we are better positioned.

- Production cut-sheet color and emerging production inkjet markets. Production printing is an area where we are historically strong and we expect to make investments in the newer technologies.

To pursue these opportunities, we have realigned our go-to-market model and are expanding our channels to increase our reach and strengthen our relationships with our customers. In addition, we expect to follow-up on our product launches in 2016 with an expanded launch of new products in 2017.

Post-sale based Business Model

In 2016, approximately 75% of our total revenue was post-sale based, which includes document services, equipment maintenance services, consumable supplies and financing, among other elements. These revenue streams generally follow equipment placements and provide some stability to our revenue. Some of the key indicators of future post-sale revenue include:

- Installations of printers and multifunction devices as well as the number of machines in the field (MIF) and the page volume and mix of pages printed on color devices, where available.
- Managed Document Services signings, which reflects the estimated future revenues from contracts signed during the period, i.e., Total Contract Value (TCV).
- Managed Document Services renewal rate, which is defined as the annual recurring revenue (ARR) on contracts that are renewed during the period, calculated as a percentage of ARR on all contracts where a renewal decision was made during the period.

Strategic Transformation Program

Despite the recent decline in revenues, we have maintained our strong margins primarily through ongoing cost and productivity initiatives. As markets shift, we undertake restructuring to optimize our workforce and facilities to best align our resources with the growth areas of our business, and to maximize profitability and cash flow in market segments that are declining. In 2016, we initiated a three-year Strategic Transformation program to accelerate cost productivity beyond our historical range of $300 to $350 million of annual savings. The program is expected to deliver gross productivity gains and cost savings of at least $1.5 billion over the three-year period. It targets to gain efficiencies in areas such as delivery, remote connectivity, sales productivity, pricing, design efficiency and supply chain optimization. It will improve our competitiveness, enable us to deliver margin expansion and mitigate the impact of revenue declines until we change our revenue trajectory.

Financial Overview

Total revenue of $10.8 billion in 2016 declined 6% from the prior year, with a 2-percentage point negative impact from currency. The revenue decline reflects a 9% decline in equipment sales, with a 1-percentage point negative impact from currency and a 5% decline in annuity/post-sale revenue with a 2-percentage point negative impact from currency. The decline in equipment revenue was driven primarily by lower entry and mid-range sales, which partially reflects the timing of product launches, as well as lower OEM sales. The decline is also partially driven by lower sales in the developing markets, along with lower revenue from our high-end products (reflecting an unfavorable mix) and lower sales to Fuji Xerox. Revenue was also impacted by price declines of approximately 5%, in-line with our historic impact, as well as the modest declines in the overall markets in which we operate. The decline in annuity/post-sale revenue is largely due to lower maintenance service revenues, supply sales and financing revenues, all reflecting lower equipment sales in prior periods, partially offset by growth in Document Outsourcing.

2016 Net income from continuing operations attributable to Xerox was $616 million and included $305 million of after-tax amortization of intangible assets, restructuring and related costs and non-service retirement-related costs, resulting in adjusted net income from continuing operations of $921 million. Net income from continuing operations attributable to Xerox for 2015 was $848 million and included $130 million of after-tax amortization of intangible assets, restructuring and related costs and non-service retirement-related costs, resulting in adjusted net income of $978 million. The increase in adjustments is largely due to an increase in 2016 pre-tax restructuring and related costs of $237 million ($165 million after-tax). The decline in adjusted net income is largely due to lower revenues being only partially offset by cost savings and productivity improvements.

Operating cash flow from continuing operations was $1,018 million in 2016 as compared to $1,078 million in 2015. The decrease in continuing operating cash flow was primarily due to lower earnings partially offset by lower pension contributions and an increased run-off from finance receivables. Cash used in continuing operations investing activities of $146 million primarily reflects capital expenditures of $138 million and acquisitions of $30 million, partially offset by $25 million of proceeds from the sale of surplus technology assets.

2017 Outlook

We expect total revenues to continue to decline in 2017 in the mid-single digit range, excluding the impact of currency. However, we do expect revenue trends to improve during the second half of the year as we start to see the benefit from the new product launches and other growth initiatives. At January 2017 exchange rates, we expect currency to have about a 2-percentage point negative impact on total revenues in 2017, reflecting the continued weakening of our major foreign currencies against the U.S. dollar as compared to prior year. GAAP earnings are expected to be lower in 2017 as higher non-service retirement costs from increased settlement losses are expected to be only partially offset by lower restructuring expense. Adjusted earnings in 2017 are expected to be lower as the decline in revenues, unfavorable currency and higher taxes are only partially offset by cost savings and productivity improvements from Strategic Transformation, along with lower interest expense from anticipated debt repayment.

We expect 2017 cash flows from continuing operations to be between $700 million and $900 million and capital expenditures to be approximately $175 million. The decrease from 2016 is largely due to higher restructuring payments and pension contributions.

Our capital allocation plan for 2017 includes the following:

- Debt – committed to maintaining our investment grade rating and we expect to repay an additional $300 million in debt above the $1 billion for Senior Notes coming due in the first quarter of 2017.
- Dividends - expect dividend payments to be approximately $280 million, which reflects an initial annualized dividend of $0.25 per share.
- Acquisitions – we expect to invest about $100 million, focusing on acquiring companies that will expand our portfolio mix.
- Share repurchase - none currently planned for 2017.

Currency Impact

To understand the trends in the business, we believe that it is helpful to analyze the impact of changes in the translation of foreign currencies into U.S. Dollars on revenue and expenses. We refer to this analysis as "constant currency", “currency impact” or “the impact from currency.” This impact is calculated by translating current period activity in local currency using the comparable prior year period's currency translation rate. This impact is calculated for all countries where the functional currency is the local country currency. We do not hedge the translation effect of revenues or expenses denominated in currencies where the local currency is the functional currency. In 2016 we revised our calculation of the currency impact on revenue growth, or constant currency revenue growth, to include the currency impacts from the developing market countries (Latin America, Brazil, Middle East, India, Eurasia and Central-Eastern Europe), which had been previously excluded from the calculation. As a result of economic changes in these markets over the past few years, we currently manage our exchange risk in our developing market countries in a similar manner to the exchange risk in our developed market countries, and therefore, the exclusion of the developing market countries from the calculation of the currency effect is no longer warranted. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

Approximately 40% of our consolidated revenues are derived from operations outside of the United States where the U.S. Dollar is normally not the functional currency. As a result, the foreign currency translation had a 2-percentage point negative impact on revenue in 2016 and 5-percentage point negative impact on revenue in 2015.

Application of Critical Accounting Policies

In preparing our Consolidated Financial Statements and accounting for the underlying transactions and balances, we apply various accounting policies. Senior management has discussed the development and selection of the critical accounting policies, estimates and related disclosures included herein with the Audit Committee of the Board of Directors. We consider the policies discussed below as critical to understanding our Consolidated Financial Statements, as their application places the most significant demands on management's judgment, since financial reporting results rely on estimates of the effects of matters that are inherently uncertain. In instances where different estimates could have reasonably been used, we disclosed the impact of these different estimates on our operations. In certain instances, like revenue recognition for leases, the accounting rules are prescriptive; therefore, it would not have been possible to reasonably use different estimates. Changes in assumptions and estimates are reflected in the period in which they occur. The impact of such changes could be material to our results of operations and financial condition in any quarterly or annual period.

Specific risks associated with these critical accounting policies are discussed throughout the MD&A, where such policies affect our reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to Note 1 - Basis of Presentation and Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Revenue Recognition

Application of the various accounting principles in GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Refer to Note 1 - Basis of Presentation and Summary of Significant Accounting Policies - Revenue Recognition, in the Consolidated Financial Statements for additional information regarding our revenue recognition policies. Specifically, the revenue related to the following areas involves significant judgments and estimates:

- Bundled Lease Arrangements
- Sales to Distributors and Resellers

Bundled Lease Arrangements: We sell our equipment under bundled lease arrangements, which typically include the equipment, service, supplies and a financing component for which the customer pays a single negotiated monthly fixed price for all elements over the contractual lease term. Sales made under bundled lease arrangements comprise approximately 40% of our equipment sales revenue. Recognizing revenues under these arrangements requires us to allocate the total consideration received to the lease and non-lease deliverables included in the bundled arrangement, based upon the estimated fair values of each element.

Sales to Distributors and Resellers: We utilize distributors and resellers to sell many of our technology products, supplies and services to end-user customers. Sales to distributors and resellers are generally recognized as revenue when products are sold to such distributors and resellers. Distributors and resellers participate in various rebate, price-protection, cooperative marketing and other programs, and we record provisions and allowances for these programs as a reduction to revenue when the sales occur. Similarly, we also record estimates for sales returns and other discounts and allowances when the sales occur. We consider various factors, including a review of specific transactions and programs, historical experience and market and economic conditions when calculating these provisions and allowances. Approximately 15% of our total revenues are sales of equipment and supplies to distributors and resellers, and provisions and allowances recorded on these sales are approximately 20% of the associated gross revenues.

Allowance for Doubtful Accounts and Credit Losses

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience adjusted for current conditions. We recorded bad debt provisions of $37 million, $49 million and $49 million in Selling, Administrative and General Expenses (SAG) expenses in our Consolidated Statements of (Loss) Income for the years ended December 31, 2016, 2015 and 2014, respectively.

Bad debt provisions declined in 2016 primarily as a result of lower receivable balances, reflecting, in part, lower revenues as well as continued strong credit policies. Reserves, as a percentage of trade and finance receivables, were 3.6% at December 31, 2016, as compared to 3.7% at December 31, 2015 and 2014. We continue to assess our receivable portfolio in light of the current economic environment and its impact on our estimation of the adequacy of the allowance for doubtful accounts.

As discussed above, we estimated our provision for doubtful accounts based on historical experience and customer-specific collection issues. This methodology was consistently applied for all periods presented. During the three year period ended December 31, 2016, our reserve for doubtful accounts ranged from 3.6% to 3.7% of gross receivables. Holding all assumptions constant, a 0.5-percentage point increase or decrease in the reserve from the December 31, 2016 rate of 3.6% would change the 2016 provision by approximately $24 million.

Refer to Note 5 - Accounts Receivables, Net and Note 6 - Finance Receivables, Net in the Consolidated Financial Statements for additional information regarding our allowance for doubtful accounts.

Pension Plan Assumptions

We sponsor defined benefit pension plans in various forms in several countries covering employees who meet eligibility requirements. Over the past several years, where legally possible, we have amended our major defined benefit pension plans to freeze current benefits and eliminate benefits accruals for future service, including our primary U.S. defined benefit plan for salaried employees, the Canadian Salary Pension Plan and the U.K. Final Salary Pension Plan. The freeze of current benefits is the primary driver of the reduction in pension service costs since 2012. In certain Non-U.S. plans we are required to continue to consider salary increases and inflation in determining the benefit obligation related to prior service. The Netherlands defined benefit pension plan has also been amended to reflect the Company's ability to reduce the indexation of future pension benefits within the plan in scenarios when the returns on plan assets are insufficient to cover that indexation.

Several statistical and other factors that attempt to anticipate future events are used in calculating the expense, liability and asset values related to our defined benefit pension plans. These factors include assumptions we make about the expected return on plan assets, discount rate, lump-sum settlement rates, the rate of future compensation increases and mortality. Differences between these assumptions and actual experiences are reported as net actuarial gains and losses and are subject to amortization to net periodic benefit cost over future periods.

Cumulative net actuarial losses for our defined benefit pension plans of $2.8 billion as of December 31, 2016 decreased by $232 million from December 31, 2015, primarily due to currency and actual plan asset returns being more than expected returns in 2016 as well as the recognition of actuarial losses through amortization and U.S. settlement losses. These impacts were partially offset by lower discount rates in 2016 as compared to 2015. The total actuarial loss at December 31, 2016 is subject to offsetting gains or losses in the future due to changes in actuarial assumptions and will be recognized in future periods through amortization or settlement losses.

We used a consolidated weighted average expected rate of return on plan assets of 5.8% for 2016, 6.0% for 2015 and 6.6% for 2014, on a worldwide basis. During 2016, the actual return on plan assets was $1,024 million as compared to an expected return of $439 million, with the difference largely due to positive returns in the equity markets in 2016. When estimating the 2017 expected rate of return, in addition to assessing recent performance, we considered the historical returns earned on plan assets, the rates of return expected in the future, particularly in light of current economic conditions, and our investment strategy and asset mix with respect to the plans' funds. The weighted average expected rate of return on plan assets we will use in 2017 is 5.1%. The decline in the 2017 rate primarily reflects the increased investment in fixed income securities as we reposition our investment portfolios in light of the freeze of plan benefits and lower expectations with respect to equities.

Another significant assumption affecting our defined benefit pension obligations and the net periodic benefit cost is the rate that we use to discount our future anticipated benefit obligations. In the U.S. and the U.K., which comprise approximately 75% of our projected benefit obligation, we consider the Moody's Aa Corporate Bond Index and the International Index Company's iBoxx Sterling Corporate AA Cash Bond Index, respectively, in the determination of the appropriate discount rate assumptions. The consolidated weighted average discount rate we used to measure our pension obligations as of December 31, 2016 and to calculate our 2017 expense was 3.1%; the rate used to calculate our obligations as of December 31, 2015 and our 2016 expense was 3.7%. The weighted average discount rate we used to measure our retiree health obligation as of December 31, 2016 and to calculate our 2017 expense was 3.9%; the rate used to calculate our obligation at December 31, 2015 and our 2016 expense was 4.1%.

Holding all other assumptions constant, a 0.25% increase or decrease in the discount rate would change the 2017 projected net periodic pension cost by approximately $35 million. Likewise, a 0.25% increase or decrease in the expected return on plan assets would change the 2017 projected net periodic pension cost by $18 million.

One of the most significant and volatile elements of our net periodic defined benefit pension plan expense is settlement losses. Our primary domestic plans allow participants the option of settling their vested benefits through the receipt of a lump-sum payment. We recognize the losses associated with these settlements immediately upon the settlement of the vested benefits. Settlement accounting requires us to recognize a pro rata portion of the aggregate unamortized net actuarial losses upon settlement. As noted above, cumulative unamortized net actuarial losses were $2.8 billion at December 31, 2016, of which the U.S. primary domestic plans, with a lump-sum feature, represented approximately $970 million. The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the settlement of a participant's vested benefit. Settlement accounting is only applied when the event of settlement occurs - i.e. the lump-sum payment is made. Since settlement is dependent on an employee's decision and election, the level of settlements and the associated losses can fluctuate significantly from period to period. During the three years ended December 31, 2016, U.S. plan settlements were $229 million, $340 million and $250 million, respectively, and the associated settlement losses on those plan settlements were $65 million, $88 million and $51 million, respectively. In 2017, on average, approximately $100 million of plan settlements will result in settlement losses of approximately $30 million.

The following is a summary of our benefit plan costs for the three years ended December 31, 2016 as well as estimated amounts for 2017:

	Estimated	Actual		
(in millions)	2017	2016	2015	2014
Defined benefit pension plans[1]	$ 74	$ 62	$ 53	$ 23
U.S. settlement losses	201	65	88	51
Defined contribution plans	59	61	66	71
Retiree health benefit plans[2]	30	35	24	3
U.S. Retiree health curtailment gain	—	—	(22)	—
Total Benefit Plan Expense	$ 364	$ 223	$ 209	$ 148

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(1) Excludes U.S. settlement losses.
(2) Excludes U.S. retiree health curtailment gain in 2015.

Our estimated 2017 defined benefit pension plan cost is expected to be approximately $150 million higher than 2016, primarily driven by higher projected U.S. settlement losses. The increase in projected settlement losses is largely due to lower lump-sum discount rates in effect for 2017.

The following is a summary of our expected benefit plan funding for the three years ended December 31, 2016 as well as estimated amounts for 2017:

	Estimated	Actual		
(in millions)	2017	2016	2015	2014
Defined benefit pension plans:	$ 350	$ 178	$ 301	$ 269
Defined contribution plans	59	61	66	71
Retiree health benefit plans	63	61	63	70
Total Benefit Plan Funding	$ 472	$ 300	$ 430	$ 410

The expected increase in contributions to our worldwide defined benefit plans in 2017 is largely due to a $145 million increase in planned contributions for our domestic tax-qualified defined benefit plans, comprised of $15 million required to meet minimum funding requirements and $130 million of additional voluntary contributions.

Refer to Note 16 - Employee Benefit Plans in the Consolidated Financial Statements for additional information regarding defined benefit pension plan assumptions, expense and funding.

Income Taxes

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgments are required in determining the consolidated provision for income taxes. Our provision is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our provision will change based on discrete or other nonrecurring events such as audit settlements, tax law changes, changes in valuation allowances, etc., that may not be predictable.

We record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded in our Consolidated Balance Sheets and provide valuation allowances as required. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Adjustments to our valuation allowance, through (credits)/charges to income tax expense, were $(8) million, $(15) million and $(15) million for the years ended December 31, 2016, 2015 and 2014, respectively. There were other (increases) decreases to our valuation allowance, including the effects of currency, of $(41) million, $110 million and $60 million for the years ended December 31, 2016, 2015 and 2014, respectively. These did not affect income tax expense in total as there was a corresponding adjustment to deferred tax assets or other comprehensive income. Gross deferred tax assets of $2.7 billion and $2.7 billion had valuation allowances of $416 million and $383 million at December 31, 2016 and 2015, respectively.

We are subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, we may incur additional tax expense based upon our assessment of the more-likely-than-not outcomes of such matters. In addition, when applicable, we adjust the previously recorded tax expense to reflect examination results. Our ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can materially increase or decrease our effective tax rate, as well as impact our operating results. Unrecognized tax benefits were $165 million, $222 million and $207 million at December 31, 2016, 2015 and 2014, respectively.

Refer to Note 17 - Income and Other Taxes in the Consolidated Financial Statements for additional information regarding deferred income taxes and unrecognized tax benefits.

Business Combinations and Goodwill

The accounting for business combinations requires the use of significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. Our estimates of the fair values of assets and liabilities acquired are based upon assumptions believed to be reasonable, and when appropriate, include assistance from independent third-party valuation firms. Refer to Note 3 - Acquisitions in the Consolidated Financial Statements for additional information regarding the allocation of the purchase price consideration for our acquisitions.

Our goodwill balance was $3.8 billion at December 31, 2016. This balance excludes goodwill associated with the reporting units that were part of the BPO business that was included in the Separation and Distribution of all of the issued and outstanding stock of Conduent to Xerox Corporation stockholders effective December 31, 2016. Prior to the Separation and Distribution, in connection with the annual goodwill impairment test, a pre-tax goodwill impairment charge of $935 million was recorded in the fourth quarter 2016 associated with the Commercial Services reporting unit of the BPO business. The impairment charge is reported in discontinued operations for the year ended December 31, 2016. Refer to Note 4 - Divestitures in the Consolidated Financial Statements for additional information regarding the Separation. The following discussion focuses on the accounting associated with our retained balance of goodwill at December 31, 2016.

Goodwill is not amortized but rather is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment may have been incurred. Events or circumstances that might indicate an interim evaluation is warranted include, among other things, unexpected adverse business conditions, macro and reporting unit specific economic factors, supply costs, unanticipated competitive activities and acts by governments and courts.

Application of the annual goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and the assessment qualitatively or quantitatively - of the fair value of each reporting unit against its carrying value. At December 31, 2016, we had two reporting units with goodwill balances - Document Technology with $2.3 billion of goodwill and Document Outsourcing with $1.5 billion of goodwill. Consistent with prior years, our annual impairment test of goodwill was performed in the fourth quarter of 2016 and we elected to utilize a quantitative assessment of the recoverability of our goodwill balances for our reporting units.

In our quantitative test, we estimate the fair value of each reporting unit by weighting the results from the income approach (discounted cash flow methodology) and market approach. These valuation approaches require significant judgment and consider a number of factors that include, but are not limited to, expected future cash flows, growth rates and discount rates, and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding the current economic environment, industry factors and the future profitability of our businesses. When performing our discounted cash flow analysis for each reporting unit, we incorporate the use of projected financial information and discount rates that are developed using market participant-based assumptions. The cash flow projections are based on three-year financial forecasts developed by management that include revenue and expense projections, capital spending trends and investment in working capital to support anticipated revenue growth or other changes in the business and which are consistent with expected guidance for the Company as a whole. The selected discount rates consider the risk and nature of the respective reporting units' cash flows and an appropriate capital structure and rates of return that market participants would require to invest their capital in our reporting units.

We believe these assumptions are appropriate and reflect our current expectations as well as our forecasted long-term business model, giving appropriate consideration to our historical results as well as the current economic environment and markets that we serve. The average discount rate applied to our projected cash flows was approximately 8.5%, which we considered reasonable based on the estimated capital costs of applicable market participants and an appropriate company-specific risk premium. Although the sum of the fair values of our reporting units was in excess of our market capitalization on a post-separation basis, we believe the difference is reasonable when market-based control premiums and other factors are taken into consideration.

Our impairment assessment methodology includes the use of outside valuation experts and the inclusion of factors and assumptions related to third-party market participants. When performing our market approach for each reporting unit, we rely specifically on the guideline public company method. Our guideline public company method incorporates revenues and earnings multiples from publicly traded companies with operations and other characteristics similar to each reporting unit. The selected multiples consider each reporting unit’s relative growth, profitability, size and risk relative to the selected publicly traded companies.

After completing our annual impairment reviews for our remaining reporting units in the fourth quarter of 2016, we concluded that goodwill was not impaired and both reporting units had an excess of fair value over carrying value of significantly more than 20%. Subsequent to our fourth quarter impairment test, we did not identify any indicators of potential impairment that required an update to the annual impairment test.

Refer to Note 10 - Goodwill and Intangible Assets, Net in the Consolidated Financial Statements for additional information regarding goodwill by reportable segment.

BPO Business

As previously noted, the goodwill associated with the three reporting units comprising the BPO business was tested prior to the separation of the BPO business as part of the annual impairment test in the fourth quarter 2016 based on projections and information provided by Conduent management. Upon completion of that review, it was determined that the fair value of the Commercial Services reporting unit of the BPO business was below its carrying value. Goodwill was determined not to be impaired for the two other BPO business reporting units with goodwill balances.

The decline in the estimated fair value of the Commercial Services reporting unit resulted from Conduent management’s expectations for lower projected revenue growth and profitability levels for this reporting unit following lower-than-expected results in the fourth quarter 2016 and the resultant increase in the company-specific risk premium that is included in the discount rate used to calculate the discounted cash flows. The increase in the company-specific risk premium reflects the challenges this reporting unit is expected to have in achieving its projected cash flows as well as market indicators, such as the market capitalization of Conduent, post Separation.

Based on the completion of step two of the goodwill impairment analysis a pre-tax goodwill impairment charge of $935 million was recorded in discontinued operations for the year ended December 31, 2016. Prior to completing the goodwill impairment test, the recoverability of the Commercial Services long-lived assets, including purchased intangible assets, was tested and determined not to be impaired.

Revenue Results Summary

Total Revenue

Revenue for the three years ended December 31, 2016 was as follows:

(in millions)	Revenues 2016	Revenues 2015	Revenues 2014	% Change 2016	% Change 2015	CC % Change 2016	CC % Change 2015	Percent of Total Revenue 2016	Percent of Total Revenue 2015	Percent of Total Revenue 2014
Equipment sales	$ 2,525	$ 2,781	$ 3,104	(9)%	(10)%	(8)%	(6)%	23%	24%	24%
Annuity/Post-Sale revenue	8,246	8,684	9,575	(5)%	(9)%	(3)%	(4)%	77%	76%	76%
Total Revenue	$ 10,771	$ 11,465	$ 12,679	(6)%	(10)%	(4)%	(5)%	100%	100%	100%
Reconciliation to Consolidated Statements of (Loss) Income:										
Sales	$ 4,319	$ 4,674	$ 5,214							
Less: Supplies, paper and other sales	(1,794)	(1,893)	(2,110)							
Equipment Sales	$ 2,525	$ 2,781	$ 3,104	(9)%	(10)%	(8)%	(6)%			
Outsourcing, maintenance and rentals	$ 6,127	$ 6,445	$ 7,078	(5)%	(9)%	(3)%	(3)%			
Add: Supplies, paper and other sales	1,794	1,893	2,110	(5)%	(10)%	(3)%	(6)%			
Add: Financing	325	346	387	(6)%	(11)%	(5)%	(4)%			
Annuity/Post-Sale Revenue	$ 8,246	$ 8,684	$ 9,575	(5)%	(9)%	(3)%	(4)%			

CC - See "Non-GAAP Financial Measures" section for description of Constant Currency.

Revenue 2016

Total revenues decreased 6% compared to the prior year with a 2-percentage point negative impact from currency. On a revenue-weighted basis, our major European currencies and the Canadian Dollar were approximately 3% weaker against the U.S. dollar as compared to prior year. Revenues from these major foreign currencies comprise approximately 30% of our total consolidated revenues (revenues from the Pound Sterling represent approximately 7% of the total), and overall non-U.S. revenues represent approximately 40% of the total. Total revenues included the following:

- **Annuity/Post-Sale revenue** decreased 5% compared to the prior year with a 2-percentage point negative impact from currency. Annuity revenue is comprised of the following:
  - Outsourcing, maintenance and rentals revenue includes outsourcing revenue within our Services segment and maintenance revenue (including bundled supplies) and rental revenue, both primarily within our Document Technology segment. Revenues of $6,127 million decreased 5%, including a 2-percentage point negative impact from currency. The decline at constant currency[1] was driven by our Document Technology segment, while modest growth at constant currency[1] in Document Outsourcing provided a partial offset.
  - Supplies, paper and other sales includes unbundled supplies and other sales, primarily within our Document Technology segment. Revenues of $1,794 million decreased 5% from the prior year, including a 2-percentage point negative impact from currency. The decline in constant currency[1] was largely driven by lower supplies sales, as we experienced lower demand consistent with lower equipment sales in prior periods, and OEM supplies below prior year levels.
  - Financing revenue is generated from financed equipment sale transactions primarily within our Document Technology segment. Financing revenues decreased 6% from the prior year reflecting a declining finance receivables balance due to lower equipment sales in prior periods, as well as a 1-percentage point negative impact from currency. Refer to the discussion on *Sales of Finance Receivable* in the *Capital Resources and Liquidity* section as well as Note 6 - Finance Receivables, Net in the Consolidated Financial Statements for additional information.

- **Equipment sales revenue** is reported primarily within our Document Technology segment and the Document Outsourcing business within our Services segment. Equipment sales revenue decreased 9% from the prior year, including a 1-percentage point negative impact from currency. The decline in equipment revenue was driven primarily by lower entry and mid-range sales, which partially reflects the timing of product launches, as well as lower OEM sales; the decline is also partially driven by lower sales in the developing markets, along with lower revenue from our high-end products (reflecting an unfavorable mix) and lower sales to Fuji Xerox. Revenue was also impacted by price declines of approximately 5%, in-line with our historic impact, as well as the modest decline in the overall market in which we operate.

Revenue 2015

Total revenues decreased 10% compared to the prior year with a 5-percentage point negative impact from currency. Total revenues included the following:

- **Annuity/Post-Sale revenue** decreased 9% compared to the prior year with a 5-percentage point negative impact from currency. Annuity revenue is comprised of the following:
    - Outsourcing, maintenance and rentals revenue includes outsourcing revenue within our Services segment and maintenance revenue (including bundled supplies) and rental revenue, both primarily within our Document Technology segment. Revenues of $6,445 million decreased 9%, including a 6-percentage point negative impact from currency and was primarily due to a decline in the Document Technology segment. The decline at constant currency[1] was also driven by our Document Technology segment.
    - Supplies, paper and other sales includes unbundled supplies and other sales, primarily within our Document Technology segment. Revenues of $1,893 million decreased 10% from the prior year including a 4-percentage point negative impact from currency. The decline in constant currency[1] was largely driven by lower supplies sales, as we experienced lower demand consistent with lower equipment sales in prior periods, OEM supplies below prior year levels and continued weakness in developing markets. Modest growth at constant currency[1] in Document Outsourcing provided a partial offset.
    - Financing revenue is generated from financed equipment sale transactions primarily within our Document Technology segment. Financing revenues decreased 11% from the prior year including a 7-percentage point negative impact from currency and a declining finance receivables balance due to lower prior period equipment sales. Refer to the discussion on *Sales of Finance Receivable* in the *Capital Resources and Liquidity* section as well as Note 6 - Finance Receivables, Net in the Consolidated Financial Statements for additional information.

- **Equipment sales revenue** is reported primarily within our Document Technology segment and the Document Outsourcing business within our Services segment. Equipment sales revenue decreased 10% from the prior year, including a 4-percentage point negative impact from currency. The constant currency[1] decline was driven by developing markets with the remainder reflecting lower high-end and OEM sales. Revenue was also impacted by price declines of approximately 5%, in-line with our historic impact. These areas of decline were partially offset by DO equipment sales growth.

An analysis of the change in revenue for each business segment is included in the "*Operations Review of Segment Revenue and Profit*" section.

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(1) See "Non-GAAP Financial Measures" section for description of Constant Currency.

Costs, Expenses and Other Income

Summary of Key Financial Ratios

	Year Ended December 31,									
	Reported					Adjusted[(1)]				
	2016	2015	2014	2016 B/(W)	2015 B/(W)	2016	2015	2014	2016 B/(W)	2015 B/(W)
Total Gross Margin	39.6%	40.0%	40.3%	(0.4)pts	(0.3)pts	40.0%	40.3%	40.5%	(0.3)pts	(0.2)pts
RD&E as a % of Revenue	4.4%	4.5%	4.2%	0.1pts	(0.3)pts	4.2%	4.3%	4.1%	0.1pts	(0.2)pts
SAG as a % of Revenue	25.0%	25.0%	24.7%	—	(0.3)pts	24.5%	24.5%	24.4%	—	(0.1)pts
Pre-tax Income Margin	5.3%	8.1%	8.6%	(2.8)pts	(0.5)pts	N/A	N/A	N/A	N/A	N/A
Operating Margin(1)	N/A	N/A	N/A	N/A	N/A	12.5%	12.7%	13.3%	(0.2)pts	(0.6)pts

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(1) Refer to Key Financial Ratios reconciliation table in the "Non-GAAP Financial Measures" section. In 2016, we began to include equity income in the calculation of adjusted operating income and margin. Prior periods have been restated accordingly to conform to current year presentation.

Pre-tax Income Margin

Pre-tax income margin for the year ended December 31, 2016 of 5.3% decreased 2.8-percentage points compared to 2015. This decrease was primarily driven by higher restructuring and related costs and non-service retirement-related costs due to a $22 million curtailment gain recorded in 2015 as well as overall lower revenue. In addition, the decrease is also explained by adverse currency as well as higher compensation expense resulting from a favorable prior-year compensation benefit adjustments, lower Equity in net income of unconsolidated affiliates associated with our share of Fuji Xerox net income and overall decline in total company revenue which more than offset benefits from Strategic Transformation cost saving and productivity initiatives.

Pre-tax income margin for the year ended December 31, 2015 of 8.1% decreased 0.5-percentage points compared to 2014. This decrease was primarily driven by the decline in revenues and unfavorable currency only being partially matched by cost savings and productivity improvements. Pre-tax margin was also negatively impacted by an increase in non-service retirement costs as a result of higher settlement losses. These negative impacts were partially offset by lower restructuring and related costs.

Pre-tax income margin includes the Amortization of intangible assets, Restructuring and related costs and Other expenses, net, all of which are separately discussed in subsequent sections. Pre-tax income margin also includes non-service retirement-related costs. Adjusted Operating margin, discussed below, excludes all of these items and includes Equity in net income of unconsolidated affiliates.

Adjusted Operating Margin[1]

Adjusted Operating margin[1] for the year ended December 31, 2016 of 12.5% decreased 0.2-percentage points compared to 2015. Adverse currency as well as higher compensation expense resulting from a favorable prior-year compensation benefit adjustment, lower Equity in net income of unconsolidated affiliates associated with our share of Fuji Xerox net income, and an overall decline in total company revenue more than offset benefits from Strategic Transformation cost saving and productivity initiatives.

Adjusted Operating margin[1] for the year ended December 31, 2015 of 12.7% decreased 0.6-percentage points compared to 2014. The operating margin decline primarily reflects the decline in revenues and unfavorable currency partially offset by cost savings and productivity improvements.

Gross Margin

Total gross margin for the year ended December 31, 2016 of 39.6% decreased 0.4-percentage points compared to 2015. On an adjusted[1] basis, gross margin of 40.0% decreased by 0.3-percentage points compared to 2015 as price declines and unfavorable currency were only partially offset by the benefits from cost savings and productivity improvements from Strategic Transformation that increased during the second half of the year. The 0.1-percentage point differential in the decrease from adjusted[1] to reported gross margin is due to higher non-service retirement related costs primarily due to a $22 million curtailment gain recorded in 2015.

Total gross margin for year ended December 31, 2015 of 40.0% decreased 0.3-percentage points compared to 2014. On an adjusted[1] basis, gross margin of 40.3% decreased 0.2-percentage points compared to 2014 as price declines and unfavorable product mix were only partially offset by the benefits from cost savings and productivity improvements. The 0.1-percentage point differential in the decrease from adjusted[1] to reported gross margin is due to higher non-service retirement related costs due primarily to higher settlement costs in 2015 compared to 2014.

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(1) Refer to Operating Income/Margin reconciliation table and the Key Financial Ratios reconciliation table in the "Non-GAAP Financial Measures" section.

Research, Development and Engineering Expenses (RD&E)

	Year Ended December 31,			Change	
(in millions)	2016	2015	2014	2016	2015
R&D	$ 381	$ 385	$ 399	$ (4)	$ (14)
Sustaining engineering	95	126	132	(31)	(6)
Total RD&E Expenses	$ 476	$ 511	$ 531	$ (35)	$ (20)
R&D Investment by Fuji Xerox[(1)]	$ 628	$ 569	$ 654	$ 59	$ (85)

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(1) Fluctuation in Fuji Xerox R&D was primarily due to changes in foreign exchange rates.

RD&E as a percent of revenue for the year ended December 31, 2016 of 4.4% decreased 0.1-percentage points. On an adjusted[1] basis, RD&E was 4.2% of revenue and decreased 0.1-percentage points due to cost productivity and restructuring savings.

RD&E of $476 million for the year ended December 31, 2016, decreased $35 million from 2015. On an adjusted[1] basis, RD&E of $451 decreased by $41 million. We strategically coordinate our R&D investments with Fuji Xerox.

RD&E as a percent of revenue for the year ended December 31, 2015 of 4.5% increased 0.3-percentage points. On an adjusted[1] basis, RD&E was 4.3% of revenue and increased 0.2-percentage points due to overall total company revenue decline.

RD&E of $511 million for the year ended December 31, 2015, was $20 million lower than 2014 reflecting the impact of restructuring and productivity improvements.

Selling, Administrative and General Expenses (SAG)

SAG as a percent of revenue of 25.0% was flat as compared to the prior year ended December 31, 2015. On an adjusted[1] basis, SAG as a percentage of revenue of 24.5% was also flat as compared to 2015. Higher compensation expense as well as the decline in total company revenue were offset by benefits from Strategic Transformation cost saving and productivity initiatives, which include restructuring savings.

SAG expenses of $2,695 million for the year ended December 31, 2016 were $170 million lower than the prior year period. On an adjusted basis[1], SAG of 2,638 million decreased $173 million, including an approximate $58 million favorable impact from currency and reflected the following:

- $113 million decrease in selling expenses primarily driven by productivity savings.
- $48 million decrease in general and administrative expenses primarily driven by productivity savings that offset higher compensation expense.
- $12 million decrease in bad debt expense primarily due to lower revenues. Bad debt expense remained at less than one percent of receivables for the year ended December 31, 2016.

SAG as a percent of revenue of 25.0% increased 0.3-percentage points compared to the prior year ended December 31, 2014. On an adjusted[1] basis, SAG as a percentage of revenue of 24.5% increased 0.1-percentage points. The increase was driven by total company revenue decline only partially offset by restructuring and productivity improvements and lower compensation expense.

SAG expenses of $2,865 million for the year ended December 31, 2015 were $268 million lower than the prior year period. On an adjusted basis[1], SAG of 2,811 million decreased $285 million and reflected the following:

- $127 million decrease in selling expenses.
- $158 million decrease in general and administrative expenses.
- Bad debt expense of $49 million was flat as compared to the prior year and less than one percent of receivables for the year ended December 31, 2015.

Restructuring and Asset Impairment Charges

Restructuring and related costs of $264 million include restructuring and asset impairment charges of $230 million and $34 million of additional costs, primarily related to professional support services associated with the implementation of the Strategic Transformation program.

During the year ended December 31, 2016, we recorded net restructuring and asset impairment charges of $230 million. These charges included the following:

- $224 million of severance costs related to headcount reductions of approximately 3,250 employees globally. The actions impacted multiple functional areas, with approximately 30% of the costs focused on gross margin improvements, 60% on SAG and 10% on the optimization of RD&E investments.
- $28 million for lease termination costs primarily related to the early termination of the lease for our corporate airplane in connection with the elimination of our corporate aviation department.

The above charges were partially offset by $22 million of net reversals for changes in estimated reserves from prior period initiatives, as well as a gain of $5 million from the sale of real estate impaired in prior periods.

We expect 2017 pre-tax savings of approximately $140 million from our 2016 restructuring actions.

During the year ended December 31, 2015, we recorded net restructuring and asset impairment charges of $27 million, which included the following:

- $35 million of severance costs related to headcount reductions of approximately 700 employees globally. The actions impacted several functional areas, with approximately 40% of the costs focused on gross margin improvements, 55% on SAG and 5% on the optimization of RD&E investments.
- $2 million for lease termination costs primarily reflecting continued optimization of our worldwide operating locations.
- $7 million of asset impairment losses.

The above charges were partially offset by $17 million of net reversals for changes in estimated reserves from prior period initiatives.

Restructuring Summary

The restructuring reserve balance as of December 31, 2016 for all programs was $127 million, of which approximately $121 million is expected to be spent over the next twelve months. During 2017, we expect to incur additional restructuring charges of approximately $225 million for actions and initiatives that have not yet been finalized. Approximately $125 million of the full year charges are expected to be recognized in the first quarter of the year.

Refer to Note 11 - Restructuring and Asset Impairment Charges in the Consolidated Financial Statements for additional information regarding our restructuring programs.

Amortization of Intangible Assets

During the year ended December 31, 2016, we recorded $58 million of expense related to the amortization of intangible assets, which is $2 million lower than the prior year.

During the year ended December 31, 2015, we recorded $60 million of expense related to the amortization of intangible assets, which is $5 million lower than 2014 reflecting fewer acquisitions.

Refer to Note 10 - Goodwill and Intangible Assets, Net in the Consolidated Financial Statements for additional information regarding our intangible assets.

Worldwide Employment

Worldwide employment, which represents Xerox post-separation, was approximately 37,600 as of December 31, 2016 and decreased by 2,400 from December 31, 2015; the reduction is due to the net impact of restructuring and productivity-related initiatives. Approximately 96,000 employees transferred to Conduent upon the completion of the Separation.

Other Expenses, Net

	Year Ended December 31,		
(in millions)	2016	2015	2014
Non-financing interest expense	$ 181	$ 216	$ 226
Interest income	(5)	(6)	(9)
Gains on sales of businesses and assets	(22)	(44)	(51)
Currency losses, net	13	2	6
Litigation matters	1	(2)	(27)
Loss on sales of accounts receivables	16	13	15
All other expenses, net	16	16	25
Total Other Expenses, Net	$ 200	$ 195	$ 185

Non-Financing Interest Expense: Non-financing interest expense for the year ended December 31, 2016 of $181 million was $35 million lower than prior year. When non-financing interest expense is combined with financing interest expense (cost of financing), total interest expense declined by $37 million from the prior year. The decline is primarily due to a lower average cost of debt as well as the reclassification of $18 million of interest expense to discontinued operations associated with the $1.0 billion Term Loan Facility that was required to be repaid upon completion of the Separation. Proceeds from the Term Loan Facility had been used to pay off maturing debt in 2016. Refer to Note 4 - Divestitures for additional information on separation-related debt.

Non-financing interest expense for the year ended December 31, 2015 of $216 million was $10 million lower than prior year primarily due to the benefit of lower borrowing costs achieved as a result of refinancing existing debt. When non-financing interest expense is combined with financing interest expense (cost of financing), total company interest expense declined by $20 million from the prior year, primarily driven by a lower total average debt balance and lower average cost of debt.

Refer to Note 13 - Debt in the Consolidated Financial Statements for additional information regarding our allocation of interest expense.

Gains on Sales of Businesses and Assets: The 2016 net gain on sales of businesses and assets of $22 million includes gains on the sale of surplus technology assets of $17 million.

The 2015 net gain on sales of businesses and assets of $44 million reflected a gain of approximately $25 million on the sale of surplus real estate in Latin America and gains of approximately $20 million for surplus technology assets.

The 2014 net gain on sales of businesses and assets was primarily related to the sales of surplus properties with $39 million related to sales in Latin America and $8 million related to a sale in the U.S.

Currency Losses (Gains), Net: Currency losses (gains) primarily result from the re-measurement of foreign currency-denominated assets and liabilities, the cost of hedging foreign currency-denominated assets and liabilities and the mark-to-market of foreign exchange contracts utilized to hedge those foreign currency-denominated assets and liabilities. The increase in 2016 is largely due to the significant movement in exchange rates during 2016.

Litigation Matters: Litigation matters in 2016 and 2015 reflect probable losses and reserves for various legal matters.

Litigation matters in 2014 reflect probable losses and reserves for various legal matters partially offset by the favorable resolution of a securities litigation matter dating from 1999.

Refer to Note 18 - Contingencies and Litigation, in the Consolidated Financial Statements for additional information regarding litigation against the Company.

Loss on Sales of Accounts Receivables: Represents the loss incurred on our sales of accounts receivables. Refer to *Sales of Accounts Receivables* section below and Note 5 - Accounts Receivables, Net in the Consolidated Financial Statements for additional information regarding our sales of receivables.

Income Taxes

The 2016 effective tax rate was 10.9%. On an adjusted[1] basis, the 2016 effective tax rate was 20.9%. Both rates were lower than the U.S. statutory tax rate primarily due to foreign tax credits resulting from anticipated dividends from our foreign subsidiaries, the redetermination of certain unrecognized tax positions upon conclusion of several audits and the geographical mix of profits. The effective tax rate of 10.9% also included tax benefits associated with the following charges: restructuring and related costs, amortization of intangible assets and non-service retirement related costs. Excluding these benefits increases the effective tax rate on an adjusted[1] basis. The increase was much higher in 2016 as compared to 2015 due to a higher level of charges.

The 2015 effective tax rate was 20.9%. On an adjusted[1] basis, the 2015 effective tax rate was 24.0%. Both rates were lower than the U.S. statutory tax rate primarily due to foreign tax credits resulting from anticipated dividends from our foreign subsidiaries, the retroactive impact of the Protecting Americans from Tax Hikes Act as well as the geographical mix of profits.

The 2014 effective tax rate was 18.2%. On an adjusted[1] basis, the 2014 effective tax rate was 24.8%. Both rates were lower than the U.S. statutory tax rate primarily due to benefits from the redetermination of certain unrecognized tax positions upon conclusion of several audits, foreign tax credits and the retroactive impact from the U.S. Tax Increase Prevention Act of 2014 as well as the geographical mix of profits. The effective tax rate of 18.2% also included tax benefits associated with the following charges: restructuring and related costs, amortization of intangible assets and non-service retirement related costs as well as a $44 million benefit for a deferred tax liability adjustment associated with a tax law change[(2)].

Xerox operations are widely dispersed. The statutory tax rate in most non-U.S. jurisdictions is lower than the combined U.S. and state tax rate. The amount of income subject to these lower foreign rates relative to the amount of U.S. income will impact our effective tax rate. However, no one country outside of the U.S. is a significant factor in determining our overall effective tax rate. Certain foreign income is subject to U.S. tax net of any available foreign tax credits. Our full year effective tax rate for 2016 includes a benefit of 22.6-percentage points from these non-U.S. operations. The increase in the percentage point benefit, as compared to the prior period benefit of approximately 15.3%, is primarily due to the increase in foreign tax credit benefits. Refer to Note 17 - Income and Other Taxes, in the Consolidated Financial Statements for additional information regarding the geographic mix of income before taxes and the related impacts on our effective tax rate.

Our effective tax rate is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our effective tax rate will change based on discrete or other nonrecurring events (e.g. audit settlements, tax law changes, changes in valuation allowances, etc.) that may not be predictable. Excluding the effects of restructuring and related costs, amortization of intangible assets and non-service retirement-related costs, and other discrete items, we anticipate that our adjusted effective tax rate will be approximately 25% to 28% for the first quarter and full year 2017.

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(1) See the "Non-GAAP Financial Measures" section for an explanation of the adjusted effective tax rate non-GAAP financial measure.

(2) In December 2014 a change in the U.K. - Japan Tax Treaty resulted in dividends from FX no longer being subject to a withholding tax. Accordingly, in 2014, we recorded a $44 million reversal of the deferred tax liability associated with the undistributed earnings of FX through December 2014, as it was no longer required as a result of the change in the Tax Treaty.

Equity in Net Income of Unconsolidated Affiliates

	Year Ended December 31,		
(in millions)	2016	2015	2014
Total equity in net income of unconsolidated affiliates	$ 121	$ 135	$ 160
Fuji Xerox after-tax restructuring costs	3	4	3

Equity in net income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox net income. The decrease in equity income of $14 million in 2016 primarily reflects lower Fuji Xerox net income. The decrease in equity income of $25 million in 2015 primarily reflects the weaker Yen as compared to the U.S. dollar in 2015 as well as lower Fuji Xerox net income.

Refer to Note 9 - Investment in Affiliates, at Equity, in the Consolidated Financial Statements for additional information regarding our investment in Fuji Xerox.

Net Income From Continuing Operations

Net income from continuing operations attributable to Xerox for the year ended December 31, 2016 was $616 million, or $0.58 per diluted share. On an adjusted[1] basis, net income attributable to Xerox was $921 million, or $0.88 per diluted share, and reflects adjustments for the amortization of intangible assets, restructuring and related costs, and non-service retirement-related costs.

Net income from continuing operations attributable to Xerox for the year ended December 31, 2015 was $848 million, or $0.77 per diluted share. On an adjusted[1] basis, net income attributable to Xerox was $978 million, or $0.89 per diluted share, and reflects adjustments for the amortization of intangible assets, restructuring and related costs, and non-service retirement-related costs. The increase in earnings per diluted share reflects a lower average share count as a result of share repurchases over the prior three years.

Net income from continuing operations attributable to Xerox for the year ended December 31, 2014 was $1,029 million, or $0.86 per diluted share. On an adjusted[1] basis, net income attributable to Xerox was $1,148 million, or $0.96 per diluted share, and reflects adjustments for the amortization of intangible assets, restructuring and related costs, and non-service retirement-related costs.

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(1) See the "Non-GAAP Financial Measures" section for a reconciliation of reported net income from continuing operations to adjusted net income.

Discontinued Operations

Discontinued operations primarily relate to our Business Process Outsourcing (BPO) business, which was separated effective December 31, 2016, and the Information Technology Outsourcing (ITO) business, which was sold on June 30, 2015.

Refer to Note 4 - Divestitures in the Consolidated Financial Statements for additional information regarding Discontinued Operations.

Other Comprehensive Loss

The historical Consolidated Statements of Comprehensive (Loss) Income have not been revised to reflect the Separation. Accordingly, all reported amounts reflect movements in Accumulated Other Comprehensive Loss for both Continuing Operations and Discontinued Operations. Refer to Note 4 - Divestitures for additional information regarding the Separation.

Other comprehensive loss attributable to Xerox was $232 million in 2016 as compared to a loss of $483 million in 2015. The reduction of $251 million was primarily due to the $314 million reduction in losses from the translation of our foreign currency denominated net assets. Both 2016 and 2015 translation losses reflect the weakening of the Euro and Pound Sterling as compared to the U.S. Dollar, however the losses in 2016 were partially offset by the strengthening of the Canadian Dollar, Japanese Yen and Brazilian Real. Partially offsetting the reduction in translation losses were unrealized losses of $15 million in 2016 compared to gains of $23 million in 2015 reflecting activity associated with our foreign currency derivatives and a reduction in defined benefit plan gains of $27 million in 2016 as compared to 2015.

Other comprehensive loss attributable to Xerox was $483 million in 2015 as compared to a loss of $1,380 million in 2014. The reduction of $897 million was primarily due to net gains from changes in defined benefit plans of $153 million in 2015 as compared to losses of $662 million in 2014. The gains in 2015 are largely the result of the reclassification of actuarial losses to net income and the currency impacts on deferred actuarial losses. The remainder of the reduction in other comprehensive loss is related to the $74 million decrease in losses from the translation of our foreign currency denominated net assets. Both 2015 and 2014 reflect translation losses as a result of the significant weakening of our major foreign currencies as compared to the U.S. Dollar in both years.

Refer to Note 14 - Financial Instruments for additional information regarding our foreign currency derivatives and our discussion of Pension Plan Assumptions in the "*Application of Critical Accounting Policies"* section of the MD&A as well as Note 16 - Employee Benefit Plans in the Consolidated Financial Statements for additional information regarding our defined benefit plans.

Recent Accounting Pronouncements

Refer to Note 1 - Basis of Presentation and Summary of Significant Accounting Policies in the Consolidated Financial Statements for a description of recent accounting pronouncements including the respective dates of adoption and the effects on results of operations and financial conditions.

Operations Review of Segment Revenue and Profit

The Business Process Outsourcing (BPO) business is not reported in our segment financial information as it is now classified as a discontinued operation. Accordingly, the Services reportable segment reflects only the financial information for our legacy Document Outsourcing (DO) services business and certain other services businesses that were transferred from the BPO business to Xerox prior to the Separation.

In addition, in the first quarter of 2016, we revised our segment reporting to exclude the non-service elements of our defined-benefit pension and retiree-health plan costs from Segment profit. Segment profit was also revised to reflect the transfer of corporate functions to Conduent, which resulted in a full year benefit of approximately $80 million from additional corporate costs, above those historically allocated to the BPO business, being transferred to Conduent upon the Separation.

Current and prior year amounts were revised accordingly to reflect all of the above noted changes.

Revenues by segment for the three years ended December 31, 2016 were as follows:

(in millions)	Equipment Sales Revenue	Annuity Revenue	Total Revenue	% of Total Revenue	Segment Profit (Loss)	Segment Margin
2016						
Document Technology	$ 1,904	$ 4,805	$ 6,709	62%	$ 901	13.4 %
Services	499	3,006	3,505	33%	469	13.4 %
Other	122	435	557	5%	(223)	(40.0)%
Total	$ 2,525	$ 8,246	$ 10,771	100%	$ 1,147	10.6 %
2015						
Document Technology	$ 2,179	$ 5,186	$ 7,365	64%	$ 1,041	14.1 %
Services	493	3,064	3,557	31%	458	12.9 %
Other	109	434	543	5%	(225)	(41.4)%
Total	$ 2,781	$ 8,684	$ 11,465	100%	$ 1,274	11.1 %
2014						
Document Technology	$ 2,482	$ 5,876	$ 8,358	66%	$ 1,285	15.4 %
Services	499	3,224	3,723	29%	443	11.9 %
Other	123	475	598	5%	(218)	(36.5)%
Total	$ 3,104	$ 9,575	$ 12,679	100%	$ 1,510	11.9 %

Document Technology Segment

Our Document Technology segment includes the sale of products and supplies, as well as the associated maintenance and financing of those products.

Document Technology segment revenues for the three years ended December 31, 2016 were as follows:

	Revenue			% Change		CC % Change	
(in millions)	2016	2015	2014	2016	2015	2016	2015
Equipment sales	$ 1,904	$ 2,179	$ 2,482	(13)%	(12)%	(12)%	(8)%
Annuity revenue	4,805	5,186	5,876	(7)%	(12)%	(6)%	(7)%
Total Revenue	$ 6,709	$ 7,365	$ 8,358	(9)%	(12)%	(8)%	(7)%

Revenue 2016

Document Technology revenue of $6,709 million decreased 9%, with a 1-percentage point negative impact from currency. Total revenues include the following:

- Equipment sales revenue decreased 13% with a 1-percentage point negative impact from currency. The decline was driven primarily by lower entry and mid-range sales, which partially reflects the timing of product launches, as well as lower OEM sales; the decline is also partially driven by lower sales in the developing markets, along with lower revenues from our high-end products (reflecting an unfavorable mix) and lower sales to Fuji Xerox. Equipment sales revenue in this segment was also impacted by the continued migration of customers to our partner print services offering (included in the Services segment). Revenue was also impacted by overall price declines that continue to be in-line with our historic impact of approximately 5%.
- Annuity revenue declined 7%, with a 1-percentage point negative impact from currency. The annuity revenue reduction is largely consistent with recent trends and reflects lower equipment sales in prior periods, ongoing page declines and lower supplies demand, as well as the continued migration of customers to our partner print services offering (included in the Services segment).

Document Technology revenue mix was 18% entry, 57% mid-range and 25% high-end.

Segment Margin 2016

Document Technology segment margin of 13.4% declined 0.7-percentage points from prior year, including a 0.2- percentage point improvement in gross margin. The gross margin increase reflects restructuring and productivity improvements partially offset by price declines and adverse transaction currency. SAG as a percentage of revenue increased 0.9-percentage points, primarily as a result of higher compensation expense and lower segment revenues, which offset restructuring and productivity improvements in this area. Segment margin was also adversely impacted by lower Equity in net income of unconsolidated affiliates associated with our share of Fuji Xerox net income.

Total Installs 2016 (Document Technology and Document Outsourcing[1])

Entry[(2)]

- 1% decrease in color multifunction due to weakness in Europe that was only partly mitigated by higher installs in the other territories.
- 12% decrease in black-and-white multifunction devices reflecting overall market declines as well as a lower level of large deals in the developing markets.

Mid-Range[(3)]

- 3% increase in mid-range color installs, reflecting growth in US and developing markets, partly offset by weakness in Europe.
- 16% decrease in mid-range black-and-white consistent with market declines, reflecting a transition to color devices and fewer large account sales.

High-End[(3)]

- 16% increase in high-end color systems due to favorable impact from the drupa printing trade show and significant growth in Versant 80 and 180 color presses.
- 13% decrease in high-end black-and-white systems, consistent with overall market declines.

Note: Descriptions of “Entry”, “Mid-Range” and “High-End” are defined in Note 2 - Segment Reporting, in the Consolidated Financial Statements

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(1) Revenue from Document Outsourcing installations is reported in the Services segment.
(2) Entry installations exclude OEM sales; including OEM sales, Entry color multifunction devices increased 34%, while Entry black-and-white multifunction devices increased 6%.
(3) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales; including Fuji Xerox digital front-end sales, Mid-range color devices increased 3% and High-end color systems declined 4%.

Revenue 2015

Document Technology revenue of $7,365 million decreased 12%, with a 5-percentage point negative impact from currency. Total revenues include the following:

- Equipment sales revenue decreased 12% with a 4-percentage point negative impact from currency. The decline was across all product groups and was driven by weakness in developing markets, lower OEM sales, lower sales of production products due to product launch timing and continued migration of customers to our partner print services offering (included in our Services segment). Revenue was also impacted by overall price declines that continue to be in-line with our historic impact of approximately 5%.
- Annuity revenue decreased by 12%, with a 5-percentage point negative impact from currency. The annuity revenue decrease reflects lower equipment sales in prior periods, resulting in ongoing page declines and lower supplies demand, as well as supplies channel inventory dynamics and reduced financing revenue. Annuity revenue in Document Technology also reflects continued migration of customers to our partner print services offering (included in our Services segment).

Document Technology revenue mix was 19% entry, 57% mid-range and 24% high-end.

Segment Margin 2015

Document Technology segment margin of 14.1% decreased 1.3-percentage points from prior year, including a 0.7- percentage point decrease in gross margin as well as higher RD&E and SAG as a percent of revenue. The gross margin decrease reflects unfavorable revenue-stream mix, price declines and an increase in pension expense, partially offset by lower compensation and benefit expenses and benefits from restructuring and productivity improvements. SAG increased as a percent of revenue due to the impact of overall lower revenues and higher pension expense that more than offset benefits from restructuring and productivity improvements, lower compensation and benefit expenses and the curtailment gain.

Installs 2015 (Document Technology and Document Outsourcing[1])

Entry[(2)]

Install activity includes Document Outsourcing and the Xerox-branded products shipped to Global Imaging Systems. Details by product group is shown below.

- 11% decrease in color multifunction devices driven by declines in developing markets.
- 19% decrease in black-and-white multifunction devices reflecting continued declines in developing markets including Eurasia.

Mid-Range[(3)]

- 1% increase in mid-range color including demand for new products.
- 7% decrease in mid-range black-and-white reflecting higher declines in developing markets including Eurasia.

High-End[(3)]

- 4% decrease in high-end color systems driven primarily by declines in other production color products partially reflecting product launch timing.
- 10% decrease in high-end black-and-white systems.

Note: Descriptions of “Entry”, “Mid-Range” and “High-End” are defined in Note 2 - Segment Reporting, in the Consolidated Financial Statements

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(1) Revenue from Document Outsourcing installations is reported in the Services segment.
(2) Entry installations exclude OEM sales; including OEM sales, Entry color multifunction devices increased 28%, while Entry black-and-white multifunction devices decreased 11%.
(3) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales; including Fuji Xerox digital front-end sales, Mid-range color devices increased 1%, and High-end color systems increased 2%.

Services Segment

Our Services segment is comprised of our legacy Document Outsourcing (DO) business, as well as a set of communications and marketing solutions offerings that were a part of the Business Process Outsourcing (BPO) business before the Separation.

Services revenue breakdown for the three years ended December 31, 2016 were as follows:

	Revenue			% Change		CC % Change	
(in millions)	2016	2015	2014	2016	2015	2016	2015
Equipment sales	$ 499	$ 493	$ 499	1 %	(1)%	4%	7%
Annuity revenue	3,006	3,064	3,224	(2)%	(5)%	1%	1%
Total Revenue	$ 3,505	$ 3,557	$ 3,723	(1)%	(4)%	1%	2%

CC - See "Non-GAAP Financial Measures" section for description of Constant Currency

Revenue 2016

Services revenue of $3,505 million was 33% of total revenue and decreased 1% with a 2-percentage point negative impact from currency. Our legacy DO revenue was relatively flat from prior year but included a 2-percentage point negative impact from currency. Growth at constant currency[1] was primarily driven by our partner print services offerings, which more than offset the impact of lower new business signings and price declines on renewals.

Segment Margin 2016

Services segment margin of 13.4% increased 0.5-percentage points from prior year, including a 0.8 and a 0.3-percentage point improvement in SAG and RD&E as a percent of revenue, respectively, and partly offset by a 0.5-percentage point decrease in gross margin. The overall improvement reflected restructuring and productivity savings, along with a positive business mix, which more than offset price declines.

Metrics

Signings

Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. Our DO signings were approximately $2.7 billion in Total Contract Value (TCV). Signings decreased 11% from prior year, with a 6% point negative impact from currency, reflecting lower contribution from new business. New business TCV at constant currency[1] decreased 18% from prior year. These declines reflect, in part, our decision to not pursue opportunities with lower margin and return profiles as well as higher competitive pressure related to timing of product launches. DO signings do not include signings from our growing partner print services offerings.

Note: TCV is the estimated total contractual revenue related to signed contracts.

Renewal Rate

Renewal rate is defined as the annual recurring revenue (ARR) on contracts that are renewed during the period as a percentage of ARR on all contracts for which a renewal decision was made during the period. Our 2016 Document Outsourcing contract renewal rate was 82%, an increase of 4-percentage points as compared to 2015.

Revenue 2015

Services revenue of $3,557 million was 31% of total revenue and decreased 4% with a 6-percentage point negative impact from currency. Our legacy DO revenue decreased 3% and included a 7-percentage point negative impact from currency. Growth at constant currency[1] was primarily driven by growth in our partner print services offerings offset by declines in Europe and other markets due to contract run-off and new contract ramp timing.

Segment Margin 2015

Services segment margin of 12.9% increased 1.0-percentage points from the prior year primarily due to productivity improvements and an improvement in SAG reflecting restructuring benefits partially offset by a decrease in gross margin as well as expenses associated with higher compensation expenses and price declines consistent with prior years.

Other

Our Other segment primarily includes paper sales in developing market countries, network integration solutions and non-allocated corporate items including non-financing interest and other items included in other expenses, net.

Revenue 2016

Other segment revenue of $557 million increased 3%, with a 2-percentage point negative impact from currency. The improvement is driven by higher network integration-related solution sales, and paper sales within our developing markets, which more than offset lower wide format sales.

Other Loss 2016

Other loss of $223 million decreased $2 million from prior year period. Other expenses, net are reported within Other and was $200 million as compared to $195 million in the prior period. In addition to Other expenses, Net, our Other segment included profit increase of $7 million primarily related to higher revenues.

Revenue 2015

Other segment revenue of $543 million decreased 9% due to lower wide format revenues, paper sales as well as networking hardware and integration services.

Other Loss 2015

Other loss of $225 million increased $7 million from prior year period. Other expenses, net are reported within Other and was $195 million as compared to $185 million in the prior period. In addition to Other expenses, Net, our Other segment included a profit increase of $3 million primarily related to higher licensing revenues and network integration sales.

Segment Changes

Following the separation of the BPO business, we are realigning our business to better manage and serve our customers and the markets in which we operate. As a result, in 2017 we expect to shift to a geographic structure and be primarily organized on the basis of two main business units: North America Operations (U.S. and Canada) and International Operations (Europe, Eurasia, Latin America, Middle East, Africa and India). Although we are still evaluating our segment reporting for 2017, our current expectation is that we will report as one reportable segment.

Capital Resources and Liquidity

Our liquidity is primarily dependent on our ability to continue to generate strong cash flows from operations. Additional liquidity is also provided through access to the financial capital markets, including the Commercial Paper market, as well as a committed global credit facility. The following is a summary of our liquidity position:

- As of December 31, 2016 and 2015, total cash and cash equivalents were $2,223 million and $1,228 million, respectively. There were no borrowings under our Commercial Paper Program at December 31, 2016 or 2015 versus $150 million of borrowings at December 31, 2014. There were no borrowings or letters of credit under our $2 billion Credit Facility at either year end. The total cash and cash equivalent balance at December 31, 2016 includes $1.0 billion of cash expected to be used for the repayment of maturing Senior Notes in the first quarter 2017.
- Over the past three years, we have consistently delivered strong cash flows from operations driven by the strength of our annuity/post-sale based revenue model and cost productivity initiatives. Operating cash flows from continuing operations was $1,018 million, $1,078 million and $1,333 million for the three years ended December 31, 2016, respectively. The decrease in 2016 and 2015 operating cash flow from continuing operations was primarily due to lower earnings.
- We expect cash flows from continuing operations to be between $700 million and $900 million in 2017, reflecting an increase in restructuring payments and pension contributions partially offset by improvements in working capital.

Cash Flow Analysis

The following summarizes our cash flows for the three years ended December 31, 2016, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

	Year Ended December 31,			Change	
(in millions)	2016	2015	2014	2016	2015
Net cash provided by operating activities of continuing operations	$ 1,018	$ 1,078	$ 1,333	$ (60)	$ (255)
Net cash provided by operating activities of discontinued operations	77	533	730	(456)	(197)
Net cash provided by operating activities	1,095	1,611	2,063	(516)	(452)
Net cash used in investing activities of continuing operations	(146)	(43)	(134)	(103)	91
Net cash (used in) provided by investing activities of discontinued operations	(251)	551	(569)	(802)	1,120
Net cash (used in) provided by investing activities	(397)	508	(703)	(905)	1,211
Net cash provided by (used in) financing activities	584	(2,074)	(1,624)	2,658	(450)
Effect of exchange rate changes on cash and cash equivalents	(30)	(77)	(81)	47	4
(Increase) decrease in cash of discontinued operations	(257)	8	(28)	(265)	36
Increase (decrease) in cash and cash equivalents	995	(24)	(373)	1,019	349
Cash and cash equivalents at beginning of year	1,228	1,252	1,625	(24)	(373)
Cash and Cash Equivalents at End of Year	$ 2,223	$ 1,228	$ 1,252	$ 995	$ (24)

Cash Flows from Operating Activities

Net cash provided by operating activities of continuing operations was $1,018 million for the year ended December 31, 2016. The $60 million decrease in operating cash from 2015 was primarily due to the following:

- $115 million decrease in pre-tax income before depreciation and amortization, gain on sales of businesses and assets, stock-based compensation, restructuring and related costs and defined benefit pension cost.
- $331 million decrease from higher tax payments resulting from tax sharing with Conduent.

- $119 million decrease in accounts payable and accrued compensation primarily related to the timing of payments partially offset by higher compensation accruals.
- $66 million decrease from higher restructuring and related payments.
- $36 million decrease from accounts receivable primarily due to the timing of collections and a lower impact from the sales of receivables.
- $225 million increase from the settlements of foreign currency derivative contracts. This increase primarily offsets the negative currency impacts on our Yen-denominated inventory purchases as well as other foreign currency denominated payments recorded in inventory and accounts payable.
- $123 million increase from lower pension contributions.
- $112 million increase from finance receivables primarily related to a higher level of run-off due to lower originations and to a reduced impact from 2012 and 2013 finance receivables sales.
- $108 million increase from inventory primarily due to lower volume of equipment and supplies sales.

Net cash provided by operating activities of continuing operations was $1,078 million for the year ended December 31, 2015. The $255 million decrease in operating cash from 2014 was primarily due to the following:

- $256 million decrease in pre-tax income before depreciation and amortization, gain on sales of businesses and assets, stock-based compensation, restructuring and defined benefit pension cost.
- $179 million decrease in accounts payable and accrued compensation primarily related to the timing of payments and lower compensation accruals.
- $79 million decrease primarily due to higher levels of inventory following lower equipment and supplies demand.
- $32 million decrease primarily due to higher discretionary pension contributions in the U.S. offset by lower contributions in the international plans.
- $31 million decrease from finance receivables primarily related to a lower net run-off as a result of an increase in originations. This was partially offset by a lower impact from the prior year sales of receivables.
- $93 million increase from lower tax payments.
- $89 million increase from accounts receivable primarily due to a higher impact from the sales of accounts receivable under existing programs.
- $31 million increase from lower restructuring payments due to lower activity.

Cash Flows from Investing Activities

Net cash used in investing activities of continuing operations was $146 million for the year ended December 31, 2016 as compared to a $43 million use of cash in the prior year. The change was primarily due to the following:

- $67 million decrease primarily due to lower proceeds from the sale of surplus assets.
- $17 million change from acquisitions.
- $10 million due to lower capital expenditures (including internal use software).

Net cash used in investing activities of continuing operations was $43 million for the year ended December 31, 2015 as compared to a $134 million use of cash in the prior year. The change was primarily due to the following:

- $39 million of higher proceeds primarily from the sale of surplus property and assets in the U.S. and Latin America.
- $28 million due to lower capital expenditures (including internal use software).
- $21 million change from acquisitions.

Cash Flows from Financing Activities

Net cash provided by financing activities was $584 million for the year ended December 31, 2016. The $2,658 million increase in cash from 2015 was primarily due to the following:

- $1,302 million increase, due to the absence of share repurchases in 2016.
- $1,295 million increase from net debt activity. 2016 reflects net proceeds of $1.9 billion from debt incurred by Conduent in connection with the Separation partially offset by payments of $700 million on Senior Notes and $250 million on Notes. 2015 reflects payment of $1,250 million on Senior Notes and a decrease of $150 million in Commercial Paper offset by net proceeds of $1,045 million from the issuance of Senior Notes.
- $31 million increase due to the absence of a stock-based award vesting in 2016 and the related tax impacts.
- $45 million increase due to lower distributions to noncontrolling interests.
- $10 million decrease due to lower proceeds from the issuance of common stock under our incentive stock plans.

Net cash used in financing activities was $2,074 million for the year ended December 31, 2015. The $450 million increase in the use of cash from 2014 was primarily due to the following:

- $231 million increase in share repurchases.
- $195 million increase from net debt activity. 2015 reflects the payment of $1,250 million on Senior Notes and a decrease of $150 million in Commercial Paper offset by net proceeds of $1,045 million from the issuance of Senior Notes. 2014 reflects the payments of $1,050 million on Senior Notes offset by net proceeds of $700 million from the issuance of Senior Notes and an increase of $150 million in Commercial Paper.
- $36 million increase due to lower proceeds from the issuance of common stock under our incentive stock plans.
- $10 million increase due to higher share repurchases related to employee withholding taxes on stock-based compensation vesting.
- $25 million decrease due to lower distributions to noncontrolling interests.

Debt and Customer Financing Activities

We provide lease equipment financing to our customers, primarily in our Document Technology segment. Our lease contracts permit customers to pay for equipment over time rather than at the date of installation. Our investment in these contracts is reflected in Total finance assets, net. We primarily fund our customer financing activity through cash generated from operations, cash on hand, commercial paper borrowings, sales and securitizations of finance receivables and proceeds from capital markets offerings.

We have arrangements in certain international countries and domestically with our small and mid-sized customers, where third-party financial institutions independently provide lease financing directly to our customers, on a non-recourse basis to Xerox. In these arrangements, we sell and transfer title of the equipment to these financial institutions. Generally, we have no continuing ownership rights in the equipment subsequent to its sale; therefore, the unrelated third-party finance receivable and debt are not included in our Consolidated Financial Statements.

The following represents our Total finance assets, net associated with our lease and finance operations:

	December 31,	
(in millions)	2016	2015
Total Finance receivables, net[1]	$ 3,744	$ 3,988
Equipment on operating leases, net	475	495
Total Finance Assets, Net [2]	$ 4,219	$ 4,483

(1) Includes (i) billed portion of finance receivables, net, (ii) finance receivables, net and (iii) finance receivables due after one year, net as included in our Consolidated Balance Sheets.
(2) The change from December 31, 2015 includes a decrease of $90 million due to currency across all Finance Assets.

We maintain a certain level of debt, referred to as financing debt, to support our investment in these lease contracts or Total finance assets, net. We maintain this financing debt at an assumed 7:1 leverage ratio of debt to equity as compared to our Total finance assets, net for this financing aspect of our business. Based on this leverage, the following represents the allocation of our total debt at December 31, 2016 and 2015 between financing debt and core debt:

	December 31,	
(in millions)	2016	2015
Financing debt[1]	$ 3,692	$ 3,923
Core debt	2,624	3,356
Total Debt	$ 6,316	$ 7,279

(1) Financing debt includes $3,276 million and $3,490 million as of December 31, 2016 and December 31, 2015, respectively, of debt associated with Total finance receivables, net and is the basis for our calculation of "Equipment financing interest" expense. The remainder of the financing debt is associated with Equipment on operating leases.

In 2017, we expect to continue the leveraging of our finance assets at an assumed 7:1 ratio of debt to equity. The following summarizes our total debt at December 31, 2016 and 2015:

	December 31,	
(in millions)	2016	2015
Principal debt balance[1]	$ 6,349	$ 7,306
Net unamortized discount	(43)	(52)
Debt issuance costs[2]	(21)	(29)
Fair value adjustments[3]		
- terminated swaps	27	47
- current swaps	4	7
Total Debt	$ 6,316	$ 7,279

(1) Includes Notes Payable of $4 million and $3 million as of December 31, 2016 and December 31, 2015, respectively.
(2) Reflects the adoption of ASU 2015-03, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs effective January 1, 2016, which requires debt issuance costs to be presented as a direct deduction from the carrying amount of the corresponding debt liability. Prior year amounts were revised to reflect the new presentation.
(3) Fair value adjustments include the following: (i) fair value adjustments to debt associated with terminated interest rate swaps, which are being amortized to interest expense over the remaining term of the related notes; and (ii) changes in fair value of hedged debt obligations attributable to movements in benchmark interest rates. Hedge accounting requires hedged debt instruments to be reported inclusive of any fair value adjustment.

Capital Market Activity

Refer to Note 13 - Debt in the Consolidated Financial Statements for additional information.

Refer to Note 4 - Divestitures and Note 19 - Preferred Stock for additional information regarding capital activity associated with the Separation and Distribution of Conduent.

Financial Instruments

Refer to Note 14 - Financial Instruments in the Consolidated Financial Statements for additional information.

Sales of Accounts Receivable

Accounts receivable sales arrangements are utilized in the normal course of business as part of our cash and liquidity management. We have financial facilities in the U.S., Canada and several countries in Europe that enable us to sell certain accounts receivables, without recourse, to third-parties. The accounts receivables sold are generally short-term trade receivables with payment due dates of less than 60 days.

Refer to Note 5 - Accounts Receivable, Net in the Consolidated Financial Statements for additional information.

Sales of Finance Receivables

In 2013 and 2012, we transferred our entire interest in certain groups of lease finance receivables to third-party entities. The transfers were accounted for as sales and resulted in the de-recognition of lease receivables with a net carrying value of $676 million in 2013 and $682 million in 2012, and associated pre-tax gains of $40 million and $44 million, respectively. There have been no sales since 2013. We continue to service the sold receivables and record servicing fee income over the expected life of the associated receivables.

Refer to Note 6 - Finance Receivables, Net in the Consolidated Financial Statements for additional information.

Share Repurchase Programs - Treasury Stock

No shares were repurchased during 2016. During 2015, we repurchased 115.2 million shares of our common stock for an aggregate cost of $1.3 billion, including fees.

Refer to Note 20 - Shareholders' Equity – Treasury Stock in the Consolidated Financial Statements for additional information regarding our share repurchase programs.

Dividends

The Board of Directors declared aggregate dividends of $317 million, $299 million and $293 million on common stock in 2016, 2015 and 2014, respectively. The increase in 2016 as compared to prior years is primarily due to the increase in 2015 of the quarterly dividend to 7.75 cents per share from 7.00 cents per share partially offset by a lower level of outstanding shares as a result of the repurchase of shares in 2015 under our share repurchase programs.

The Board of Directors declared aggregate dividends of $24 million on the Series A Convertible Preferred Stock in each year of the three years ended December 31, 2016. The preferred shares were issued in 2010 in connection with the acquisition of ACS. Refer to Note 19 - Preferred Stock for additional information regarding the exchange of the Series A Convertible Preferred Stock as part of the Separation.

In February 2017, the Board of Directors approved the Company's post-separation quarterly cash dividend of 6.25 cents per share, beginning with the dividend payable on April 28, 2017.

Liquidity and Financial Flexibility

We manage our worldwide liquidity using internal cash management practices, which are subject to (1) the statutes, regulations and practices of each of the local jurisdictions in which we operate, (2) the legal requirements of the agreements to which we are a party and (3) the policies and cooperation of the financial institutions we utilize to maintain and provide cash management services.

Our principal debt maturities are in line with historical and projected cash flows and are spread over the next ten years as follows (in millions):

Year		Amount
2017 - Q1[(1)(2)]	$	1,005
2017 - Q2		2
2017 - Q3		2
2017 - Q4		2
2018		1,008
2019		1,156
2020		1,207
2021		1,067
2022		—
2023		—
2024		300
2025 and thereafter		600
Total	$	6,349

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(1) *The total cash and cash equivalent balance at December 31, 2016 includes $1.0 billion of cash expected to be used for the repayment of $1.0 billion maturing Senior Notes in the first quarter 2017.*

(2) *Includes $4 million of Notes Payable.*

Foreign Cash

At December 31, 2016, we had $2.2 billion of cash and cash equivalents on a consolidated basis. Of that amount, approximately $500 million was held outside the U.S. by our foreign subsidiaries to fund future working capital, investment and financing needs of our foreign subsidiaries. Accordingly, we have asserted that such funds are indefinitely reinvested outside the U.S.

We believe we have sufficient levels of cash and cash flows to support our domestic requirements. However, if the cash held by our foreign subsidiaries was needed to fund our U.S. requirements, there would not be a significant tax liability associated with repatriation of the cash, as any U.S. liability would be reduced by the foreign tax credits associated with the repatriated earnings. However, our determination above is based on the assumption that only the cash held outside the U.S. would be repatriated as a result of an unanticipated or unique domestic need. It does not assume repatriation of the entire amount of indefinitely reinvested earnings of our foreign subsidiaries. As disclosed in Note 17- Income and Other Taxes in our Consolidated Financial Statements, we have not estimated the potential tax consequences associated with the repatriation of the entire amount of our foreign earnings indefinitely reinvested outside the U.S. We do not believe it is practical to calculate the potential tax impact, as there is a significant amount of uncertainty with respect to determining the amount of foreign tax credits as well as any additional local withholding tax and other indirect tax consequences that may arise from the distribution of these earnings. In addition, because such earnings have been indefinitely reinvested in our foreign operations, repatriation would require liquidation of those investments or a recapitalization of our foreign subsidiaries, the impacts and effects of which are not readily determinable.

Loan Covenants and Compliance

At December 31, 2016, we were in full compliance with the covenants and other provisions of our Credit Facility and Senior Notes. We have the right to terminate the Credit Facility without penalty. Failure to comply with material provisions or covenants of the Credit Facility and Senior Notes could have a material adverse effect on our liquidity and operations and our ability to continue to fund our customers' purchase of Xerox equipment.

Refer to Note 13 - Debt in the Consolidated Financial Statements for additional information regarding debt arrangements.

Contractual Cash Obligations and Other Commercial Commitments and Contingencies

At December 31, 2016, we had the following contractual cash obligations and other commercial commitments and contingencies:

(in millions)	2017	2018	2019	2020	2021	Thereafter
Total debt, including capital lease obligations(1)	$ 1,011	$ 1,008	$ 1,156	$ 1,207	$ 1,067	$ 900
Interest on debt(1)	251	205	169	116	65	613
Minimum operating lease commitments(2)	124	94	72	53	40	71
Defined benefit pension plans	350	—	—	—	—	—
Retiree health payments	63	64	62	61	59	261
Estimated Purchase Commitments:						
Fuji Xerox(3)	1,641	—	—	—	—	—
Flextronics(4)	375	—	—	—	—	—
Other(5)	179	98	33	23	8	201
Total	$ 3,994	$ 1,469	$ 1,492	$ 1,460	$ 1,239	$ 2,046

(1) Total debt for 2017 includes $4 million of Notes Payable. Refer to Note 13 - Debt in the Consolidated Financial Statements for additional information regarding debt and interest on debt.
(2) Refer to Note 8 - Land, Buildings, Equipment and Software, Net in the Consolidated Financial Statements for additional information related to minimum operating lease commitments.
(3) Fuji Xerox: The amount included in the table reflects our estimate of purchases over the next year and is not a contractual commitment. Refer to Note 9 - Investments in Affiliates, at Equity in the Consolidated Financial Statements for additional information related to transactions with Fuji Xerox.
(4) Flextronics: We outsource certain manufacturing activities to Flextronics. The amount included in the table reflects our estimate of purchases over the next year and is not a contractual commitment. In the past two years, actual purchases from Flextronics averaged approximately $409 million per year.
(5) Other purchase commitments: We enter into other purchase commitments with vendors in the ordinary course of business. Our policy with respect to all purchase commitments is to record losses, if any, when they are probable and reasonably estimable. We currently do not have, nor do we anticipate, material loss contracts.

Pension and Other Post-retirement Benefit Plans

We sponsor defined benefit pension plans and retiree health plans that require periodic cash contributions. Our 2016 cash contributions for these plans were $178 million for our defined benefit pension plans and $61 million for our retiree health plans. In 2017, based on current actuarial calculations, we expect to make contributions of approximately $350 million to our worldwide defined benefit pension plans and $63 million to our retiree health benefit plans. The $350 million of pension contributions include $130 million of additional voluntary contributions in the U.S.

Contributions to our defined benefit pension plans in subsequent years will depend on a number of factors, including the investment performance of plan assets and discount rates as well as potential legislative and plan changes. At December 31, 2016, the net underfunded balances of our U.S. and Non-U.S. defined benefit pension plans were $1,387 million and $776 million, respectively, or $2,163 million in the aggregate.

Our retiree health benefit plans are non-funded and are almost entirely related to domestic operations. The unfunded balance of our retiree health plans is $761 million at December 31, 2016. Cash contributions are made each year to cover medical claims costs incurred during the year. The amounts reported in the above table as retiree health payments represent our estimate of future benefit payments.

Refer to Note 16 - Employee Benefit Plans in the Consolidated Financial Statements for additional information regarding contributions to our defined benefit pension and post-retirement plans.

Fuji Xerox

We purchased products, including parts and supplies, from Fuji Xerox totaling $1.6 billion, $1.7 billion and $1.8 billion in 2016, 2015 and 2014, respectively. Our purchase commitments with Fuji Xerox are entered into in the normal course of business and typically have a lead time of three months. Related party transactions with Fuji Xerox are discussed in Note 9 - Investments in Affiliates, at Equity in the Consolidated Financial Statements.

Brazil Tax and Labor Contingencies

Our Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax matters, which comprise a significant portion of the total contingencies, principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our positions. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows.

The labor matters principally relate to claims made by former employees and contract labor for the equivalent payment of all social security and other related labor benefits, as well as consequential tax claims, as if they were regular employees. As of December 31, 2016, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of related interest, amounted to approximately $750 million with the increase from the December 31, 2015 balance of $577 million, primarily related to currency and interest partially offset by closed cases. With respect to the unreserved balance of $750 million, the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute. As of December 31, 2016 we had $85 million of escrow cash deposits for matters we are disputing, and there are liens on certain Brazilian assets with a net book value of $4 million and additional letters of credit and surety bonds of $142 million and $91 million, respectively, which include associated indexation. Generally, any escrowed amounts would be refundable and any liens would be removed to the extent the matters are resolved in our favor. We routinely assess all these matters as to probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

Other Contingencies and Commitments

As more fully discussed in Note 18 - Contingencies and Litigation in the Consolidated Financial Statements, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting, servicing and procurement law; intellectual property law; environmental law; employment law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. In addition, guarantees, indemnifications and claims may arise during the ordinary course of business from relationships with suppliers, customers and non-consolidated affiliates. Nonperformance under a contract including a guarantee, indemnification or claim could trigger an obligation of the Company.

We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. Should developments in any of these areas cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Unrecognized Tax Benefits

As of December 31, 2016, we had $165 million of unrecognized tax benefits. This represents the tax benefits associated with various tax positions taken, or expected to be taken, on domestic and foreign tax returns that have not been recognized in our financial statements due to uncertainty regarding their resolution. The resolution or settlement of these tax positions with the taxing authorities is at various stages and, therefore, we are unable to make a reliable estimate of the eventual cash flows by period that may be required to settle these matters. In addition, certain of these matters may not require cash settlement due to the existence of credit and net operating loss carryforwards, as well as other offsets, including the indirect benefit from other taxing jurisdictions that may be available.

Refer to Note 17 - Income and Other Taxes in the Consolidated Financial Statements for additional information regarding unrecognized tax benefits.

Off-Balance Sheet Arrangements

We may occasionally utilize off-balance sheet arrangements in our operations (as defined by the SEC Financial Reporting Release 67 (FRR-67), "Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations"). We enter into the following arrangements that have off-balance sheet elements:

- Operating leases in the normal course of business. The nature of these lease arrangements is discussed in Note 8 - Land, Buildings, Equipment and Software, Net in the Consolidated Financial Statements.

- We have facilities, primarily in the U.S., Canada and several countries in Europe that enable us to sell to third-parties certain accounts receivable without recourse. In most instances, a portion of the sales proceeds are held back by the purchaser and payment is deferred until collection of the related sold receivables. Refer to Note 5 - Accounts Receivables, Net in the Consolidated Financial Statements for further information regarding these facilities.

- During 2013 and 2012, we entered into arrangements to transfer and sell our entire interest in certain groups of finance receivables where we received cash and beneficial interests from the third-party purchaser. Refer to Note 6 - Finance Receivables, Net in the Consolidated Financial Statements for further information regarding these sales. There were no sales of Finance Receivables since the year ended December 31, 2013.

As of December 31, 2016, we do not believe we have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

In addition, see the preceding table for the Company's contractual cash obligations and other commercial commitments and Note 18 - Contingencies and Litigation in the Consolidated Financial Statements for additional information regarding contingencies, guarantees, indemnifications and warranty liabilities.

Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have discussed our results using non-GAAP measures.

Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following tables.

Adjusted Earnings Measures

- Net income and Earnings per share (EPS)
- Effective tax rate
- Gross margin, RD&E and SAG (adjusted for non-service retirement-related costs only)

The above measures were adjusted for the following items:

Amortization of intangible assets: The amortization of intangible assets is driven by our acquisition activity which can vary in size, nature and timing as compared to other companies within our industry and from period to period. The use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.

Restructuring and related costs: Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our Strategic Transformation program beyond those normally included in restructuring and asset impairment charges. Restructuring consists of costs primarily related to severance and benefits paid to employees pursuant to formal restructuring and workforce reduction plans. Asset impairment includes costs incurred for those assets sold, abandoned or made obsolete as a result of our restructuring actions, exiting from a business or other strategic business changes. Additional costs for our Strategic Transformation program are primarily related to the implementation of strategic actions and initiatives and include third-party professional service costs as well as one-time incremental costs. All of these costs can vary significantly in terms of amount and frequency based on the nature of the actions as well as the changing needs of the business. Accordingly, due to that significant variability, we will exclude these charges since we do not believe they provide meaningful insight into our current or past operating performance nor do we believe they are reflective of our expected future operating expenses as such charges are expected to yield future benefits and savings with respect to our operational performance.

Non-service retirement-related costs: Our defined benefit pension and retiree health costs include several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets as well as those that are predominantly legacy in nature and related to employees who are no longer providing current service to the Company (e.g. retirees and ex-employees). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) amortized actuarial gains/losses and (iv) the impacts of any plan settlements/curtailments. Accordingly, we consider these elements of our periodic retirement plan costs to be outside the operational performance of the business or legacy costs and not necessarily indicative of current or future cash flow requirements. Adjusted earnings will continue to include the elements of our retirement costs related to current employee service (service cost and amortization of prior service cost) as well as the cost of our defined contribution plans.

Deferred tax liability adjustment (2014 Only): In December 2014 a change in the U.K. - Japan Tax Treaty resulted in dividends from FX no longer being subject to an additional withholding tax. Accordingly, in 2014, we recorded a $44 million reversal of the deferred tax liability associated with the undistributed earnings of FX through December 2014, as it was no longer required as a result of the change in the Tax Treaty. The deferred tax liability adjustment was excluded due to its non-cash impact and the unusual nature of the item both in terms of amount and the fact that it was the result of an infrequent change in a tax treaty impacting future distributions from Fuji Xerox.

Operating Income and Margin

We also calculate and utilize operating income and margin earnings measures by adjusting our pre-tax income and margin amounts. In addition to the costs noted for our Adjusted Earnings measures, operating income and margin also excludes Other expenses, net. Other expenses, net is primarily comprised of non-financing interest expense and also includes certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business. Operating income and margin includes Equity in net income of unconsolidated affiliates. Equity in net income of affiliates primarily reflects our 25% share of Fuji Xerox net income. We include this amount in our measure of operating income and margin as Fuji Xerox is our primary intermediary to the Asia/Pacific market for distribution of Xerox branded products and services.

Net Income and EPS reconciliation:

(in millions; except per share amounts)	Year Ended December 31, 2016 Net Income	2016 EPS	2015 Net Income	2015 EPS	2014 Net Income	2014 EPS
Reported[1]	$ 616	$ 0.58	$ 848	$ 0.77	$ 1,029	$ 0.86
Adjustments:						
Amortization of intangible assets	58		60		65	
Restructuring and related costs - Xerox	264		27		106	
Non-service retirement-related costs	131		116		79	
Income tax adjustments[2]	(151)		(77)		(90)	
Restructuring charges - Fuji Xerox	3		4		3	
Deferred tax liability adjustment	—		—		(44)	
Adjusted	$ 921	$ 0.88	$ 978	$ 0.89	$ 1,148	$ 0.96
Weighted average shares for adjusted EPS[3]		1,024		1,076		1,199
Fully diluted shares at December 31, 2016[4]		1,052				

(1) Net income and EPS from continuing operations.
(2) Refer to Effective Tax reconciliation
(3) Average shares for the 2016 and 2015 calculations of adjusted EPS exclude 27 million shares associated with our Series A convertible preferred stock and therefore the related annual dividend of $24 million was included. Average shares for the 2014 calculation of adjusted EPS includes 27 million shares associated with our Series A convertible preferred stock and therefore the related annual dividend of $24 million was excluded.
(4) Represents common shares outstanding at December 31, 2016 as well as shares associated with our Series B convertible preferred stock plus potential dilutive common shares used for the calculation of diluted earnings per share for the year ended December 31, 2016.

Effective Tax reconciliation:

(in millions)	Year Ended December 31, 2016 Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Year Ended December 31, 2015 Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Year Ended December 31, 2014 Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported[1]	$ 568	$ 62	10.9%	$ 924	$ 193	20.9%	$ 1,090	$ 198	18.2%
Non-GAAP Adjustments[2]	453	151		203	77		250	90	
Deferred tax liability adjustment	—	—		—	—		—	44	
Adjusted revised[3]	$ 1,021	$ 213	20.9%	$ 1,127	$ 270	24.0%	$ 1,340	$ 332	24.8%

(1) Pre-tax income and income tax expense from continuing operations.
(2) Refer to Net Income and EPS reconciliation for details. Amounts exclude Fuji Xerox restructuring as these amounts are net of tax.
(3) The tax impact on Adjusted Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

Operating Income / Margin reconciliation:

(in millions)	Year Ended December 31, 2016 Profit	Revenue	Margin	Year Ended December 31, 2015 Profit	Revenue	Margin	Year Ended December 31, 2014 Profit	Revenue	Margin
Reported Pre-tax Income[1]	$ 568	$ 10,771	5.3%	$ 924	$ 11,465	8.1%	$ 1,090	$ 12,679	8.6%
Adjustments:									
Amortization of intangible assets	58			60			65		
Restructuring and related costs - Xerox	264			27			106		
Non-service retirement-related costs	131			116			79		
Other expenses, net	200			195			185		
Equity in net income of unconsolidated affiliates	121			135			160		
Adjusted Operating	$ 1,342	$ 10,771	12.5%	$ 1,457	$ 11,465	12.7%	$ 1,685	$ 12,679	13.3%

(1) Profit and revenue from continuing operations.

Key Financial Ratios reconciliation:

(in millions)	Year Ended December 31, 2016 As Reported[1]	Year Ended December 31, 2016 Non-service retirement-related costs	Year Ended December 31, 2016 Adjusted	Year Ended December 31, 2015 As Reported[1]	Year Ended December 31, 2015 Non-service retirement-related costs	Year Ended December 31, 2015 Adjusted	Year Ended December 31, 2014 As Reported[1]	Year Ended December 31, 2014 Non-service retirement-related costs	Year Ended December 31, 2014 Adjusted
Revenues	$ 10,771	$ —	$ 10,771	$ 11,465	$ —	$ 11,465	$ 12,679	$ —	$ 12,679
Gross Profit	4,261	49	4,310	4,582	43	4,625	5,110	29	5,139
RD&E	476	(25)	451	511	(19)	492	531	(13)	518
SAG	2,695	(57)	2,638	2,865	(54)	2,811	3,133	(37)	3,096
Gross Margin	39.6%		40.0%	40.0%		40.3%	40.3%		40.5%
RD&E as a % of Revenue	4.4%		4.2%	4.5%		4.3%	4.2%		4.1%
SAG as a % of Revenue	25.0%		24.5%	25.0%		24.5%	24.7%		24.4%

(1) Revenue and costs from continuing operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

We are exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. We utilized derivative financial instruments to hedge economic exposures, as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

Recent market events have not caused us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 14 - Financial Instruments in the Consolidated Financial Statements for additional discussion on our financial risk management.

Foreign Exchange Risk Management

Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2016, it would not significantly change the fair value of foreign currency-denominated assets and liabilities as all material currency asset and liability exposures were economically hedged as of December 31, 2016. A 10% appreciation or depreciation of the U.S. Dollar against all currencies from the quoted foreign currency exchange rates at December 31, 2016 would have an impact on our cumulative translation adjustment portion of equity of approximately $484 million. The net amount invested in foreign subsidiaries and affiliates, primarily Xerox Limited, Fuji Xerox and Xerox Canada Inc. and translated into U.S. Dollars using the year-end exchange rates, was approximately $4.8 billion at December 31, 2016.

Interest Rate Risk Management

The consolidated average interest rate associated with our total debt for 2016, 2015 and 2014 approximated 4.7%, 4.8%, and 4.9%, respectively. Interest expense includes the impact of our interest rate derivatives. The average interest rate for 2016 excludes interest associated with the $1.0 billion Term Loan Facility that was required to be repaid upon completion of the Separation and therefore was reported in discontinued operations in 2016.

Virtually all customer-financing assets earn fixed rates of interest. The interest rates on a significant portion of the Company's term debt are fixed.

As of December 31, 2016, $332 million of our total debt of $6.3 billion carried variable interest rates, including the effect of pay variable interest rate swaps, if any, we may use to reduce the effective interest rate on our fixed coupon debt.

The fair market values of our fixed-rate financial instruments are sensitive to changes in interest rates. At December 31, 2016, a 10% change in market interest rates would change the fair values of such financial instruments by approximately $89 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Xerox Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of (loss) income, comprehensive (loss) income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Xerox Corporation and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in Item 15(a)(1) of this Form 10-K presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
February 27, 2017

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

Our management is responsible for the integrity and objectivity of all information presented in this annual report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the independent auditors, PricewaterhouseCoopers LLP, the internal auditors and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors and internal auditors have free access to the Audit Committee.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the rules promulgated under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *"Internal Control - Integrated Framework* (2013)*"* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the above evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

/s/ JEFFREY JACOBSON	/s/ WILLIAM F. OSBOURN JR.	/s/ JOSEPH H. MANCINI, JR.
Chief Executive Officer	**Chief Financial Officer**	**Chief Accounting Officer**

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(in millions, except per-share data)	Year Ended December 31, 2016	2015	2014
Revenues			
Sales	$ 4,319	$ 4,674	$ 5,214
Outsourcing, maintenance and rentals	6,127	6,445	7,078
Financing	325	346	387
Total Revenues	10,771	11,465	12,679
Costs and Expenses			
Cost of sales	2,657	2,922	3,227
Cost of outsourcing, maintenance and rentals	3,725	3,831	4,202
Cost of financing	128	130	140
Research, development and engineering expenses	476	511	531
Selling, administrative and general expenses	2,695	2,865	3,133
Restructuring and related costs	264	27	106
Amortization of intangible assets	58	60	65
Other expenses, net	200	195	185
Total Costs and Expenses	10,203	10,541	11,589
Income Before Income Taxes and Equity Income	568	924	1,090
Income tax expense	62	193	198
Equity in net income of unconsolidated affiliates	121	135	160
Income from Continuing Operations	627	866	1,052
Loss from discontinued operations, net of tax	(1,093)	(374)	(16)
Net (Loss) Income	(466)	492	1,036
Less: Net income attributable to noncontrolling interests	11	18	23
Net (Loss) Income Attributable to Xerox	$ (477)	$ 474	$ 1,013
Amounts attributable to Xerox:			
Net income from continuing operations	$ 616	$ 848	$ 1,029
Net loss from discontinued operations	(1,093)	(374)	(16)
Net (Loss) Income Attributable to Xerox	$ (477)	$ 474	$ 1,013
Basic Earnings (Loss) per Share:			
Continuing operations	$ 0.58	$ 0.77	$ 0.87
Discontinued operations	(1.07)	(0.35)	(0.01)
Total Basic (Loss) Earnings per Share	$ (0.49)	$ 0.42	$ 0.86
Diluted Earnings (Loss) per Share:			
Continuing operations	$ 0.58	$ 0.77	$ 0.86
Discontinued operations	(1.07)	(0.35)	(0.02)
Total Diluted (Loss) Earnings per Share	$ (0.49)	$ 0.42	$ 0.84

The accompanying notes are an integral part of these Consolidated Financial Statements.

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in millions)	Year Ended December 31, 2016	2015	2014
Net (Loss) Income	$ (466)	$ 492	$ 1,036
Less: Net income attributable to noncontrolling interests	11	18	23
Net (Loss) Income Attributable to Xerox	$ (477)	$ 474	$ 1,013
Other Comprehensive (Loss) Income, Net[(1)]:			
Translation adjustments, net	$ (346)	$ (660)	$ (734)
Unrealized (losses) gains, net	(15)	23	15
Changes in defined benefit plans, net	126	153	(662)
Other Comprehensive Loss, Net	(235)	(484)	(1,381)
Less: Other comprehensive loss, net attributable to noncontrolling interests	(3)	(1)	(1)
Other Comprehensive Loss, Net Attributable to Xerox	$ (232)	$ (483)	$ (1,380)
Comprehensive (Loss) Income, Net	$ (701)	$ 8	$ (345)
Less: Comprehensive income, net attributable to noncontrolling interests	8	17	22
Comprehensive Loss, Net Attributable to Xerox	$ (709)	$ (9)	$ (367)

(1) Refer to Note 21 - Other Comprehensive Loss for gross components of Other Comprehensive (Loss) Income, reclassification adjustments out of Accumulated Other Comprehensive Loss and related tax effects.

The accompanying notes are an integral part of these Consolidated Financial Statements.

XEROX CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions, except share data in thousands)	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 2,223	$ 1,228
Accounts receivable, net	961	1,068
Billed portion of finance receivables, net	90	97
Finance receivables, net	1,256	1,315
Inventories	841	901
Assets of discontinued operations	1,002	1,618
Other current assets	619	458
Total current assets	6,992	6,685
Finance receivables due after one year, net	2,398	2,576
Equipment on operating leases, net	475	495
Land, buildings and equipment, net	660	717
Investments in affiliates, at equity	1,388	1,382
Intangible assets, net	290	340
Goodwill	3,787	3,951
Assets of discontinued operations	—	7,185
Other long-term assets	2,155	2,210
Total Assets	$ 18,145	$ 25,541
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 1,011	$ 962
Accounts payable	1,126	1,342
Accrued compensation and benefits costs	420	406
Unearned income	187	202
Liabilities of discontinued operations	1,002	1,627
Other current liabilities	908	715
Total current liabilities	4,654	5,254
Long-term debt	5,305	6,317
Pension and other benefit liabilities	2,240	2,360
Post-retirement medical benefits	698	784
Liabilities of discontinued operations	—	1,122
Other long-term liabilities	193	238
Total Liabilities	13,090	16,075
Commitments and Contingencies (See Note 18)		
Convertible Preferred Stock	214	349
Common stock	1,014	1,013
Additional paid-in capital	3,098	3,017
Retained earnings	5,039	9,686
Accumulated other comprehensive loss	(4,348)	(4,642)
Xerox shareholders' equity	4,803	9,074
Noncontrolling interests	38	43
Total Equity	4,841	9,117
Total Liabilities and Equity	$ 18,145	$ 25,541
Shares of common stock issued and outstanding	1,014,375	1,012,836

The accompanying notes are an integral part of these Consolidated Financial Statements.

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(in millions)	2016	2015	2014
Cash Flows from Operating Activities:			
Net (loss) income	$ (466)	$ 492	$ 1,036
Loss from discontinued operations	1,093	374	16
Income from continuing operations	627	866	1,052
Adjustments required to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	563	590	639
Provision for receivables	43	54	50
Provision for inventory	28	30	26
Deferred tax (benefit) expense	(9)	383	152
Net gain on sales of businesses and assets	(22)	(44)	(51)
Undistributed equity in net income of unconsolidated affiliates	(69)	(79)	(91)
Stock-based compensation	50	27	63
Restructuring and asset impairment charges	230	27	106
Payments for restructurings	(118)	(79)	(110)
Defined benefit pension cost	127	141	74
Contributions to defined benefit pension plans	(178)	(301)	(269)
Increase in accounts receivable and billed portion of finance receivables	(151)	(128)	(392)
Collections of deferred proceeds from sales of receivables	246	259	434
Decrease (increase) in inventories	7	(101)	(22)
Increase in equipment on operating leases	(268)	(291)	(283)
Decrease (increase) in finance receivables	126	(8)	(10)
Collections on beneficial interest from sales of finance receivables	24	46	79
Decrease in other current and long-term assets	82	15	9
(Decrease) increase in accounts payable and accrued compensation	(244)	(125)	54
Decrease in other current and long-term liabilities	(51)	(45)	(121)
Net change in income tax assets and liabilities	(182)	(112)	31
Net change in derivative assets and liabilities	(30)	(37)	(14)
Other operating, net	187	(10)	(73)
Net cash provided by operating activities of continuing operations	1,018	1,078	1,333
Net cash provided by operating activities of discontinued operations	77	533	730
Net cash provided by operating activities	1,095	1,611	2,063
Cash Flows from Investing Activities:			
Cost of additions to land, buildings and equipment	(93)	(84)	(119)
Proceeds from sales of land, buildings and equipment	25	92	53
Cost of additions to internal use software	(45)	(64)	(57)
Proceeds from sale of businesses	—	—	10
Acquisitions, net of cash acquired	(30)	(13)	(34)
Other investing, net	(3)	26	13
Net cash used in investing activities of continuing operations	(146)	(43)	(134)
Net cash (used in) provided by investing activities of discontinued operations	(251)	551	(569)
Net cash (used in) provided by investing activities	(397)	508	(703)
Cash Flows from Financing Activities:			
Net proceeds (payments) on short-term debt	1,888	(147)	145
Proceeds from issuance of long-term debt	25	1,079	808
Payments on long-term debt	(988)	(1,302)	(1,128)
Common stock dividends	(307)	(302)	(289)
Preferred stock dividends	(24)	(24)	(24)
Proceeds from issuances of common stock	9	19	55
Excess tax benefits from stock-based compensation	—	19	18
Payments to acquire treasury stock, including fees	—	(1,302)	(1,071)
Repurchases related to stock-based compensation	(1)	(51)	(41)
Distributions to noncontrolling interests	(17)	(62)	(87)
Other financing	(1)	(1)	(10)
Net cash provided by (used in) financing activities	584	(2,074)	(1,624)
Effect of exchange rate changes on cash and cash equivalents	(30)	(77)	(81)

(Increase) decrease in cash of discontinued operations	(257)	8	(28)
Increase (decrease) in cash and cash equivalents	995	(24)	(373)
Cash and cash equivalents at beginning of year	1,228	1,252	1,625
Cash and Cash Equivalents at End of Year	$ 2,223	$ 1,228	$ 1,252

The accompanying notes are an integral part of these Consolidated Financial Statements.

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	AOCL[3]	Xerox Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2013	$ 1,210	$ 5,282	$ (252)	$ 8,839	$ (2,779)	$ 12,300	$ 119	$ 12,419
Comprehensive income (loss), net	—	—	—	1,013	(1,380)	(367)	22	(345)
Cash dividends declared-common[1]	—	—	—	(293)	—	(293)	—	(293)
Cash dividends declared-preferred[2]	—	—	—	(24)	—	(24)	—	(24)
Conversion of notes to common stock	1	8	—	—	—	9	—	9
Stock option and incentive plans, net	14	110	—	—	—	124	—	124
Payments to acquire treasury stock, including fees	—	—	(1,071)	—	—	(1,071)	—	(1,071)
Cancellation of treasury stock	(101)	(1,117)	1,218	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(66)	(66)
Balance at December 31, 2014	$ 1,124	$ 4,283	$ (105)	$ 9,535	$ (4,159)	$ 10,678	$ 75	$ 10,753
Comprehensive income (loss), net	—	—	—	474	(483)	(9)	17	8
Cash dividends declared-common[1]	—	—	—	(299)	—	(299)	—	(299)
Cash dividends declared-preferred[2]	—	—	—	(24)	—	(24)	—	(24)
Stock option and incentive plans, net	11	19	—	—	—	30	—	30
Payments to acquire treasury stock, including fees	—	—	(1,302)	—	—	(1,302)	—	(1,302)
Cancellation of treasury stock	(122)	(1,285)	1,407	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(49)	(49)
Balance at December 31, 2015	$ 1,013	$ 3,017	$ —	$ 9,686	$ (4,642)	$ 9,074	$ 43	$ 9,117
Comprehensive (loss) income, net	—	—	—	(477)	(232)	(709)	8	(701)
Cash dividends declared-common[1]	—	—	—	(317)	—	(317)	—	(317)
Cash dividends declared-preferred[2]	—	—	—	(24)	—	(24)	—	(24)
Stock option and incentive plans, net	1	81	—	—	—	82	—	82
Distributions to noncontrolling interests	—	—	—	—	—	—	(13)	(13)
Separation of Conduent	—	—	—	(3,829)	526	(3,303)	—	(3,303)
Balance at December 31, 2016	$ 1,014	$ 3,098	$ —	$ 5,039	$ (4,348)	$ 4,803	$ 38	$ 4,841

(1) Cash dividends declared on common stock of $0.0775 in each quarter of 2016, $0.0700 in each quarter of 2015 and $0.0625 in each quarter of 2014.
(2) Cash dividends declared on preferred stock of $20 per share in each quarter of 2016, 2015 and 2014.
(3) AOCL - Accumulated other comprehensive loss.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

References herein to “we,” “us,” “our,” the “Company” and “Xerox” refer to Xerox Corporation and its consolidated subsidiaries unless the context suggests otherwise.

Overview

On December 31, 2016, Xerox Corporation completed the Separation of its Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing (DT/DO) business (the “Separation”). The Separation was accomplished through the transfer of the BPO business into a new legal entity, Conduent Incorporated (Conduent), and then distributing one hundred percent (100%) of the outstanding common stock of Conduent to Xerox Corporation stockholders (the “Distribution”). Xerox Corporation stockholders received one share of Conduent’s common stock for every five shares of Xerox Corporation’s common stock held as of the close of business on the record date. The Separation and Distribution was structured to be tax-free for Xerox Corporation stockholders for federal income tax purposes. Conduent is now an independent public company trading on the New York Stock Exchange (“NYSE”) under the symbol “CNDT”. After the Separation, Xerox retained the DT/DO businesses and Xerox does not beneficially own any shares of Conduent common stock.

In connection with the Separation, Xerox entered into several agreements with Conduent to (1) effect the legal and structural separation of Xerox and Conduent, (2) govern the relationship between Xerox and Conduent up to and after the completion of the Separation and (3) allocate between Xerox and Conduent various assets, liabilities and obligations, including, among other things, employee benefits and tax-related assets and liabilities. The agreements entered into included a separation and distribution agreement, a transition service agreement, a tax matters agreement, an employee matters agreement, an intellectual property agreement and a trademark license agreement. See Note 4, Divestitures, for more information regarding these agreements.

Description of Business

Xerox is a $10.8 billion global enterprise for document management solutions. We provide extensive leading-edge document technology, services, software and genuine Xerox supplies for a range of customers including small and mid-size businesses, large enterprises, governments, graphic communications providers, and for our partners who serve them. We operate in more than 160 countries worldwide.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of Xerox Corporation and all of our controlled subsidiary companies. All significant intercompany accounts and transactions have been eliminated. Investments in business entities in which we do not have control, but we have the ability to exercise significant influence over operating and financial policies (generally 20% to 50% ownership) are accounted for using the equity method of accounting. Operating results of acquired businesses are included in the Consolidated Statements of (Loss) Income from the date of acquisition.

We consolidate variable interest entities if we are deemed to be the primary beneficiary of the entity. Operating results for variable interest entities in which we are determined to be the primary beneficiary are included in the Consolidated Statements of (Loss) Income from the date such determination is made.

For convenience and ease of reference, we refer to the financial statement caption “Income before Income Taxes and Equity Income” as “pre-tax income” throughout the Notes to the Consolidated Financial Statements.

Discontinued Operations

As previously disclosed, on December 31, 2016 Xerox completed the separation of its BPO business through the Distribution of all of the issued and outstanding stock of Conduent to Xerox Corporation stockholders. As a result of the Separation and Distribution, the financial position and results of operations of the BPO Business are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. The accompanying Notes to the Consolidated Financial Statements have all been revised to reflect the effect of the Separation and Distribution and all prior year balances have been revised accordingly to reflect continuing operations only. The historical statements of Comprehensive Income (Loss) and Shareholders'

Equity have not been revised to reflect the Separation and instead reflect the Separation as a final adjustment to the balances at December 31, 2016.

In 2014, we announced an agreement to sell the Information Technology Outsourcing (ITO) business to Atos SE (Atos). As a result of this agreement, we reported the ITO business as held for sale and a discontinued operation up through its date of sale, which was completed on June 30, 2015. In 2014, we also completed the disposal of Xerox Audio Visual Solutions, Inc. (XAV), which was also reported as discontinued operation. Results from these businesses are reported as Discontinued Operations and all prior period results have been reclassified to conform to this presentation.

Refer to Note 4 - Divestitures for additional information regarding discontinued operations.

Prior Period Adjustments

In 2015, we recorded a $16 out-of-period adjustment associated with the over-accrual of an employee benefit liability account. The impact of this adjustment was not material to any individual prior quarter or year and was not material to our 2015 results.

Use of Estimates

The preparation of our Consolidated Financial Statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our Consolidated Financial Statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Our estimates are based on management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

The following table summarizes certain recurring-type costs and expenses that require management estimates for the three years ended December 31, 2016:

	Year Ended December 31,		
Expense/(Income)	2016	2015	2014
Provisions for restructuring and related costs	$ 264	$ 27	$ 106
Provision for receivables	43	54	50
Provisions for obsolete and excess inventory	28	30	26
Provision for product warranty liability	15	22	25
Depreciation and obsolescence of equipment on operating leases	276	286	297
Depreciation of buildings and equipment	148	151	179
Amortization of internal use software	73	83	88
Amortization of product software	4	4	4
Amortization of acquired intangible assets	58	60	65
Amortization of customer contract costs	4	6	6
Defined pension benefits - net periodic benefit cost	127	141	74
Retiree health benefits - net periodic benefit cost	35	2	3
Income tax expense	62	193	198

Changes in Estimates

In the ordinary course of accounting for the items discussed above, we make changes in estimates as appropriate and as we become aware of new or revised circumstances surrounding those estimates. Such changes and refinements in estimation methodologies are reflected in reported results of operations in the period in which the changes are made and, if material, their effects are disclosed in the Notes to the Consolidated Financial Statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations.

New Accounting Standards and Accounting Changes

Except for the Accounting Standard Updates (ASU's) discussed below, the new ASU's issued by the FASB during the last two years did not have any significant impact on the Company.

Revenue Recognition

In May 2014, the FASB issued **ASU 2014-09,** *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for our fiscal year beginning January 1, 2018. Subsequent to the issuance of ASU 2014-09, the FASB issued the following ASU's which amend or provide additional guidance on topics addressed in ASU 2014-09. In March 2016, the FASB issued ASU 2016-08, Revenue Recognition - Principal versus Agent (reporting revenue gross versus net). In April 2016, the FASB issued ASU 2016-10, Revenue Recognition - Identifying Performance Obligations and Licenses. In May 2016, the FASB issued ASU 2016-12, Revenue Recognition - Narrow Scope Improvements and Practical Expedients. We will adopt this standard beginning January 1, 2018 and expect to use the permitted modified retrospective method. Under current revenue recognition guidance, a significant majority of our revenue is recorded when we invoice customers, as that is normally the point at which all the revenue recognition criteria are met. Under ASU 2014-09, we expect the unit of accounting, that is, the identification performance obligations, will be consistent with current revenue guidance. Additionally, based on the nature of our contracts we expect to continue to recognize revenue upon invoicing the customer for the large majority of our revenue when we adopt ASU 2014-09. Accordingly, the adoption of this standard is not expected to have a material impact for the large majority of our revenues. Additionally, a significant portion of our equipment sales are either recorded as sales-type leases or through direct sales to distributors and resellers and these sales are not expected to be impacted by the adoption of ASU 2014-09. We are continuing to evaluate certain contracts, which are more complex or where revenue recognition criteria are not currently met when invoicing occurs, to determine their treatment under ASU 2014-09. Additionally, we are also assessing the impacts of the cost deferral guidance required by ASU 2014-09 to determine if there will be any significant change from our current practice. Although at this time we don't expect a material change in our revenue recognition, in 2017 we expect to continue to evaluate the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Leases

In February 2016, the FASB issued **ASU 2016-02**, *Leases*. This update requires the recognition of leased assets and lease obligations by lessees for those leases currently classified as operating leases under existing lease guidance. Short term leases with a term of 12 months or less are not required to be recognized. The update also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The accounting for lessors does not fundamentally change except for changes to conform and align guidance to the lessee guidance as well as to the new revenue recognition guidance in ASU 2014-09. This update is effective for our fiscal year beginning January 1, 2019. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements. The aggregate undiscounted value of our operating lease commitments at December 31, 2016 was approximately $450.

Cash Flows

In August 2016, the FASB issued **ASU 2016-15**, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments.* This update provides specific guidance on eight cash flow classification issues where current GAAP is either unclear or does not include specific guidance. This update is effective for our fiscal year beginning January 1, 2018. This update includes specific guidance which requires cash collected on beneficial interests received in a sale of receivables be classified as inflows from investing activities. Currently, those collections are reported in operating cash flows. We reported $270 and $305 of collections on beneficial interests as operating cash inflows on the Statement of Cash Flows for the years ended December 31, 2016 and 2015, respectively. The other issues noted in this update are not expected to have a material impact on our financial condition, results of operations or cash flows.

Additionally, in November 2016 the FASB issued **ASU 2016-18**, *Statement of Cash Flows - Restricted Cash*. The update requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We held $179 and $156 of restricted cash, currently reported in other current or long-term assets at December 31, 2016 and 2015, respectively. This update is effective for our fiscal year beginning January 1, 2018. We are currently evaluating the impact, if any, that the adoption of ASU 2016-18 may have on our statements of cash flows in future reporting periods.

Stock Compensation

In March 2016, the FASB issued **ASU 2016-09**, *Compensation - Stock Compensation, Improvements to Employee Share-Based Payment Accounting (Topic 718).* This update includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. The update also requires that excess tax benefits and deficiencies be recorded in the income statement when the awards vest or are settled as compared to equity as allowed under certain conditions by current US GAAP. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies the classification of certain share-based payment activities within the statements of cash flows and these changes are required to be applied retrospectively to all periods presented. ASU 2016-09 is effective for our fiscal year beginning January 1, 2017. The adoption of ASU 2016-09 for the most part is not expected to have a material impact on our financial condition, results of operations or cash flows. However, the update may add volatility to our income tax expense in future periods depending upon, among other things, the level of tax expense and the price of the Company's common stock at the date of vesting for share-based awards.

Income Taxes

In October 2016, the FASB issued **ASU 2016-16**, *Income Taxes - Intra-Entity Transfers of Assets Other than Inventory.* This update requires recognition of the income-tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. Under current GAAP, recognition of the income tax consequences for asset transfers other than inventory could not be recognized until the asset is sold to a third party. This update is effective for our fiscal year beginning January 1, 2018 and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of the adoption of ASU 2016-16 on our consolidated financial statements.

Financial Instruments - Credit Losses

In June 2016, the FASB issued **ASU 2016-13**, *Financial Instruments Credit Losses - Measurement of Credit Losses on Financial Instruments,* which requires measurement and recognition of expected credit losses for financial assets. The update impacts financial assets and net investment in leases that are not accounted for at fair value through net income. This update is effective for our fiscal year beginning January 1, 2020, with early adoption permitted as of January 1, 2019. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

Business Combinations

In January 2017, the FASB issued **ASU 2017-01**,*Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update is effective for our fiscal year beginning January 1, 2020, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2017-01 on our consolidated financial statements.

Intangibles - Goodwill and Other

In January 2017 the FASB issued **ASU 2017-04**, *Intangibles - Goodwill and Other - Simplifying the Goodwill Impairment Test*, which eliminates Step 2 from the goodwill impairment test. Instead, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This update is effective for our fiscal year beginning January 1, 2020, with early adoption permitted for goodwill impairment tests performed after January 1, 2017. The adoption of this standard is not expected to have any effect on our financial condition, results of operations or cash flows.

Equity Method Accounting

In March 2016, the FASB issued **ASU 2016-07**, *Investments - Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting*. This update eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income/(loss) ("AOCI") will be recognized through earnings. This update is effective for our fiscal year beginning

January 1, 2017, with early adoption permitted. The adoption of this update is not expected to have a material impact on our financial condition, results of operations or cash flows.

Interest

In April 2015, the FASB issued **ASU 2015-03**, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued **ASU 2015-15,** which indicated that the SEC staff would not object to an entity deferring and presenting debt issuance costs associated with a line-of-credit arrangement as an asset and subsequently amortizing those costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings. Upon adoption of this update effective January 1, 2016, we reclassified $29 of debt issuance costs to long-term debt from Other long-term assets. Prior periods were retroactively revised. The costs associated with our credit agreement of $4 at January 1, 2016 remained reported as a deferred charge in Other long-term assets.

Other Updates

In 2016 and 2015, the FASB also issued the following Accounting Standards Updates which have not had, and are not expected to have, a material impact on our financial condition, results of operations or cash flows upon adoption. Those updates are as follows:

- ***Accounting Changes and Error Corrections (Topic 250):*** **ASU 2017-03**, *Accounting Changes and Error Corrections (Topic 250) and Investments-Equity Method and Joint Ventures (Topic 323).* Transition guidance included in certain issued but not yet adopted ASUs was updated to reflect this amendment.
- ***Financial Instruments - Classification and Measurement:*** **ASU 2016-01**, *Financial Instruments - Recognition and Measurement of Financial Instruments and Financial Liabilities.* This update is effective for our fiscal year beginning January 1, 2018.
- ***Derivatives and Hedging:*** **ASU 2016-06**, *Contingent Put and Call Options in Debt Instruments,* which is effective for our fiscal year beginning January 1, 2017 with early adoption permitted.
- ***Derivatives and Hedging:*** **ASU 2016-05**, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships,* which is effective for our fiscal year beginning January 1, 2017 with early adoption permitted.
- ***Fair Value Measurements:*** **ASU 2015-07**, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which was effective for our fiscal year January 1, 2016. This update impacted our Plan Asset disclosures included in Note 16 - Employee Benefit Plans.
- ***Inventory:*** **ASU 2015-11**, *Simplifying the Subsequent Measurement of Inventory,* which is effective for our fiscal year beginning January 1, 2017.
- ***Disclosures of Going Concern Uncertainties:*** **ASU 2014-15**, *Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which was effective for our fiscal year ended December 31, 2016.
- ***Stock Compensation:*** **ASU 2014-12**, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period,* which was effective for our fiscal year beginning January 1, 2016.

Summary of Accounting Policies

Revenue Recognition

We generate revenue through services, the sale and rental of equipment, supplies and income associated with the financing of our equipment sales. Revenue is recognized when it is realized or realizable and earned. We consider revenue realized or realizable and earned when we have persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Delivery does not occur until equipment has been shipped or services have been provided to the customer, risk of loss has transferred to the customer, and either customer acceptance has been obtained, customer acceptance provisions have lapsed, or the company has objective evidence that the criteria specified in the customer acceptance provisions have been satisfied. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. More specifically, revenue related to services and sales of our products is recognized as follows:

Equipment: Revenues from the sale of equipment, including those from sales-type leases, are recognized at the time of sale or at the inception of the lease, as appropriate. For equipment sales that require us to install the product at the customer location, revenue is recognized when the equipment has been delivered and installed at the customer location. Sales of customer installable products are recognized upon shipment or receipt by the customer according to the customer's shipping terms. Revenues from equipment under other leases and similar arrangements are accounted for by the operating lease method and are recognized as earned over the lease term, which is generally on a straight-line basis.

Maintenance Services: Maintenance service revenues are derived primarily from maintenance contracts on the equipment sold to our customers and are recognized over the term of the contracts. A substantial portion of our products are sold with full service maintenance agreements for which the customer typically pays a base service fee plus a variable amount based on usage. As a consequence, other than the product warranty obligations associated with certain of our low end products, we do not have any significant product warranty obligations, including any obligations under customer satisfaction programs.

Bundled Lease Arrangements: We sell our products and services under bundled lease arrangements, which typically include equipment, service, supplies and financing components for which the customer pays a single negotiated fixed minimum monthly payment for all elements over the contractual lease term. These arrangements also typically include an incremental, variable component for page volumes in excess of contractual page volume minimums, which are often expressed in terms of price-per-page. The fixed minimum monthly payments are multiplied by the number of months in the contract term to arrive at the total fixed minimum payments that the customer is obligated to make (fixed payments) over the lease term. The payments associated with page volumes in excess of the minimums are contingent on whether or not such minimums are exceeded (contingent payments). In applying our lease accounting methodology, we only consider the fixed payments for purposes of allocating to the relative fair value elements of the contract. Contingent payments, if any, are recognized as revenue in the period when the customer exceeds the minimum copy volumes specified in the contract.

Revenues under bundled arrangements are allocated considering the relative selling prices of the lease and non-lease deliverables included in the bundled arrangement. Lease deliverables include the equipment, financing, maintenance and other executory costs, while non-lease deliverables generally consist of the supplies and non-maintenance services. The allocation for the lease deliverables begins by allocating revenues to the maintenance and other executory costs plus a profit thereon. These elements are generally recognized over the term of the lease as service revenue. The remaining amounts are allocated to the equipment and financing elements which are subjected to the accounting estimates noted below under “Leases.”

Our pricing interest rates, which are used in determining customer payments in a bundled lease arrangement, are developed based upon a variety of factors including local prevailing rates in the marketplace and the customer’s credit history, industry and credit class. We reassess our pricing interest rates quarterly based on changes in the local prevailing rates in the marketplace. These interest rates have generally been adjusted if the rates vary by 25 basis points or more, cumulatively, from the rate last in effect. The pricing interest rates generally equal the implicit rates within the leases, as corroborated by our comparisons of cash to lease selling prices.

Sales to distributors and resellers: We utilize distributors and resellers to sell many of our technology products, supplies and services to end-user customers. We refer to our distributor and reseller network as our two-tier distribution model. Sales to distributors and resellers are generally recognized as revenue when products are sold to such distributors and resellers. However, revenue is only recognized when the distributor or reseller has economic substance apart from the company, the sales price is not contingent upon resale or payment by the end user customer and we have no further obligations related to bringing about the resale, delivery or installation of the product.

Distributors and resellers participate in various rebate, price-protection, cooperative marketing and other programs, and we record provisions for these programs as a reduction to revenue when the sales occur. Similarly, we account for our estimates of sales returns and other allowances when the sales occur based on our historical experience.

In certain instances, we may provide lease financing to end-user customers who purchased equipment we sold to distributors or resellers. We compete with other third-party leasing companies with respect to the lease financing provided to these end-user customers.

Supplies: Supplies revenue generally is recognized upon shipment or utilization by customers in accordance with the sales contract terms.

Software: Most of our equipment has both software and non-software components that function together to deliver the equipment's essential functionality and therefore they are accounted for together as part of equipment sales revenues. Software accessories sold in connection with our equipment sales, as well as free-standing software sales are accounted for as separate deliverables or elements. In most cases, these software products are sold as part of multiple element arrangements and include software maintenance agreements for the delivery of technical service, as well as unspecified upgrades or enhancements on a when-and-if-available basis. In those software accessory and free-standing software arrangements that include more than one element, we allocate the revenue among the elements based on vendor-specific objective evidence (VSOE) of fair value. Revenue allocated to software is normally recognized upon delivery while revenue allocated to the software maintenance element is recognized ratably over the term of the arrangement.

Leases: As noted above, equipment may be placed with customers under bundled lease arrangements. The two primary accounting provisions which we use to classify transactions as sales-type or operating leases are: (1) a review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment and (2) a review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease.

We consider the economic life of most of our products to be five years, since this represents the most frequent contractual lease term for our principal products and only a small percentage of our leases are for original terms longer than five years. There is no significant after-market for our used equipment. We believe five years is representative of the period during which the equipment is expected to be economically usable, with normal service, for the purpose for which it is intended. Residual values are not significant.

With respect to fair value, we perform an analysis of equipment fair value based on cash selling prices during the applicable period. The cash selling prices are compared to the range of values determined for our leases. The range of cash selling prices must be reasonably consistent with the lease selling prices in order for us to determine that such lease prices are indicative of fair value.

Financing: Finance income attributable to sales-type leases, direct financing leases and installment loans is recognized on the accrual basis using the effective interest method.

Services: Revenues associated with our document management services are generally recognized as services are rendered, which is generally on the basis of the number of transactions processed. In service arrangements where final acceptance of a printing solution by the customer is required, revenue is deferred until all acceptance criteria have been met. Revenues on unit-price contracts are recognized at the contractual selling prices as work is completed and accepted by the customer.

In connection with our services arrangements, we may incur and capitalize costs to originate these long-term contracts and to perform the migration, transition and setup activities necessary to enable us to perform under the terms of the arrangement. These capitalized costs are amortized over the contractual service period of the arrangement to cost of services. From time to time, we also provide inducements to customers in various forms, including contractual credits, which are capitalized and amortized as a reduction of revenue over the term of the contract.

Long-lived assets used in the fulfillment of service arrangements are capitalized and depreciated over the shorter of their useful life or the term of the contract if an asset is contract specific.

Our services contracts may also include the sale of equipment and software. In these instances we follow the policies noted above under Equipment-Related Revenues.

Other Revenue Recognition Policies

Multiple Element Arrangements: As described above, we enter into the following revenue arrangements that may consist of multiple deliverables:

- Bundled lease arrangements, which typically include both lease deliverables and non-lease deliverables as described above.
- Contracts for multiple types of document related services including professional and value-added services. For instance, we may contract for an implementation of a printing solution and also provide services to operate the solution over a period of time; or we may contract to scan, manage and store customer documents.

In substantially all of our multiple element arrangements, we are able to separate the deliverables since we normally will meet both of the following criteria:

- The delivered item(s) has value to the customer on a stand-alone basis; and
- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

Consideration in a multiple-element arrangement is allocated at the inception of the arrangement to all deliverables on the basis of the relative selling price. When applying the relative selling price method, the selling price for each deliverable is primarily determined based on VSOE or third-party evidence (TPE) of the selling price. The above noted revenue policies are then applied to each separated deliverable, as applicable.

Revenue-based Taxes: We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. The primary revenue-based taxes are sales tax and value-added tax (VAT).

Other Significant Accounting Policies

Shipping and Handling

Costs related to shipping and handling are recognized as incurred and included in Cost of sales in the Consolidated Statements of (Loss) Income.

Research, Development and Engineering (RD&E)

Research, development and engineering costs are expensed as incurred. Sustaining engineering costs are incurred with respect to on-going product improvements or environmental compliance after initial product launch. Sustaining engineering costs were $95, $126 and $132 in 2016, 2015 and 2014, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, including money market funds, and investments with original maturities of three months or less.

Receivable Sales

We regularly transfer certain portions of our receivable portfolios and normally account for those transfers as sales based on meeting the criteria for derecognition in accordance with ASC Topic 860 "Transfer and Servicing" of Financial Assets. Gains or losses on the sale of receivables depend, in part, on both (a) the cash proceeds and (b) the net non-cash proceeds received or paid. When we sell receivables, we normally receive beneficial interests in the transferred receivables from the purchasers as part of the proceeds. We may refer to these beneficial interests as a deferred purchase price. The beneficial interests obtained are initially measured at their fair value. We generally estimate fair value based on the present value of expected future cash flows, which are calculated using management's best estimates of the key assumptions including credit losses, prepayment rate and discount rates commensurate with the risks involved. Refer to Note 5 - Accounts Receivable, Net and Note 6 - Finance Receivables, Net for more details on our receivable sales.

Inventories

Inventories are carried at the lower of average cost or market. Inventories also include equipment that is returned at the end of the lease term. Returned equipment is recorded at the lower of remaining net book value or salvage value, which is normally not significant. We regularly review inventory quantities and record a provision for excess and/or obsolete inventory based primarily on our estimated forecast of product demand, production requirements and servicing commitments. Several factors may influence the realizability of our inventories, including our decision to exit a product line, technological changes and new product development. The provision for excess and/or obsolete raw materials and equipment inventories is based primarily on near term forecasts of product demand and include consideration of new product introductions, as well as changes in remanufacturing strategies. The provision for excess and/or obsolete service parts inventory is based primarily on projected servicing requirements over the life of the related equipment populations.

Land, Buildings and Equipment on Operating Leases

Land, buildings and equipment are recorded at cost. Buildings and equipment are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life. Equipment on operating leases is depreciated to estimated salvage value over the lease term. Depreciation is computed using the straight-line method. Significant improvements are capitalized and maintenance and repairs are expensed. Refer to Note 7 - Inventories and Equipment on Operating Leases, Net and Note 8 - Land, Buildings, Equipment and Software, Net for further discussion.

Software - Internal Use and Product

We capitalize direct costs associated with developing, purchasing or otherwise acquiring software for internal use and amortize these costs on a straight-line basis over the expected useful life of the software, beginning when the software is implemented (Internal Use Software). Costs incurred for upgrades and enhancements that will not result in additional functionality are expensed as incurred. Amounts expended for Internal Use Software are included in Cash Flows from Investing.

We also capitalize certain costs related to the development of software solutions to be sold to our customers upon reaching technological feasibility (Product Software). These costs are amortized on a straight-line basis over the estimated economic life of the software. Amounts expended for Product Software are included in Cash Flows from Operations. We perform periodic reviews to ensure that unamortized Product Software costs remain recoverable from estimated future operating profits (net realizable value or NRV). Costs to support or service licensed software are charged to Costs of services as incurred.

Refer to Note 8 - Land, Buildings, Equipment and Software, Net for further information.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of acquired net assets in a business combination, including the amount assigned to identifiable intangible assets. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the company and the acquired assembled workforce, neither of which qualifies as an identifiable intangible asset. Goodwill is not amortized but rather is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred.

Impairment testing for goodwill is done at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (a "component") if the component constitutes a business for which discrete financial information is available, and segment management regularly reviews the operating results of that component.

When testing goodwill for impairment, we may assess qualitative factors for some or all of our reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, we may bypass this qualitative assessment for some or all of our reporting units and perform a detailed quantitative test of impairment (Step 1). If we perform the detailed quantitative impairment test and the carrying amount of the reporting unit exceeds its fair value, we would perform an analysis (Step 2) to measure such impairment. In 2016, we elected to proceed to the quantitative assessment of the recoverability of our goodwill balances for each of our reporting units in performing our annual impairment test.

Other intangible assets primarily consist of assets obtained in connection with business acquisitions, including installed customer base and distribution network relationships, patents on existing technology and trademarks. We apply an impairment evaluation whenever events or changes in business circumstances indicate that the carrying value of our intangible assets may not be recoverable. Other intangible assets are amortized on a straight-line basis over their estimated economic lives. We believe that the straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained annually by the Company.

Refer to Note 10 - Goodwill and Intangible Assets, Net for further information.

Impairment of Long-Lived Assets

We review the recoverability of our long-lived assets, including buildings, equipment, internal use software and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows.

Pension and Post-Retirement Benefit Obligations

We sponsor various forms of defined benefit pension plans in several countries covering employees who meet eligibility requirements. Retiree health benefit plans cover U.S. and Canadian employees for retiree medical costs. We employ a delayed recognition feature in measuring the costs of pension and post-retirement benefit plans. This requires changes in the benefit obligations and changes in the value of assets set aside to meet those obligations to be recognized not as they occur, but systematically and gradually over subsequent periods. All changes are ultimately recognized as components of net periodic benefit cost, except to the extent they may be offset by subsequent changes. At any point, changes that have been identified and quantified but not recognized as components of net periodic benefit cost, are recognized in Accumulated Other Comprehensive Loss, net of tax.

Several statistical and other factors that attempt to anticipate future events are used in calculating the expense, liability and asset values related to our pension and retiree health benefit plans. These factors include assumptions we make about the discount rate, expected return on plan assets, rate of increase in healthcare costs, the rate of future compensation increases and mortality. Actual returns on plan assets are not immediately recognized in our income statement due to the delayed recognition requirement. In calculating the expected return on the plan asset component of our net periodic pension cost, we apply our estimate of the long-term rate of return on the plan assets that support our pension obligations, after deducting assets that are specifically allocated to Transitional Retirement Accounts (which are accounted for based on specific plan terms).

For purposes of determining the expected return on plan assets, we utilize a market-related value approach in determining the value of the pension plan assets, rather than a fair market value approach. The primary difference between the two methods relates to systematic recognition of changes in fair value over time (generally two years) versus immediate recognition of changes in fair value. Our expected rate of return on plan assets is applied to the market-related asset value to determine the amount of the expected return on plan assets to be used in the determination of the net periodic pension cost. The market-related value approach reduces the volatility in net periodic pension cost that would result from using the fair market value approach.

The discount rate is used to present value our future anticipated benefit obligations. The discount rate reflects the current rate at which benefit liabilities could be effectively settled considering the timing of expected payments for plan participants. In estimating our discount rate, we consider rates of return on high-quality fixed-income investments adjusted to eliminate the effects of call provisions, as well as the expected timing of pension and other benefit payments.

Each year, the difference between the actual return on plan assets and the expected return on plan assets, as well as increases or decreases in the benefit obligation as a result of changes in the discount rate and other actuarial assumptions, are added to or subtracted from any cumulative actuarial gain or loss from prior years. This amount is the net actuarial gain or loss recognized in Accumulated other comprehensive loss. We amortize net actuarial gains and losses as a component of net pension cost for a year if, as of the beginning of the year, that net gain or loss (excluding asset gains or losses that have not been recognized in market-related value) exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets (the "corridor" method). This determination is made on a plan-by-plan basis. If amortization is required for a particular plan, we amortize the applicable net gain or loss in excess of the 10% threshold on a straight-line basis in net periodic pension cost over the remaining service period of the employees participating in that pension plan. In plans where substantially all participants are inactive, the amortization period for the excess is the average remaining life expectancy of the plan participants.

Our primary domestic plans allow participants the option of settling their vested benefits through the receipt of a lump-sum payment. The participant's vested benefit is considered fully settled upon payment of the lump-sum. We have elected to apply settlement accounting and therefore we recognize the losses associated with settlements in this plan immediately upon the settlement of the vested benefits. Settlement accounting requires us to recognize a pro rata portion of the aggregate unamortized net actuarial losses upon settlement. The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the settlement of the participant's vested benefit.

Refer to Note 16 - Employee Benefit Plans for further information regarding our Pension and Post-Retirement Benefit Obligations.

Foreign Currency Translation and Re-measurement

The functional currency for most foreign operations is the local currency. Net assets are translated at current rates of exchange and income, expense and cash flow items are translated at average exchange rates for the applicable period. The translation adjustments are recorded in Accumulated other comprehensive loss.

The U.S. Dollar is used as the functional currency for certain foreign subsidiaries that conduct their business in U.S. Dollars. A combination of current and historical exchange rates is used in re-measuring the local currency transactions of these subsidiaries and the resulting exchange adjustments are recorded in Currency (gains) and losses within Other expenses, net together with other foreign currency remeasurments.

Note 2 – Segment Reporting

During 2016 our primary reportable segments were **Document Technology** and **Services**. As a result of the Separation discussed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies, our BPO business was not reported in our 2016 segment financial information since this business was reported as a discontinued operation in 2016. Accordingly, the Services reportable segment reflects only the financial information for our Document Outsourcing services business and certain other service offerings that were transferred from the BPO business to Document Outsourcing prior to the Separation, and therefore not included in the Conduent Separation and Distribution.

In addition, in the first quarter of 2016, we revised our segment reporting to exclude the non-service elements of our defined-benefit pension and retiree-health plan costs from Segment profit. Segment profit was also revised to reflect the transfer of corporate functions to Conduent, which resulted in a full year benefit of approximately $80 from additional corporate costs, above those historically allocated to the BPO business, transferred to Conduent upon the Separation.

Current and prior year amounts were revised accordingly to reflect all of the above noted changes.

The **Document Technology** segment is centered around strategic product groups, which share common technology, manufacturing and product platforms. Segment revenues include the sale of document systems and supplies, provision of technical service and financing of products. Our products range from:

- **"Entry,"** which includes A4 devices and desktop printers; to
- **"Mid-range,"** which includes A3 devices that generally serve workgroup environments in mid to large enterprises and includes products that fall into the following market categories: Color 41+ ppm priced at less than $100K and Light Production 91+ ppm priced at less than $100K; to
- **"High-end,"** which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises.

Customers range from small and mid-sized businesses to large enterprises. Customers also include graphic communication enterprises as well as channel partners including distributors and resellers.

The **Services** segment includes our legacy Document Outsourcing business as well as a set of communications and marketing solutions offerings that were previously part of the BPO business and were transferred to Xerox upon Separation. This segment comprises solutions and services including Managed Print Services (MPS), Workflow Automation Services, Communication and Marketing Solutions and revenues from our Partner Print Services offerings.

Other includes several units, none of which meet the thresholds for separate segment reporting. This group includes paper sales in our developing market countries, Wide Format Systems, licensing revenues, GIS network integration solutions and electronic presentation systems and non-allocated corporate items including non-financing interest, as well as other items included in Other expenses, net.

Selected financial information for our reportable segments was as follows:

	Document Technology		Services		Other		Total	
2016 [1]								
Revenue	$	6,458	$	3,438	$	550	$	10,446
Finance income		251		67		7		325
Total Segment Revenue	$	6,709	$	3,505	$	557	$	10,771
Depreciation and amortization[2]	$	274	$	218	$	13	$	505
Interest expense		108		19		182		309
Segment profit (loss)		901		469		(223)		1,147
Equity in net income of unconsolidated affiliates		97		24		—		121
2015 [1]								
Revenue	$	7,098	$	3,485	$	536	$	11,119
Finance income		267		72		7		346
Total Segment Revenue	$	7,365	$	3,557	$	543	$	11,465
Depreciation and amortization[2]	$	297	$	222	$	11	$	530
Interest expense		109		20		217		346
Segment profit (loss)		1,041		458		(225)		1,274
Equity in net income of unconsolidated affiliates		108		27		—		135
2014 [1]								
Revenue	$	8,044	$	3,658	$	590	$	12,292
Finance income		314		65		8		387
Total Segment Revenue	$	8,358	$	3,723	$	598	$	12,679
Depreciation and amortization[2]	$	334	$	225	$	15	$	574
Interest expense		121		18		227		366
Segment profit (loss)		1,285		443		(218)		1,510
Equity in net income of unconsolidated affiliates		128		32		—		160

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(1) Asset information on a segment basis is not disclosed as this information is not separately identified and internally reported to our Chief Operating Decision Maker (CODM).
(2) Depreciation and amortization excludes amortization of intangible assets - see reconciliation below.

The following is a reconciliation of segment profit to pre-tax income:

	Year Ended December 31,					
	2016		2015		2014	
Total Segment Profit	$	1,147	$	1,274	$	1,510
Reconciling items:						
Amortization of intangible assets		(58)		(60)		(65)
Equity in net income of unconsolidated affiliates		(121)		(135)		(160)
Restructuring and related costs		(264)		(27)		(106)
Restructuring charges of Fuji Xerox		(3)		(4)		(3)
Business transformation costs[1]		(2)		(8)		(7)
Non-service retirement-related costs[2]		(131)		(116)		(79)
Pre-tax Income	$	568	$	924	$	1,090

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(1) Business transformation costs represent incremental costs incurred directly in support of our business transformation and restructuring initiatives such as compensation costs for overlapping staff, consulting costs and training costs.
(2) Represents the non-service elements of our defined-benefit pension and retiree-health plan costs. Refer to Note 16 - Employee Benefit Plans for details regarding these elements.

Geographic area data is based upon the location of the subsidiary reporting the revenue or long-lived assets and is as follows for the three years ended December 31:

	Revenues			Long-Lived Assets [1]	
	2016	2015	2014	2016	2015
United States	$ 6,403	$ 6,734	$ 7,184	$ 824	$ 886
Europe	2,861	3,155	3,649	359	435
Other areas	1,507	1,576	1,846	178	163
Total Revenues and Long-Lived Assets	$ 10,771	$ 11,465	$ 12,679	$ 1,361	$ 1,484

(1) Long-lived assets are comprised of (i) Land, buildings and equipment, net, (ii) Equipment on operating leases, net, (iii) Internal use software, net and (iv) Product software, net.

Note 3 – Acquisitions

2016 Acquisitions

In 2016 we added two equipment dealers to our Global Imaging Systems network for approximately $30 in cash. The acquisitions were in our Document Technology segment and are consistent with our strategy to expand distribution in under-penetrated markets.

2016 Summary

Our 2016 acquisitions resulted in 100% ownership of the acquired companies. The operating results of the acquisitions described above are not material to our financial statements and are included within our results from the respective acquisition dates. Our 2016 acquisitions contributed aggregate revenues of approximately $14 to our 2016 total revenues from their respective acquisition dates. The purchase prices for all acquisitions were primarily allocated to intangible assets and goodwill based on third-party valuations and management's estimates. The primary elements that generated the goodwill are the value of synergies and the acquired assembled workforce. Of the goodwill recorded in 2016, 100% is expected to be deductible for tax purposes. Refer to Note 10 - Goodwill and Intangible Assets, Net for additional information.

The following table summarizes the purchase price allocations for our 2016 acquisitions as of the acquisition dates:

	Weighted-Average Life (Years)	Total 2016 Acquisitions
Accounts/finance receivables		$ 2
Intangible assets:		
Customer relationships	10	7
Trademarks	20	2
Non-compete agreements	4	1
Goodwill		19
Other assets		3
Total Assets Acquired		34
Liabilities assumed		(4)
Total Purchase Price		$ 30

2015 and 2014 Acquisitions

In December 2014 we acquired a large document equipment dealer in the southern U.S. for approximately $22 in cash. This acquisition complements our existing footprint in the southern U.S. by offering Xerox's managed services along with office and printing technology.

Our Document Technology segment acquired two businesses in 2015 and one additional business in 2014 for approximately $13 and $12 in cash, respectively, which expanded our distribution capability of products and services in North America.

2015 and 2014 Summary

All of our 2015 and 2014 acquisitions resulted in 100% ownership of the acquired companies. The operating results of the 2015 and 2014 acquisitions described above are not material to our financial statements and were included within our results from the respective acquisition dates. The purchase prices for all acquisitions were primarily allocated to intangible assets and goodwill based on third-party valuations and management's estimates. Refer to Note 10 - Goodwill and Intangible Assets, Net for additional information. Our 2015 acquisitions contributed aggregate revenues from their respective acquisition dates of approximately $10 and $3 to our 2016 and 2015 total revenues, respectively. Our 2014 acquisitions contributed aggregate revenues from their respective acquisition dates of approximately $32, $30 and $2 to our 2016, 2015 and 2014 total revenues, respectively.

Note 4 – Divestitures

Business Process Outsourcing (BPO)

As previously disclosed, on December 31, 2016, Xerox completed the Separation of its BPO business through the Distribution of all of the issued and outstanding stock of Conduent to Xerox Corporation stockholders. As a result of the Separation and Distribution, the financial position and results of operations of the BPO Business are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. Prior to the Separation and Distribution of Conduent, in connection with the annual goodwill impairment test, a pre-tax goodwill impairment charge of $935 was recorded in the fourth quarter 2016 associated with the Commercial Services reporting unit of the BPO business. This charge is reported in the Loss from discontinued operations, net of tax, for the year ended December 31, 2016.

Total separation costs of $159, which were incurred during 2016, are included in Loss from discontinued operations, net of tax, in the accompanying Consolidated Statements of (Loss) Income. Separation costs are primarily for third-party investment banking, accounting, legal, consulting and other similar types of services related to the Separation transaction as well as costs associated with the operational separation of the two companies, such as those related to human resources, brand management, real estate and information management to the extent not capitalized. Separation costs also include the costs associated with bonuses and restricted stock grants awarded to employees for retention through the Separation.

In connection with the Separation, Xerox and Conduent entered into various agreements to effect the Separation and provide a framework for their relationship after the Separation, including a separation and distribution agreement, a transition service agreement, a tax matters agreement, an employee matters agreement, an intellectual property agreement and a trademark license agreement. The transition services primarily involve Xerox providing services to Conduent related to information technology and human resource infrastructure and are all expected to be for terms of no more than one year post-separation. In addition, Xerox is also party to various commercial agreements with Conduent entities. The amount billed for transition services provided under the above agreements as well as sales and purchases to and from Conduent are not expected to be material in future periods.

In preparation for the Separation, in the fourth quarter 2016, Conduent incurred approximately $2.0 billion in new borrowings. The net proceeds from these borrowings of $1.9 billion, after debt issuance costs, were used to fund the approximately $1.8 billion of net cash distributions Conduent made to Xerox prior to the Distribution Date. Xerox used a portion of the cash distribution proceeds to repay the $1.0 billion Senior Unsecured Term Facility in January 2017, which was required to be repaid upon completion of the Separation. This $1.0 billion of cash and debt is excluded from the Cash and cash equivalents and Total Debt at December 31, 2016, respectively, and is reported in Current Assets and Current Liabilities of discontinued operations at December 31, 2016, respectively. Interest expense associated with this borrowing incurred during 2016 is included in Loss from discontinued operations, net of tax. Xerox intends to use the balance of the proceeds received to redeem Senior Notes that are coming due in the first quarter 2017. Refer to Note 13 - Debt for additional information.

Information Technology Outsourcing (ITO)

In 2014, we entered into an agreement for the sale of our ITO business to Atos and began reporting it as a Discontinued Operation. All prior periods were accordingly revised to conform to this presentation. The sale was completed on June 30, 2015. The final sale price was approximately $940 ($930 net of cash sold) and Atos also assumed approximately $85 of capital lease obligations and pension liabilities. The ITO business included approximately 9,600 employees in 42 countries, who were transferred to Atos upon closing.

We recorded a net pre-tax loss of $181 ($160 after-tax) in 2014 related to the agreement to sell, reflecting the write-down of the carrying value of the ITO disposal group, inclusive of goodwill, to its estimated fair value less costs to sell. We recorded an additional net pre-tax loss of $101 in 2015, primarily at closing, related to an adjustment of the sales price and related expenses associated with the disposal, as well as reserves for certain obligations and indemnifications we retained as part of the final closing negotiations. In addition, we recorded additional tax expense of $44 in 2015 primarily related to the difference between the book basis and tax basis of allocated goodwill, which could only be recorded upon final disposal of the business.

We made an additional payment in 2016 to Atos of approximately $52, representing a $28 adjustment to the final sales price and a payment of $24 due from closing. The payment was reflected in investing cash flows of discontinued operations as an adjustment of the sales proceeds.

Other Discontinued Operations

In 2014, we completed the closure of Xerox Audio Visual Solutions, Inc. (XAV), a small audio visual business within our Global Imaging Systems subsidiary, and recorded a net pre-tax loss on disposal of $1. XAV provided audio visual equipment and services to enterprise and government customers.

In 2014, we sold the Truckload Management Services, Inc. (TMS) business for $15 and recorded a net pre-tax loss on disposal of $1. TMS provided document capture and submission solutions as well as campaign management, media buying and digital marketing services to the long haul trucking and transportation industry.

Summarized financial information for our Discontinued Operations is as follows:

	Year Ended December 31, 2016		
	Conduent	ITO	Total
Revenue	$ 6,355	$ —	$ 6,355
Loss from operations	$ (1,343)	$ —	$ (1,343)
Loss on disposal	—	—	—
Net loss before income taxes	(1,343)	—	(1,343)
Income tax benefit	250	—	250
Loss from discontinued operations, net of tax	$ (1,093)	$ —	$ (1,093)

	Year Ended December 31, 2015		
	Conduent	ITO	Total
Revenue	$ 6,604	$ 619	$ 7,223
(Loss) income from operations	$ (511)	$ 104	$ (407)
Loss on disposal	—	(101)	(101)
Net (loss) income before income taxes	(511)	3	(508)
Income tax benefit (expense)	215	(81)	134
Loss from discontinued operations, net of tax	$ (296)	$ (78)	$ (374)

	Year Ended December 31, 2014			
	Conduent	ITO	Other	Total
Revenue	$ 6,885	$ 1,320	$ 45	$ 8,250
Income (loss) from operations	$ 116	$ 74	$ (1)	$ 189
Loss on disposal	—	(181)	(1)	(182)
Net income (loss) before income taxes	116	(107)	(2)	7
Income tax expense	(17)	(5)	(1)	(23)
Income (loss) from discontinued operations, net of tax	$ 99	$ (112)	$ (3)	$ (16)

The following is a summary of selected financial information of Conduent for the three years ended December 31, 2016:

	Year Ended December 31,		
	2016	2015	2014
Cost and Expenses:			
Cost of services	$ 5,456	$ 5,923	$ 5,749
Other Expenses [(1)]	2,065	1,192	1,020
Total Costs and Expenses	$ 7,521	$ 7,115	$ 6,769
Selected amounts included in Costs and Expenses:			
Depreciation of buildings and equipment	$ 130	$ 126	$ 145
Amortization of internal use software	49	51	52
Amortization of product software	61	65	58
Amortization of acquired intangible assets	280	250	250
Amortization of customer contract costs	93	108	122
Operating lease rent expense	378	389	385
Defined contribution plans	35	34	31
Interest expense [(2)]	13	8	11
Goodwill impairment charge [(3)]	935	—	—
Expenditures:			
Cost of additions to land, buildings and equipment	$ 150	$ 126	$ 144
Cost of additions to internal use software	39	26	26
Customer-related deferred set-up/transition and inducement costs	62	55	55

(1) *2016 amount excludes $159 of Separation related costs and $18 of interest on the $1.0 billion Senior Unsecured Term Facility, which was required to be repaid upon completion of the Separation, and therefore was also reported in the loss from discontinued operations.*
(2) *Represents interest on Conduent third-party borrowings only that were transferred to Conduent as part of the Distribution. 2016 amount excludes $18 of interest associated with the $1.0 billion Senior Unsecured Term Facility noted above. No additional interest expense was allocated to discontinued operations for the three years ended December 31, 2016.*
(3) *Prior to the Separation and Distribution of Conduent, in connection with the annual goodwill impairment test, a pre-tax goodwill impairment charge was recorded in the fourth quarter 2016 associated with the Commercial Services reporting unit of the BPO business.*

The following is a summary of the major categories of assets and liabilities that were transferred to Conduent as of December 31, 2016. The balances as of December 31, 2015 are presented for comparative purposes and are included in Assets and Liabilities of discontinued operations in the Consolidated Balance Sheet at December 31, 2015:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 390	$ 140
Accounts receivable, net	1,287	1,251
Other current assets	239	227
Total current assets of discontinued operations	1,916	1,618
Land, buildings and equipment, net	283	279
Intangible assets, net	1,144	1,425
Goodwill	3,889	4,872
Other long-term assets	477	609
Total long-term assets of discontinued operations	5,793	7,185
Total Assets of Discontinued Operations	$ 7,709	$ 8,803
Current portion of long-term debt	$ 28	$ 23
Accounts payable	159	272
Accrued pension and benefit costs	284	245
Unearned income	208	226
Other current liabilities	742	861
Total current liabilities of discontinued operations	1,421	1,627
Long-term debt	1,913	37
Pension and other benefit liabilities	173	153
Other long-term liabilities	757	932
Total long-term liabilities of discontinued operations	2,843	1,122
Total Liabilities of Discontinued Operations	$ 4,264	$ 2,749

As a result of the Separation, the Company distributed $3,445 in net assets of Conduent, which has been reflected as a reduction to Preferred Stock for $142, Retained Earnings for $3,829 and Accumulated other comprehensive loss for $526 in the accompanying Consolidated Balance Sheet and Consolidated Statements of Shareholders' Equity as of December 31, 2016.

The following is a summary of disclosed acquisitions over the past three years that were part of the Distribution of Conduent at December 31, 2016.

Acquisition	Date of Acquisition	Acquisition Price
RSA Medical LLC (RSA Medical)	September 2015	$ 141
Intellinex LLC	January 2015	28
Consilience Software, Inc. (Consilience)	September 2014	25
ISG Holdings, Inc. (ISG)	May 2014	225
Invoco Holding GmbH (Invoco)	January 2014	54

Note 5 – Accounts Receivable, Net

Accounts receivable, net were as follows:

	December 31, 2016	December 31, 2015
Invoiced	$ 651	$ 741
Accrued	374	401
Allowance for doubtful accounts	(64)	(74)
Accounts Receivable, Net	$ 961	$ 1,068

We perform ongoing credit evaluations of our customers and adjust credit limits based upon customer payment history and current creditworthiness. The allowance for uncollectible accounts receivables is determined principally on the basis of past collection experience as well as consideration of current economic conditions and changes in our customer collection trends.

Accounts Receivable Sales Arrangements

Accounts receivable sales arrangements are utilized in the normal course of business as part of our cash and liquidity management. We have facilities in the U.S., Canada and several countries in Europe that enable us to sell certain accounts receivable, without recourse, to third-parties. The accounts receivables sold are generally short-term trade receivables with payment due dates of less than 60 days.

All of our arrangements involve the sale of our entire interest in groups of accounts receivable for cash. In most instances a portion of the sales proceeds are held back by the purchaser and payment is deferred until collection of the related receivables sold. Such holdbacks are not considered legal securities nor are they certificated. We report collections on such receivables as operating cash flows in the Consolidated Statements of Cash Flows because such receivables are the result of an operating activity and the associated interest rate risk is de minimis due to their short-term nature. Our risk of loss following the sales of accounts receivable is limited to the outstanding deferred purchase price receivable. These receivables are included in Other current assets in the accompanying Consolidated Balance Sheets and were $48 and $61 at December 31, 2016 and 2015, respectively.

Under most of the agreements, we continue to service the sold accounts receivable. When applicable, a servicing liability is recorded for the estimated fair value of the servicing. The amounts associated with the servicing liability were not material.

Of the accounts receivables sold and derecognized from our balance sheet, $531 and $524 remained uncollected as of December 31, 2016 and 2015, respectively. Accounts receivable sales were as follows:

	Year Ended December 31, 2016	2015	2014
Accounts receivable sales	$ 2,267	$ 2,142	$ 2,563
Deferred proceeds	233	247	387
Loss on sale of accounts receivable	16	13	15
Estimated increase (decrease) to operating cash flows[(1)]	30	62	(64)

(1) Represents the difference between current and prior year fourth quarter receivable sales adjusted for the effects of: (i) the deferred proceeds, (ii) collections prior to the end of the year and (iii) currency.

Note 6 – Finance Receivables, Net

Finance receivables include sales-type leases, direct financing leases and installment loans arising from the marketing of our equipment. These receivables are typically collateralized by a security interest in the underlying assets. Finance receivables, net were as follows:

	December 31,	
	2016	2015
Gross receivables	$ 4,380	$ 4,683
Unearned income	(526)	(577)
Subtotal	3,854	4,106
Residual values	—	—
Allowance for doubtful accounts	(110)	(118)
Finance Receivables, Net	3,744	3,988
Less: Billed portion of finance receivables, net	90	97
Less: Current portion of finance receivables not billed, net	1,256	1,315
Finance Receivables Due After One Year, Net	$ 2,398	$ 2,576

Contractual maturities of our gross finance receivables as of December 31, 2016 were as follows (including those already billed of $90):

2017	2018	2019	2020	2021	Thereafter	Total
$ 1,628	$ 1,225	$ 855	$ 485	$ 175	$ 12	$ 4,380

Sale of Finance Receivables

In 2013 and 2012, we transferred our entire interest in certain groups of lease finance receivables to third-party entities for cash proceeds and beneficial interests. The transfers were accounted for as sales with derecognition of the associated lease receivables. There have been no transfers or sales of finance receivables since 2013. We continue to service the sold receivables and record servicing fee income over the expected life of the associated receivables. The following is a summary of our prior sales activity:

	Year Ended December 31,	
	2013	2012
Net carrying value (NCV) sold	$ 676	$ 682
Allowance included in NCV	17	18
Cash proceeds received	635	630
Beneficial interests received	86	101

The principal value of the finance receivables derecognized from our balance sheet was $76 and $238 at December 31, 2016 and 2015, respectively (sales value of approximately $81 and $256, respectively).

Summary Finance Receivable Sales

The ultimate purchaser has no recourse to our other assets for the failure of customers to pay principal and interest when due beyond our beneficial interests which were $24 and $38 at December 31, 2016 and 2015, respectively, and are included in Other current assets and Other long-term assets in the accompanying Consolidated Balance Sheets. Beneficial interests of $13 and $30 at December 31, 2016 and 2015, respectively, are held by the bankruptcy-remote subsidiaries and therefore are not available to satisfy any of our creditor obligations. We report collections on the beneficial interests as operating cash flows in the Consolidated Statements of Cash Flows because such beneficial interests are the result of an operating activity and the associated interest rate risk is de minimis considering their weighted average lives of less than two years.

The net impact from the sales of finance receivables on operating cash flows is summarized below:

	2016	2015	2014	2013/2012
Net cash received for sales of finance receivables[1]	$ —	$ —	$ —	$ 1,256
Impact from prior sales of finance receivables[2]	(186)	(342)	(527)	(437)
Collections on beneficial interests	30	56	94	58
Estimated (Decrease) Increase to Operating Cash Flows	$ (156)	$ (286)	$ (433)	$ 877

(1) Net of beneficial interest, fees and expenses.
(2) Represents cash that would have been collected if we had not sold finance receivables.

Finance Receivables - Allowance for Credit Losses and Credit Quality

Our finance receivable portfolios are primarily in the U.S., Canada and Europe. We generally establish customer credit limits and estimate the allowance for credit losses on a country or geographic basis. Customer credit limits are based upon an initial evaluation of the customer's credit quality and we adjust that limit accordingly based upon ongoing credit assessments of the customer, including payment history and changes in credit quality.

The allowance for doubtful accounts and provision for credit losses represents an estimate of the losses expected to be incurred from the Company's finance receivable portfolio. The level of the allowance is determined on a collective basis by applying projected loss rates to our different portfolios by country, which represent our portfolio segments. This is the level at which we develop and document our methodology to determine the allowance for credit losses. This loss rate is primarily based upon historical loss experience adjusted for judgments about the probable effects of relevant observable data including current economic conditions as well as delinquency trends, resolution rates, the aging of receivables, credit quality indicators and the financial health of specific customer classes or groups. The allowance for doubtful finance receivables is inherently more difficult to estimate than the allowance for trade accounts receivable because the underlying lease portfolio has an average maturity, at any time, of approximately two to three years and contains past due billed amounts, as well as unbilled amounts. We consider all available information in our quarterly assessments of the adequacy of the allowance for doubtful accounts. The identification of account-specific exposure is not a significant factor in establishing the allowance for doubtful finance receivables. Our policy and methodology used to establish our allowance for doubtful accounts has been consistently applied over all periods presented.

Since our allowance for doubtful finance receivables is determined by country, the risk characteristics in our finance receivable portfolio segments will generally be consistent with the risk factors associated with the economies of those countries/regions. Loss rates in the U.S. remained steady and did not change significantly during 2016 and 2015. Since Europe is comprised of various countries and regional economies, the risk profile within our European portfolio segment is somewhat more diversified due to the varying economic conditions among and within the countries. Charge-offs in Europe were $15 in 2016 as compared to $17 in 2015, reflecting continued stabilization of Europe from the credit issues that began back in 2011.

The following table is a rollforward of the allowance for doubtful finance receivables as well as the related investment in finance receivables:

Allowance for Credit Losses:	United States	Canada	Europe	Other(2)	Total
Balance at December 31, 2014(1)	$ 51	$ 20	$ 58	$ 2	$ 131
Provision	11	6	10	1	28
Charge-offs	(8)	(10)	(17)	(1)	(36)
Recoveries and other(3)	—	1	(6)	—	(5)
Balance at December 31, 2015	$ 54	$ 17	$ 45	$ 2	$ 118
Provision	10	3	11	—	24
Charge-offs	(12)	(8)	(15)	—	(35)
Recoveries and other(3)	3	4	(4)	—	3
Balance at December 31, 2016	$ 55	$ 16	$ 37	$ 2	$ 110
Finance Receivables Collectively Evaluated for Impairment:					
December 31, 2015(4)	$ 2,174	$ 365	$ 1,509	$ 58	$ 4,106
December 31, 2016(4)	$ 2,138	$ 378	$ 1,286	$ 52	$ 3,854

(1) *In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified as Other was reclassified to the U.S. Prior year amounts have been reclassified to conform to current year presentation.*
(2) *Includes developing market countries and smaller units.*
(3) *Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.*
(4) *Total Finance receivables exclude the allowance for credit losses of $110 and $118 at December 31, 2016 and 2015, respectively.*

In the U.S. and Canada, customers are further evaluated or segregated by class based on industry sector. The primary customer classes are Finance & Other Services, Government & Education; Graphic Arts; Industrial; Healthcare and Other. In Europe, customers are further grouped by class based on the country or region of the customer. The primary customer classes include the U.K./Ireland, France and the following European regions - Central, Nordic and Southern. These groupings or classes are used to understand the nature and extent of our exposure to credit risk arising from finance receivables.

We evaluate our customers based on the following credit quality indicators:

- **Investment grade:** This rating includes accounts with excellent to good business credit, asset quality and capacity to meet financial obligations. These customers are less susceptible to adverse effects due to shifts in economic conditions or changes in circumstance. The rating generally equates to a Standard & Poors (S&P) rating of BBB- or better. Loss rates in this category are normally less than 1%.
- **Non-investment grade:** This rating includes accounts with average credit risk that are more susceptible to loss in the event of adverse business or economic conditions. This rating generally equates to a BB S&P rating. Although we experience higher loss rates associated with this customer class, we believe the risk is somewhat mitigated by the fact that our leases are fairly well dispersed across a large and diverse customer base. In addition, the higher loss rates are largely offset by the higher rates of return we obtain with such leases. Loss rates in this category are generally in the range of 2% to 4%.
- **Substandard:** This rating includes accounts that have marginal credit risk such that the customer's ability to make repayment is impaired or may likely become impaired. We use numerous strategies to mitigate risk including higher rates of interest, prepayments, personal guarantees, etc. Accounts in this category include customers who were downgraded during the term of the lease from investment and non-investment grade evaluation when the lease was originated. Accordingly there is a distinct possibility for a loss of principal and interest or customer default. The loss rates in this category are around 10%.

Credit quality indicators are updated at least annually, and the credit quality of any given customer can change during the life of the portfolio. Details about our finance receivables portfolio based on industry and credit quality indicators are as follows:

	December 31, 2016				December 31, 2015(4)			
	Investment Grade	Non-investment Grade	Sub-standard	Total Finance Receivables	Investment Grade	Non-investment Grade	Sub-standard	Total Finance Receivables
Finance and other services	$ 181	$ 342	$ 95	$ 618	$ 195	$ 285	$ 91	$ 571
Government and education	543	57	8	608	575	48	7	630
Graphic arts	138	102	107	347	145	92	127	364
Industrial	82	78	24	184	89	62	22	173
Healthcare	79	47	17	143	90	46	19	155
Other	82	103	53	238	121	107	53	281
Total United States	1,105	729	304	2,138	1,215	640	319	2,174
Finance and other services	54	43	15	112	55	35	9	99
Government and education	52	6	2	60	59	7	2	68
Graphic arts	39	37	24	100	45	35	21	101
Industrial	21	13	6	40	23	12	3	38
Other	33	25	8	66	33	23	3	59
Total Canada	199	124	55	378	215	112	38	365
France	181	222	51	454	203	207	101	511
U.K/Ireland	189	63	1	253	235	91	3	329
Central(1)	182	148	19	349	206	186	25	417
Southern(2)	36	131	14	181	36	138	17	191
Nordic(3)	26	22	1	49	24	35	2	61
Total Europe	614	586	86	1,286	704	657	148	1,509
Other	35	15	2	52	41	16	1	58
Total	$ 1,953	$ 1,454	$ 447	$ 3,854	$ 2,175	$ 1,425	$ 506	$ 4,106

(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
(3) Sweden, Norway, Denmark and Finland.
(4) In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified as Other was reclassified to the U.S. Prior year amounts have been reclassified to conform to current year presentation.

The aging of our receivables portfolio is based upon the number of days an invoice is past due. Receivables that are more than 90 days past due are considered delinquent. Receivable losses are charged against the allowance when management believes the uncollectibility of the receivable is confirmed and is generally based on individual credit evaluations, results of collection efforts and specific circumstances of the customer. Subsequent recoveries, if any, are credited to the allowance.

We generally continue to maintain equipment on lease and provide services to customers that have invoices for finance receivables that are 90 days or more past due and, as a result of the bundled nature of billings, we also continue to accrue interest on those receivables. However, interest revenue for such billings is only recognized if collectability is deemed reasonably assured. The aging of our billed finance receivables is as follows:

	December 31, 2016						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Finance and other services	$ 13	$ 3	$ 1	$ 17	$ 601	$ 618	$ 11
Government and education	10	4	3	17	591	608	25
Graphic arts	13	1	—	14	333	347	5
Industrial	4	1	1	6	178	184	5
Healthcare	3	1	1	5	138	143	5
Other	9	2	1	12	226	238	5
Total United States	52	12	7	71	2,067	2,138	56
Canada	3	—	—	3	375	378	8
France	3	—	—	3	451	454	20
U.K./Ireland	2	1	—	3	250	253	1
Central[(1)]	2	1	—	3	346	349	5
Southern[(2)]	5	1	1	7	174	181	6
Nordic[(3)]	1	—	—	1	48	49	1
Total Europe	13	3	1	17	1,269	1,286	33
Other	3	—	—	3	49	52	—
Total	$ 71	$ 15	$ 8	$ 94	$ 3,760	$ 3,854	$ 97

	December 31, 2015[(4)]						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Finance and other services	$ 10	$ 2	$ 2	$ 14	$ 557	$ 571	$ 14
Government and education	12	1	4	17	613	630	37
Graphic arts	12	2	1	15	349	364	8
Industrial	5	1	1	7	166	173	7
Healthcare	4	1	1	6	149	155	9
Other	14	2	2	18	263	281	7
Total United States	57	9	11	77	2,097	2,174	82
Canada	3	—	—	3	362	365	9
France	—	—	—	—	511	511	25
U.K./Ireland	1	—	—	1	328	329	1
Central[(1)]	3	1	1	5	412	417	7
Southern[(2)]	8	2	3	13	178	191	10
Nordic[(3)]	1	—	—	1	60	61	4
Total Europe	13	3	4	20	1,489	1,509	47
Other	1	1	—	2	56	58	—
Total	$ 74	$ 13	$ 15	$ 102	$ 4,004	$ 4,106	$ 138

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(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
(3) Sweden, Norway, Denmark and Finland.
(4) In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified as Other was reclassified to the U.S. Prior year amounts have been reclassified to conform to current year presentation.

Note 7 – Inventories and Equipment on Operating Leases, Net

The following is a summary of Inventories by major category:

	December 31, 2016	December 31, 2015
Finished goods	$ 713	$ 751
Work-in-process	47	51
Raw materials	81	99
Total Inventories	$ 841	$ 901

The transfer of equipment from our inventories to equipment subject to an operating lease is presented in our Consolidated Statements of Cash Flows in the operating activities section. Equipment on operating leases and similar arrangements consists of our equipment rented to customers and depreciated to estimated salvage value at the end of the lease term.

Equipment on operating leases and the related accumulated depreciation were as follows:

	December 31, 2016	December 31, 2015
Equipment on operating leases	$ 1,468	$ 1,478
Accumulated depreciation	(993)	(983)
Equipment on Operating Leases, Net	$ 475	$ 495

Depreciable lives generally vary from three to four years consistent with our planned and historical usage of the equipment subject to operating leases. Our equipment operating lease terms vary, generally from one to three years. Scheduled minimum future rental revenues on operating leases with original terms of one year or longer are:

2017	2018	2019	2020	2021	Thereafter
$ 319	$ 221	$ 142	$ 76	$ 26	$ 3

Total contingent rentals on operating leases, consisting principally of usage charges in excess of minimum contracted amounts, for the years ended December 31, 2016, 2015 and 2014 amounted to $132, $139 and $149, respectively.

Note 8 - Land, Buildings, Equipment and Software, Net

Land, buildings and equipment, net were as follows:

	Estimated Useful Lives (Years)	December 31, 2016	December 31, 2015
Land		$ 20	$ 21
Building and building equipment	25 to 50	911	919
Leasehold improvements	Varies	219	244
Plant machinery	5 to 12	1,225	1,274
Office furniture and equipment	3 to 15	657	700
Other	4 to 20	70	63
Construction in progress		33	28
Subtotal		3,135	3,249
Accumulated depreciation		(2,475)	(2,532)
Land, Buildings and Equipment, Net		$ 660	$ 717

Depreciation expense and operating lease rent expense were as follows:

	Year Ended December 31,		
	2016	2015	2014
Depreciation expense	$ 148	$ 151	$ 179
Operating lease expense	157	164	175

We lease buildings and equipment, substantially all of which are accounted for as operating leases. Capital leased assets were $31 and $39 at December 31, 2016 and 2015, respectively.

Future minimum operating lease commitments that have initial or remaining non-cancelable lease terms in excess of one year at December 31, 2016 were as follows:

2017	2018	2019	2020	2021	Thereafter
$ 124	$ 94	$ 72	$ 53	$ 40	$ 71

Internal Use Software

	Year Ended December 31,		
Additions to:	2016	2015	2014
Internal use software	$ 45	$ 64	$ 57

	December 31,	
Capitalized costs, net:	2016	2015
Internal use software	$ 218	$ 264

Useful lives of our internal use software generally vary from three to seven years.

Note 9 – Investment in Affiliates, at Equity

Investments in corporate joint ventures and other companies in which we generally have a 20% to 50% ownership interest were as follows:

	December 31,	
	2016	2015
Fuji Xerox	$ 1,313	$ 1,315
Other	75	67
Investments in Affiliates, at Equity	$ 1,388	$ 1,382

Our equity in net income of our unconsolidated affiliates was as follows:

	Year Ended December 31,		
	2016	2015	2014
Fuji Xerox	$ 108	$ 117	$ 147
Other	13	18	13
Total Equity in Net Income of Unconsolidated Affiliates	$ 121	$ 135	$ 160

Fuji Xerox

Fuji Xerox is headquartered in Tokyo and operates in Japan, China, Australia, New Zealand, Vietnam and other areas of the Pacific Rim. Our investment in Fuji Xerox of $1,313 at December 31, 2016, differs from our implied 25% interest in the underlying net assets, or $1,406, due primarily to our deferral of gains resulting from sales of assets by us to Fuji Xerox.

Equity in net income of Fuji Xerox is affected by certain adjustments to reflect the deferral of profit associated with intercompany sales. These adjustments may result in recorded equity income that is different from that implied by our 25% ownership interest.

Summarized financial information for Fuji Xerox is as follows:

	Year Ended December 31,		
	2016	2015	2014
Summary of Operations			
Revenues	$ 10,161	$ 9,925	$ 11,112
Costs and expenses	9,486	9,198	10,242
Income before income taxes	675	727	870
Income tax expense	217	233	262
Net Income	458	494	608
Less: Net income - noncontrolling interests	7	7	4
Net Income - Fuji Xerox	$ 451	$ 487	$ 604
Balance Sheet			
Assets:			
Current assets	$ 4,464	$ 4,585	$ 4,801
Long-term assets	4,734	4,946	4,742
Total Assets	$ 9,198	$ 9,531	$ 9,543
Liabilities and Equity:			
Current liabilities	$ 2,679	$ 2,808	$ 2,982
Long-term debt	283	584	580
Other long-term liabilities	583	511	482
Noncontrolling interests	31	31	30
Fuji Xerox shareholders' equity	5,622	5,597	5,469
Total Liabilities and Equity	$ 9,198	$ 9,531	$ 9,543

Yen/U.S. Dollar exchange rates used to translate are as follows:

Financial Statement	Exchange Basis	2016	2015	2014
Summary of Operations	Weighted average rate	108.68	121.01	105.58
Balance Sheet	Year-end rate	116.53	120.49	119.46

Transactions with Fuji Xerox

We receive dividends from Fuji Xerox, which are reflected as a reduction in our investment. Additionally, we have a Technology Agreement with Fuji Xerox whereby we receive royalty payments for their use of our Xerox brand trademark, as well as rights to access our patent portfolio in exchange for access to their patent portfolio. These payments are included in Outsourcing, maintenance and rental revenues in the Consolidated Statements of (Loss) Income. We also have arrangements with Fuji Xerox whereby we purchase inventory from and sell inventory to Fuji Xerox. Pricing of the transactions under these arrangements is based upon terms the Company believes to be negotiated at arm's length. Our purchase commitments with Fuji Xerox are in the normal course of business and typically have a lead time of three months. In addition, we pay Fuji Xerox and they pay us for unique research and development costs.

Transactions with Fuji Xerox were as follows:

	Year Ended December 31,		
	2016	2015	2014
Dividends received from Fuji Xerox	$ 47	$ 51	$ 58
Royalty revenue earned	107	102	115
Inventory purchases from Fuji Xerox	1,641	1,728	1,831
Inventory sales to Fuji Xerox	80	108	120
R&D payments received from Fuji Xerox	1	1	1
R&D payments paid to Fuji Xerox	13	7	17

As of December 31, 2016 and 2015, net amounts due to Fuji Xerox were $273 and $307, respectively.

Note 10 - Goodwill and Intangible Assets, Net

Goodwill

The following table presents the changes in the carrying amount of goodwill, by reportable segment:

	Document Technology	Services	Total
Balance at December 31, 2014	$ 2,353	$ 1,668	$ 4,021
Foreign currency translation	(38)	(38)	(76)
Acquisitions:			
Other	6	—	6
Balance at December 31, 2015	$ 2,321	$ 1,630	$ 3,951
Foreign currency translation	(93)	(90)	(183)
Acquisitions:			
Imagetek	10	—	10
Other	9	—	9
Balance at December 31, 2016	$ 2,247	$ 1,540	$ 3,787

Intangible Assets, Net

Net intangible assets were $290 at December 31, 2016 of which $247 relate to our Document Technology segment and $43 relate to our Services segment. Intangible assets were comprised of the following:

		December 31, 2016			December 31, 2015		
	Weighted Average Amortization	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	13 years	$ 508	$ 410	$ 98	$ 509	$ 378	$ 131
Distribution network	25 years	123	84	39	123	79	44
Trademarks	20 years	250	107	143	248	95	153
Technology, patents and non-compete	13 years	15	5	10	19	7	12
Total Intangible Assets		$ 896	$ 606	$ 290	$ 899	$ 559	$ 340

Amortization expense related to intangible assets was $58, $60, and $65 for the years ended December 31, 2016, 2015 and 2014, respectively. Excluding the impact of additional acquisitions, amortization expense is expected to approximate $58 in 2017, $57 in 2018, $39 in 2019 and $18 in each of the years 2020 and 2021.

Note 11 – Restructuring and Asset Impairment Charges

In 2016, in conjunction with our announcement of the planned Separation of the Company, we initiated a three-year Strategic Transformation program to accelerate our cost productivity initiatives. The program is expected to deliver productivity gains and cost savings in areas such as delivery, remote connectivity, sales productivity, pricing, design efficiency and supply chain optimization.

The program is expected to include restructuring charges related to downsizing our employee base, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce our cost structure and improve productivity. In addition, we expect to incur asset impairment charges in connection with these restructuring actions for those assets that are sold, abandoned or made obsolete as a result of initiatives under the program. Beginning in 2016, all restructuring costs incurred were the result of actions and initiatives associated with the Strategic Transformation program.

Costs associated with restructuring, including employee severance and lease termination costs, are generally recognized when it has been determined that a liability has been incurred, which is generally upon communication to the affected employees or exit from the leased facility, respectively. In those geographies where we have either a formal severance plan or a history of consistently providing severance benefits representing a substantive plan, we recognize employee severance costs when they are both probable and reasonably estimable.

A summary of our restructuring program activity during the three years ended December 31, 2016 is as follows:

	Severance and Related Costs	Lease Cancellation and Other Costs	Asset Impairments[2]	Total
Balance at December 31, 2013	$ 96	$ 3	$ —	$ 99
Restructuring provision	115	3	5	123
Reversals of prior accruals	(16)	—	(1)	(17)
Net Current Period Charges[1]	99	3	4	106
Charges against reserve and currency	(112)	(5)	(4)	(121)
Balance at December 31, 2014	$ 83	$ 1	$ —	$ 84
Restructuring provision	35	2	7	44
Reversals of prior accruals	(16)	(1)	—	(17)
Net Current Period Charges[1]	19	1	7	27
Charges against reserve and currency	(84)	(1)	(7)	(92)
Balance at December 31, 2015	$ 18	$ 1	$ —	$ 19
Restructuring provision	224	28	—	252
Reversals of prior accruals	(16)	(1)	(5)	(22)
Net Current Period Charges[1]	208	27	(5)	230
Charges against reserve and currency	(122)	(5)	5	(122)
Balance at December 31, 2016	$ 104	$ 23	$ —	$ 127

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(1) Represents net amount recognized within the Consolidated Statements of (Loss) Income for the years shown for restructuring and asset impairments charges.
(2) Charges associated with asset impairments represent the write-down of the related assets to their new cost basis and are recorded concurrently with the recognition of the provision.

The following table summarizes the reconciliation to the Consolidated Statements of Cash Flows:

	Year Ended December 31,		
	2016	2015	2014
Charges against reserve	$ (122)	$ (92)	$ (121)
Asset impairments	—	7	5
Effects of foreign currency and other non-cash items	4	6	6
Restructuring Cash Payments	$ (118)	$ (79)	$ (110)

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by segment:

	Year Ended December 31,		
	2016	2015	2014
Document Technology	$ 208	$ 15	$ 76
Services	25	4	16
Other	(3)	8	14
Total Net Restructuring Charges	$ 230	$ 27	$ 106

Note 12 - Supplementary Financial Information

The components of Other assets and liabilities were as follows:

	December 31,	
	2016	2015
Other Current Assets		
Income taxes receivable	$ 50	$ 12
Royalties, license fees and software maintenance	21	34
Restricted cash	92	84
Prepaid expenses	45	51
Derivative instruments	88	55
Deferred purchase price from sales of accounts receivables	48	61
Beneficial interests - sales of finance receivables	8	8
Advances and deposits	15	25
Other	125	128
Due from Conduent	127	—
Total Other Current Assets	$ 619	$ 458
Other Current Liabilities		
Income taxes payable	$ 45	$ 28
Other taxes payable	78	76
Interest payable	55	73
Restructuring reserves	121	18
Derivative instruments	39	11
Product warranties	7	8
Dividends payable	91	85
Distributor and reseller rebates/commissions	120	106
Servicer liabilities	62	83
Other	290	227
Total Other Current Liabilities	$ 908	$ 715
Other Long-term Assets		
Deferred taxes	$ 1,475	$ 1,450
Income taxes receivable	14	9
Prepaid pension costs	17	22
Derivative instruments	4	7
Net investment in TRG	126	142
Internal use software, net	218	264
Product software, net	8	8
Restricted cash	87	72
Debt issuance costs, net	3	4
Customer contract costs, net	7	13
Beneficial interest - sales of finance receivables	16	30
Deferred compensation plan investments	15	13
Other	165	176
Total Other Long-term Assets	$ 2,155	$ 2,210
Other Long-term Liabilities		
Deferred taxes	$ 42	$ 51
Income taxes payable	16	49
Environmental reserves	9	11
Restructuring reserves	6	1
Other	120	126
Total Other Long-term Liabilities	$ 193	$ 238

Restricted Cash

As more fully discussed in Note 18 - Contingencies and Litigation, various litigation matters in Brazil require us to make cash deposits to escrow as a condition of continuing the litigation. In addition, as more fully discussed in Note 5 - Accounts Receivable, Net and Note 6 - Finance Receivables, Net, we continue to service the receivables sold under most of our receivable sale agreements. As servicer, we may collect cash related to sold receivables prior to year-end that will be remitted to the purchaser the following year. Since we are acting on behalf of the purchaser in our capacity as servicer, such cash collected is reported as restricted cash. Restricted cash amounts are classified in our Consolidated Balance Sheets based on when the cash will be contractually or judicially released.

Restricted cash amounts were as follows:

	December 31,	
	2016	2015
Tax and labor litigation deposits in Brazil	$ 85	$ 71
Escrow and cash collections related to receivable sales	62	83
Other restricted cash	32	2
Total Restricted Cash	$ 179	$ 156

Net Investment in TRG

At December 31, 2016, our net investment in The Resolution Group (TRG) primarily consisted of a $140 performance-based instrument relating to the 1997 sale of TRG, net of remaining liabilities associated with our discontinued operations of $14. The recovery of the performance-based instrument is dependent on the sufficiency of TRG's available cash flows, as guaranteed by TRG's ultimate parent, which are expected to be recovered in annual cash distributions through 2017. The performance-based instrument is pledged as security for our future funding obligations to our U.K. Pension Plan for salaried employees.

Due from Conduent

The balance Due from Conduent includes the following amounts:

Due from\(to) Conduent	December 31, 2016
Cash adjustment	$ 161
Taxes payable	(32)
Other	(2)
Total Due from Conduent	$ 127

The Cash adjustment primarily represents the final adjustment that was required to bring Conduent's cash balance to $225 at Separation, as provided for in the Separation Agreement. This amount was paid to Xerox in January 2017. The income tax payable represents the final adjustment for income tax payments between the two companies for their consolidated 2016 tax returns; which will be the last returns to be filed on a consolidated basis. The tax sharing between the two companies was based on a separate return basis; as if Conduent filed a separate tax return.

Note 13 – Debt

Short-term borrowings were as follows:

	December 31,	
	2016	2015
Notes Payable	$ 4	$ 3
Current maturities of long-term debt	1,007	959
Total Short-term Debt	$ 1,011	$ 962

We classify our debt based on the contractual maturity dates of the underlying debt instruments or as of the earliest put date available to the debt holders. We defer costs associated with debt issuance over the applicable term, or to the first put date in the case of convertible debt or debt with a put feature. These costs are amortized as interest expense in our Consolidated Statements of (Loss) Income.

Long-term debt was as follows:

	Stated Rate	Weighted Average Interest Rates at December 31, 2016[3]	December 31, 2016	December 31, 2015
Xerox Corporation				
Senior Notes due 2016			$ —	$ 700
Notes due 2016			—	250
Senior Notes due 2017 [1]	6.75%	6.83%	500	500
Senior Notes due 2017 [1]	2.95%	2.98%	500	500
Notes due 2018	0.57%	0.57%	1	1
Senior Notes due 2018	6.35%	6.37%	1,000	1,000
Senior Notes due 2019	2.75%	2.77%	500	500
Senior Notes due 2019	5.63%	5.66%	650	650
Senior Notes due 2020	2.80%	2.81%	400	400
Senior Notes due 2020	3.50%	3.70%	400	400
Senior Notes due 2020	2.75%	2.77%	400	400
Senior Notes due 2021	4.50%	5.39%	1,062	1,062
Senior Notes due 2024	3.80%	3.84%	300	300
Senior Notes due 2035	4.80%	4.84%	250	250
Senior Notes due 2039	6.75%	6.78%	350	350
Subtotal - Xerox Corporation			$ 6,313	$ 7,263
Subsidiary Companies				
Capital lease obligations		9.44%	31	39
Other		0.34%	1	1
Subtotal - Subsidiary Companies			$ 32	$ 40
Principal debt balance			$ 6,345	$ 7,303
Unamortized discount			(43)	(52)
Debt issuance costs			(21)	(29)
Fair value adjustments[2]				
Terminated swaps			27	47
Current swaps			4	7
Less: current maturities			(1,007)	(959)
Total Long-term Debt			$ 5,305	$ 6,317

(1) *Senior Notes maturing in 2017 expected to be paid in part from funds received in the distribution from Conduent as part of the Separation. Refer to Note 4 - Divestitures for additional information.*
(2) *Fair value adjustments include the following: (i) fair value adjustments to debt associated with terminated interest rate swaps, which are being amortized to interest expense over the remaining term of the related notes; and (ii) changes in fair value of hedged debt obligations attributable to movements in benchmark interest rates. Hedge accounting requires hedged debt instruments to be reported inclusive of any fair value adjustment.*
(3) *Represents weighted average effective interest rate which includes the effect of discounts and premiums on issued debt.*

Scheduled principal payments due on our long-term debt for the next five years and thereafter are as follows:

2017[1]	2018	2019	2020	2021	Thereafter	Total
$ 1,007	$ 1,008	$ 1,156	$ 1,207	$ 1,067	$ 900	$ 6,345

(1) *Quarterly long-term debt maturities from continuing operations for 2017 are $1,001, $2, $2 and $2 for the first, second, third and fourth quarters, respectively.*

Term Loan Facility

On March 4, 2016, Xerox Corporation entered into a $1.0 billion Senior Unsecured Term Facility. The facility was fully drawn by April 1, 2016 and was required to be repaid upon completion of the Separation. Borrowings under the facility bore interest at a rate of LIBOR plus 1.50% and interest rates varied between 1.95% and 2.16% during 2016.

The proceeds of the facility were used to repay maturing debt of $950 ($700 of 6.40% Senior Notes on March 15, 2016 and $250 of 7.20% Notes on April 1, 2016).

As previously noted, this facility, which was required to be repaid upon completion of the Separation, was repaid in January 2017. Accordingly, the facility is excluded from Total Debt at December 31, 2016 and is reported in the Current Liabilities of discontinued operations at December 31, 2016. Interest expense associated with this borrowing incurred during 2016 is included in Loss from discontinued operations.

Refer to Note 1- Basis of Presentation for information regarding the Company separation.

Commercial Paper

We have a private placement commercial paper (CP) program in the U.S. under which we may issue CP up to a maximum amount of $2.0 billion outstanding at any time. Aggregate CP and Credit Facility borrowings may not exceed $2.0 billion outstanding at any time. The maturities of the CP Notes will vary, but may not exceed 390 days from the date of issue. The CP Notes are sold at a discount from par or, alternatively, sold at par and bear interest at market rates. We had no CP outstanding at December 31, 2016 and 2015.

Credit Facility

We have a $2.0 billion unsecured revolving Credit Facility with a group of lenders, which matures in 2019. The Credit Facility contains a $300 letter of credit sub-facility, and also includes an accordion feature that would allow us to increase (from time to time, with willing lenders) the overall size of the facility up to an aggregate amount not to exceed $2.75 billion.

The Credit Facility provides a backstop to our $2.0 billion CP program. Proceeds from any borrowings under the Credit Facility can be used to provide working capital for the Company and its subsidiaries and for general corporate purposes. At December 31, 2016 we had no outstanding borrowings or letters of credit under the Credit Facility.

The Credit Facility is available, without sublimit, to certain of our qualifying subsidiaries. Our obligations under the Credit Facility are unsecured and are not currently guaranteed by any of our subsidiaries. Any domestic subsidiary that guarantees more than $100 of Xerox Corporation debt must also guaranty our obligations under the Credit Facility. In the event that any of our subsidiaries borrows under the Credit Facility, its borrowings thereunder would be guaranteed by us.

Borrowings under the Credit Facility bear interest at our choice, at either (a) a Base Rate as defined in our Credit Facility agreement, plus a spread that varies between 0.000% and 0.45% depending on our credit rating at the time of borrowing, or (b) LIBOR plus an all-in spread that varies between 0.90% and 1.45% depending on our credit rating at the time of borrowing. Based on our credit rating as of December 31, 2016, the applicable all-in spreads for the Base Rate and LIBOR borrowing were 0.30% and 1.30%, respectively.

An annual facility fee is payable to each lender in the Credit Facility at a rate that varies between 0.10% and 0.30% depending on our credit rating. Based on our credit rating as of December 31, 2016, the applicable rate is 0.20%.

The Credit Facility contains various conditions to borrowing and affirmative, negative and financial maintenance covenants. Certain of the more significant covenants are summarized below:

(a) Maximum leverage ratio (a quarterly test that is calculated as principal debt divided by consolidated EBITDA, as defined) of 3.75x.
(b) Minimum interest coverage ratio (a quarterly test that is calculated as consolidated EBITDA divided by consolidated interest expense) may not be less than 3.00x.
(c) Limitations on (i) liens of Xerox and certain of our subsidiaries securing debt, (ii) certain fundamental changes to corporate structure, (iii) changes in nature of business and (iv) limitations on debt incurred by certain subsidiaries.

The Credit Facility also contains various events of default, the occurrence of which could result in termination of the lenders' commitments to lend and the acceleration of all our obligations under the Credit Facility. These events of default include, without limitation: (i) payment defaults, (ii) breaches of covenants under the Credit Facility (certain of which breaches do not have any grace period), (iii) cross-defaults and acceleration to certain of our other obligations and (iv) a change of control of Xerox.

Interest

Interest paid on our short-term and long-term debt amounted to $352, $365 and $400 for the years ended December 31, 2016, 2015 and 2014, respectively.

	Year Ended December 31,		
	2016	2015	2014
Interest paid - continuing operations	$ 332	$ 356	$ 387
Interest paid - discontinued operations	20	9	13
Total interest paid on debt	$ 352	$ 365	$ 400

Interest expense and interest income was as follows:

	Year Ended December 31,		
	2016	2015	2014
Interest expense(1)	$ 309	$ 346	$ 366
Interest income(2)	330	352	396

(1) Includes Equipment financing interest expense, as well as non-financing interest expense included in Other expenses, net in the Consolidated Statements of (Loss) Income.
(2) Includes Finance income, as well as other interest income that is included in Other expenses, net in the Consolidated Statements of (Loss)Income.

Equipment financing interest is determined based on an estimated cost of funds, applied against the estimated level of debt required to support our net finance receivables. The estimated cost of funds is based on the interest cost associated with actual borrowings determined to be in support of the leasing business. The estimated level of debt continues to be based on an assumed 7 to 1 leverage ratio of debt/equity as compared to our average finance receivable balance during the applicable period.

Note 14 – Financial Instruments

We are exposed to market risk from changes in foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures, as well as to reduce earnings and cash flow volatility resulting from shifts in market rates. We enter into limited types of derivative contracts, including interest rate swap agreements, foreign currency spot, forward and swap contracts and net purchased foreign currency options to manage interest rate and foreign currency exposures. Our primary foreign currency market exposures include the Japanese Yen, Euro and U.K. Pound Sterling. The fair market values of all our derivative contracts change with fluctuations in interest rates and/or currency exchange rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with our derivative instruments because these transactions are executed with a diversified group of major financial institutions. Further, our policy is to deal only with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

Interest Rate Risk Management

We use interest rate swap agreements to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. These derivatives may be designated as fair value hedges or cash flow hedges depending on the nature of the risk being hedged.

Terminated Swaps

During the period from 2004 to 2011, we early terminated several interest rate swaps that were designated as fair value hedges of certain debt instruments. The associated net fair value adjustments to the debt instruments are being amortized to interest expense over the remaining term of the related notes. In 2016, 2015 and 2014, the amortization of these fair value adjustments reduced interest expense by $19, $22 and $31, respectively, and we expect to record a net decrease in interest expense of $27 in future years through 2018.

Fair Value Hedges

As of December 31, 2016 and 2015, pay variable/received fixed interest rate swaps with notional amounts of $300 and $300, respectively, and net asset fair value of $4 and $7, respectively, were designated and accounted for as fair value hedges. The swaps were structured to hedge the fair value of related debt by converting them from fixed rate instruments to variable rate instruments. No ineffective portion was recorded to earnings during 2016 or 2015.

The following is a summary of our fair value hedges at December 31, 2016:

Debt Instrument	Year First Designated	Notional Amount	Net Fair Value	Weighted Average Interest Rate Paid	Interest Rate Received	Basis	Maturity
Senior Note 2021	2014	$ 300	$ 4	2.60%	4.50%	Libor	2021

Foreign Exchange Risk Management

As a global company, we are exposed to foreign currency exchange rate fluctuations in the normal course of our business. As a part of our foreign exchange risk management strategy, we use derivative instruments, primarily forward contracts and purchased option contracts, to hedge the following foreign currency exposures, thereby reducing volatility of earnings or protecting fair values of assets and liabilities:

- Foreign currency-denominated assets and liabilities
- Forecasted purchases, and sales in foreign currency

At December 31, 2016, we had outstanding forward exchange and purchased option contracts with gross notional values of $3,149, which is typical of the amounts that are normally outstanding at any point during the year. Approximately 85% of these contracts mature within three months, 11% in three to six months and 4% in six to twelve months.

The following is a summary of the primary hedging positions and corresponding fair values as of December 31, 2016:

Currencies Hedged (Buy/Sell)	Gross Notional Value	Fair Value Asset (Liability)[1]
Euro/U.K. Pound Sterling	$ 1,321	$ 22
Japanese Yen/U.S. Dollar	389	(27)
U.S. Dollar/U.K. Pound Sterling	268	41
Japanese Yen/Euro	261	(6)
U.S. Dollar/Euro	210	6
Canadian Dollar/U.K. Pound Sterling	169	14
Swiss Franc/Euro	98	—
U.K. Pound Sterling/Euro	98	(1)
U.K. Pound Sterling/U.S. Dollar	77	(1)
Euro/Japanese Yen	26	—
Euro/Mexican Peso	25	2
All Other	207	(1)
Total Foreign Exchange Hedging	$ 3,149	$ 49

(1) Represents the net receivable (payable) amount included in the Consolidated Balance Sheet at December 31, 2016.

Foreign Currency Cash Flow Hedges

We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency-denominated inventory purchases, sales and expenses. No amount of ineffectiveness was recorded in the Consolidated Statements of (Loss) Income for these designated cash flow hedges and all components of each derivative's gain or loss was included in the assessment of hedge effectiveness. The net (liability) asset fair value of these contracts were $(20) and $1 as of December 31, 2016 and December 31, 2015, respectively.

Summary of Derivative Instruments Fair Value

The following table provides a summary of the fair value amounts of our derivative instruments:

		December 31,	
Designation of Derivatives	Balance Sheet Location	2016	2015
Derivatives Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 6	$ 4
	Other current liabilities	(26)	(2)
Foreign currency options	Other current assets	—	—
	Other current liabilities	—	(1)
Interest rate swaps	Other long-term assets	4	7
	Net Designated Derivative (Liability) Asset	$ (16)	$ 8
Derivatives NOT Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 82	$ 51
	Other current liabilities	(13)	(8)
	Net Undesignated Derivative Asset	$ 69	$ 43
Summary of Derivatives	Total Derivative Assets	$ 92	$ 62
	Total Derivative Liabilities	(39)	(11)
	Net Derivative Asset	$ 53	$ 51

Summary of Derivative Instruments Gains (Losses)

Derivative gains and (losses) affect the income statement based on whether such derivatives are designated as hedges of underlying exposures. The following is a summary of derivative gains and (losses).

Designated Derivative Instruments Gains (Losses)

The following tables provide a summary of gains (losses) on derivative instruments:

		Year Ended December 31,					
		Derivative Gain (Loss) Recognized in Income			Hedged Item Gain (Loss) Recognized in Income		
Derivatives in Fair Value Relationships	Location of Gain (Loss) Recognized in Income	2016	2015	2014	2016	2015	2014
Interest rate contracts	Interest expense	$ (3)	$ 2	$ 5	$ 3	$ (2)	$ (5)

	Year Ended December 31,						
	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Location of Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI to Income (Effective Portion)		
Derivatives in Cash Flow Hedging Relationships	2016	2015	2014		2016	2015	2014
Foreign exchange contracts – forwards/options	$ 20	$ 17	$ (20)	Cost of sales	$ 42	$ (23)	$ (39)

No amount of ineffectiveness was recorded in the Consolidated Statements of (Loss) Income for these designated cash flow hedges and all components of each derivative's gain or (loss) were included in the assessment of hedge effectiveness. In addition, no amount was recorded for an underlying exposure that did not occur or was not expected to occur.

As of December 31, 2016, net after-tax losses of $13 were recorded in accumulated other comprehensive loss associated with our cash flow hedging activity. The entire balance is expected to be reclassified into net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

Non-Designated Derivative Instruments Losses

Non-designated derivative instruments are primarily instruments used to hedge foreign currency-denominated assets and liabilities. They are not designated as hedges since there is a natural offset for the re-measurement of the underlying foreign currency-denominated asset or liability.

The following table provides a summary of losses on non-designated derivative instruments:

Derivatives NOT Designated as Hedging Instruments	Location of Derivative Loss	Year Ended December 31, 2016	2015	2014
Foreign exchange contracts – forwards	Other expense – Currency gains (losses), net	$ 172	$ 17	$ (9)

During the three years ended December 31, 2016, we recorded Currency losses, net of $13, $2 and $6, respectively. Currency (losses) gains, net includes the mark-to-market adjustments of the derivatives not designated as hedging instruments and the related cost of those derivatives, as well as the re-measurement of foreign currency-denominated assets and liabilities.

Note 15 – Fair Value of Financial Assets and Liabilities

The following table represents assets and liabilities fair value measured on a recurring basis. The basis for the measurement at fair value in all cases is Level 2 – Significant Other Observable Inputs.

	As of December 31, 2016	2015
Assets		
Foreign exchange contracts - forwards	$ 88	$ 55
Interest rate swaps	4	7
Deferred compensation investments in mutual funds	15	13
Total	$ 107	$ 75
Liabilities		
Foreign exchange contracts - forwards	$ 39	$ 10
Foreign currency options	—	1
Deferred compensation plan liabilities	17	15
Total	$ 56	$ 26

We utilize the income approach to measure the fair value for our derivative assets and liabilities. The income approach uses pricing models that rely on market observable inputs such as yield curves, currency exchange rates and forward prices, and therefore are classified as Level 2.

Fair value for our deferred compensation plan investments in mutual funds is based on quoted market prices for those funds. Fair value for deferred compensation plan liabilities is based on the fair value of investments corresponding to employees' investment selections.

Summary of Other Financial Assets and Liabilities

The estimated fair values of our other financial assets and liabilities were as follows:

	December 31, 2016				December 31, 2015			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Cash and cash equivalents	$	2,223	$	2,223	$	1,228	$	1,228
Accounts receivable, net		961		961		1,068		1,068
Short-term debt		1,011		1,015		962		954
Long-term debt		5,305		5,438		6,317		6,358

The fair value amounts for Cash and cash equivalents and Accounts receivable, net, approximate carrying amounts due to the short maturities of these instruments. The fair value of Short and Long-term debt was estimated based on the current rates offered to us for debt of similar maturities (Level 2). The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at such date.

Note 16 – Employee Benefit Plans

We sponsor numerous defined benefit and defined contribution pension and other post-retirement benefit plans, primarily retiree health care, in our domestic and international operations. December 31 is the measurement date for all of our post-retirement benefit plans.

Over the past several years, where legally possible, we have amended our major defined benefit pension plans to freeze current benefits and eliminate benefits accruals for future service, including our primary U.S. defined benefit plan for salaried employees, the Canadian Salary Pension Plan and the U.K. Final Salary Pension Plan. The freeze of current benefits is the primary driver of the reduction in pension service costs since 2012. In certain Non-U.S. plans we are required to continue to consider salary increases and inflation in determining the benefit obligation related to prior service. The Netherlands defined benefit pension plan has also been amended to reflect the Company's ability to reduce the indexation of future pension benefits within the plan in scenarios when the returns on plan assets are insufficient to cover that indexation.

Prior to the freeze of current benefits, most of our defined benefit pension plans generally provided employees a benefit, depending on eligibility, calculated under a highest average pay and years of service formula. Our primary domestic defined benefit pension plans provided a benefit at the greater of (i) the highest average pay and years of service formula, (ii) the benefit calculated under a formula that provides for the accumulation of salary and interest credits during an employee's work life or (iii) the individual account balance from the Company's prior defined contribution plan (Transitional Retirement Account or TRA).

Pension plan assets consist of both defined benefit plan assets and assets legally restricted to the TRA accounts. The combined investment results for these plans, along with the results for our other defined benefit plans, are shown below in the "actual return on plan assets" caption. To the extent that investment results relate to TRA, such results are charged directly to these accounts as a component of interest cost.

	Pension Benefits				Retiree Health	
	U.S. Plans		Non-U.S. Plans			
	2016	2015	2016	2015	2016	2015
Change in Benefit Obligation:						
Benefit obligation, January 1	$ 4,126	$ 4,642	$ 6,308	$ 6,962	$ 855	$ 937
Service cost	4	4	31	32	6	7
Interest cost	184	80	195	203	32	34
Plan participants' contributions	—	—	4	4	1	14
Actuarial loss (gain)	114	(223)	636	(94)	(75)	(4)
Currency exchange rate changes	—	—	(774)	(524)	4	(25)
Plan Amendments/Curtailments	—	—	—	(17)	—	(31)
Benefits paid/settlements	(275)	(377)	(234)	(255)	(62)	(77)
Other	8	—	(6)	(3)	—	—
Benefit Obligation, December 31	$ 4,161	$ 4,126	$ 6,160	$ 6,308	$ 761	$ 855
Change in Plan Assets:						
Fair value of plan assets, January 1	$ 2,806	$ 3,081	$ 5,353	$ 5,930	$ —	$ —
Actual return on plan assets	220	(70)	804	(20)	—	—
Employer contributions	24	173	154	128	61	63
Plan participants' contributions	—	—	4	4	1	14
Currency exchange rate changes	—	—	(694)	(428)	—	—
Benefits paid/settlements	(275)	(377)	(234)	(255)	(62)	(77)
Other	(1)	(1)	(3)	(6)	—	—
Fair Value of Plan Assets, December 31	$ 2,774	$ 2,806	$ 5,384	$ 5,353	$ —	$ —
Net Funded Status at December 31[(1)]	$ (1,387)	$ (1,320)	$ (776)	$ (955)	$ (761)	$ (855)
Amounts Recognized in the Consolidated Balance Sheets:						
Other long-term assets	$ —	$ —	$ 17	$ 22	$ —	$ —
Accrued compensation and benefit costs	(24)	(23)	(22)	(26)	(63)	(68)
Pension and other benefit liabilities	(1,363)	(1,297)	(771)	(951)	—	—
Post-retirement medical benefits	—	—	—	—	(698)	(787)
Net Amounts Recognized	$ (1,387)	$ (1,320)	$ (776)	$ (955)	$ (761)	$ (855)

(1) Includes under-funded and un-funded plans.

Benefit plans pre-tax amounts recognized in AOCL at December 31:

	Pension Benefits				Retiree Health	
	U.S. Plans		Non-U.S. Plans			
	2016	2015	2016	2015	2016	2015
Net actuarial loss	$ 1,094	$ 1,101	$ 1,741	$ 1,966	$ 37	$ 112
Prior service credit	(9)	(11)	(28)	(33)	(29)	(34)
Total Pre-tax Loss	$ 1,085	$ 1,090	$ 1,713	$ 1,933	$ 8	$ 78
Accumulated Benefit Obligation	$ 4,161	$ 4,126	$ 5,931	$ 6,068		

Aggregate information for pension plans with an Accumulated benefit obligation in excess of plan assets is presented below:

	December 31, 2016			December 31, 2015		
	Projected benefit obligation	Accumulated benefit obligation	Fair value of plan assets	Projected benefit obligation	Accumulated benefit obligation	Fair value of plan assets
Underfunded Plans:						
U.S.	$ 3,820	$ 3,820	$ 2,774	$ 3,781	$ 3,781	$ 2,806
Non U.S.	4,535	4,368	4,194	4,803	4,644	4,300
Unfunded Plans:						
U.S.	$ 341	$ 341	$ —	$ 345	$ 345	$ —
Non U.S.	445	436	—	421	413	—
Total Underfunded and Unfunded Plans:						
U.S.	$ 4,161	$ 4,161	$ 2,774	$ 4,126	$ 4,126	$ 2,806
Non U.S.	4,980	4,804	4,194	5,224	5,057	4,300
Total	$ 9,141	$ 8,965	$ 6,968	$ 9,350	$ 9,183	$ 7,106

Our pension plan assets and benefit obligations at December 31, 2016 were as follows:

	Fair Value of Pension Plan Assets	Pension Benefit Obligations	Net Funded Status
U.S. funded	$ 2,774	$ 3,820	$ (1,046)
U.S. unfunded	—	341	(341)
Total U.S.	$ 2,774	$ 4,161	$ (1,387)
U.K.	3,445	3,679	(234)
Canada	661	700	(39)
Other	1,278	1,781	(503)
Total	$ 8,158	$ 10,321	$ (2,163)

The components of Net periodic benefit cost and other changes in plan assets and benefit obligations were as follows:

	Year Ended December 31,								
	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Retiree Health		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Components of Net Periodic Benefit Costs:									
Service cost	$ 4	$ 4	$ 4	$ 31	$ 32	$ 31	$ 6	$ 7	$ 9
Interest cost(1)	184	80	278	195	203	262	32	34	36
Expected return on plan assets(2)	(190)	(79)	(287)	(249)	(284)	(332)	—	—	—
Recognized net actuarial loss	26	24	17	65	70	54	2	1	1
Amortization of prior service credit	(2)	(2)	(2)	(3)	4	(1)	(5)	(18)	(43)
Recognized settlement loss	65	88	51	1	1	—	—	—	—
Recognized curtailment gain	—	—	—	—	—	(1)	—	(22)	—
Defined Benefit Plans	87	115	61	40	26	13	35	2	3
Defined contribution plans	30	33	31	31	33	40	n/a	n/a	n/a
Net Periodic Benefit Cost	117	148	92	71	59	53	35	2	3
Other changes in plan assets and benefit obligations recognized in Other Comprehensive Income:									
Net actuarial (gain) loss	84	(74)	688	76	204	447	(75)	(4)	119
Prior service credit	—	—	—	—	(16)	(6)	—	(32)	—
Amortization of net actuarial loss	(92)	(112)	(68)	(66)	(71)	(54)	(2)	(1)	(1)
Amortization of net prior service credit	2	2	2	3	(4)	1	5	18	43
Curtailment gain	—	—	—	—	—	2	—	22	—
Total Recognized in Other Comprehensive Income	(6)	(184)	622	13	113	390	(72)	3	161
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	$ 111	$ (36)	$ 714	$ 84	$ 172	$ 443	$ (37)	$ 5	$ 164

(1) *Interest cost for Pension Benefits includes interest expense on non-TRA obligations of $296, $311 and $361 and interest expense (income) directly allocated to TRA participant accounts of $83, $(25) and $182 for the years ended December 31, 2016, 2015 and 2014, respectively.*
(2) *Expected return on plan assets includes expected investment income on non-TRA assets of $356, $388 and $437 and actual investment income (loss) on TRA assets of $83, $(25) and $182 for the years ended December 31, 2016, 2015 and 2014, respectively.*

The net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from Accumulated other comprehensive (loss) income into net periodic benefit cost over the next fiscal year are $(101) and $5, respectively, excluding amounts that may be recognized through settlement losses. The net actuarial loss and prior service credit for the retiree health benefit plans that will be amortized from Accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are $0 and $4, respectively.

Plan Amendments

Retiree-Health Plan

In 2015 we amended our U.S. Retiree Health Plan to eliminate future benefit accruals for active salaried employees effective December 31, 2015. There was no change in benefits for union employees or existing retirees or employees that retired before December 31, 2015. As a result of this plan amendment, we recognized a pre-tax curtailment gain of $22 in 2015. The gain represented the recognition of deferred gains from other prior-year amendments (“prior service credits”) as a result of the discontinuation of the future benefit or service accrual period for active salaried employees.

Plan Assets

Current Allocation

As of the 2016 and 2015 measurement dates, the global pension plan assets were $8,158 and $8,159, respectively. These assets were invested among several asset classes.

The following tables present the defined benefit plans assets measured at fair value and the basis for that measurement.

	December 31, 2016									
	U.S. Plans					Non-U.S. Plans				
Asset Class	Level 1	Level 2	Level 3	Assets measured at NAV(1)	Total	Level 1	Level 2	Level 3	Assets measured at NAV(1)	Total
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —	$ 544	$ —	$ —	$ —	$ 544
Equity Securities:										
U.S.	320	—	—	68	388	266	42	—	—	308
International	258	—	—	160	418	358	722	—	127	1,207
Fixed Income Securities:										
U.S. treasury securities	—	233	—	—	233	—	44	—	—	44
Debt security issued by government agency	—	65	—	—	65	—	1,654	—	—	1,654
Corporate bonds	—	1,052	—	—	1,052	—	618	—	—	618
Asset backed securities	—	2	—	—	2	—	1	—	—	1
Derivatives	—	(38)	—	—	(38)	—	64	—	—	64
Real estate	36	—	12	34	82	—	—	121	168	289
Private equity/venture capital	—	—	—	490	490	—	60	6	425	491
Guaranteed insurance contracts	—	—	—	—	—	—	—	104	—	104
Other(2)	15	—	—	67	82	6	54	—	—	60
Total Fair Value of Plan Assets	$ 629	$ 1,314	$ 12	$ 819	$ 2,774	$ 1,174	$ 3,259	$ 231	$ 720	$ 5,384

(1) Certain assets that are measured at fair value using the NAV per share (or its equivalent) practical expedient, have not been classified in the fair value hierarchy.
(2) Other Level 1 includes net non-financial assets of $15 U.S. and $6 Non-U.S., respectively, such as due to/from broker, interest receivables and accrued expenses.

	December 31, 2015									
	U.S. Plans					Non-U.S. Plans				
Asset Class	Level 1	Level 2	Level 3	Assets measured at NAV(1)	Total	Level 1	Level 2	Level 3	Assets measured at NAV(1)	Total
Cash and cash equivalents	$ 171	$ —	$ —	$ —	$ 171	$ 577	$ —	$ —	$ —	$ 577
Equity Securities:										
U.S.	380	—	—	20	400	200	38	—	—	238
International	287	1	—	157	445	1,011	40	—	112	1,163
Fixed Income Securities:										—
U.S. treasury securities	—	216	—	—	216	—	48	—	—	48
Debt security issued by government agency	—	156	—	—	156	3	1,599	—	—	1,602
Corporate bonds	—	913	—	—	913	3	692	—	—	695
Asset backed securities	—	2	—	—	2	—	1	—	—	1
Derivatives	—	(8)	—	—	(8)	—	5	—	—	5
Real estate	42	—	17	39	98	—	—	145	154	299
Private equity/venture capital	—	—	—	499	499	—	66	4	480	550
Guaranteed insurance contracts	—	—	—	—	—	—	—	120	—	120
Other(2)	(103)	(1)	—	18	(86)	5	50	—	—	55
Total Fair Value of Plan Assets	$ 777	$ 1,279	$ 17	$ 733	$ 2,806	$ 1,799	$ 2,539	$ 269	$ 746	$ 5,353

(1) Certain assets that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(2) Other Level 1 includes net non-financial (liabilities) assets of $(103) U.S. and $5 Non-U.S., respectively, such as due to/from broker, interest receivables and accrued expenses. In 2015, the US Plans' Other included plan liabilities of $116 related to unsettled transactions such as purchases or sales of US Treasury securities with settlement dates beyond fiscal year-end.

The following tables represents a roll-forward of the defined benefit plans assets measured at fair value using significant unobservable inputs (Level 3 assets):

	U.S.	Non-U.S.			
	Real Estate	Real Estate	Private Equity/Venture Capital	Guaranteed Insurance Contracts	Total
Balance at December 31, 2014[(1)]	$ 22	$ 147	$ 4	$ 128	$ 279
Purchases	—	—	—	19	19
Sales	(15)	—	—	(21)	(21)
Realized (losses) gains	1	—	—	6	6
Unrealized gains (losses)	9	9	1	1	11
Currency translation	—	(11)	(1)	(13)	(25)
Balance at December 31, 2015	$ 17	$ 145	$ 4	$ 120	$ 269
Purchases	—	1	2	2	5
Sales	(3)	(13)	(1)	(12)	(26)
Realized gains (losses)	—	6	—	1	7
Unrealized gains (losses)	(2)	(5)	(4)	(3)	(12)
Currency translation	—	(13)	5	(4)	(12)
Balance at December 31, 2016	$ 12	$ 121	$ 6	$ 104	$ 231

(1) Adjusted to exclude assets of $500 U.S. and $545 Non-U.S. that are measured at fair value using the NAV per share (or its equivalent) practical expedient.

Level 3 Valuation Method

Our primary Level 3 assets are Real Estate and Private Equity/Venture Capital investments. The fair value of our real estate investment funds are based on the Net Asset Value (NAV) of our ownership interest in the funds. NAV information is received from the investment advisers and is primarily derived from third-party real estate appraisals for the properties owned. The fair value for our private equity/venture capital partnership investments are based on our share of the estimated fair values of the underlying investments held by these partnerships as reported (or expected to be reported) in their audited financial statements. The valuation techniques and inputs for our Level 3 assets have been consistently applied for all periods presented.

Investment Strategy

The target asset allocations for our worldwide defined benefit pension plans were:

	2016		2015	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Equity investments	30%	28%	34%	28%
Fixed income investments	48%	45%	43%	48%
Real estate	6%	5%	6%	6%
Private equity	8%	9%	9%	10%
Other	8%	13%	8%	8%
Total Investment Strategy	100%	100%	100%	100%

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by exceeding the interest growth in long-term plan liabilities. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. This consideration involves the use of long-term measures that address both return and risk. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Other assets such as real estate, private equity, and hedge funds are used to improve portfolio diversification. Derivatives may be used to hedge market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risks and returns are measured and monitored on an ongoing basis through annual liability measurements and quarterly investment portfolio reviews.

Expected Long-term Rate of Return

We employ a "building block" approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term relationships between equities and fixed income are assessed. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established giving consideration to investment diversification and rebalancing. Peer data and historical returns are reviewed periodically to assess reasonableness and appropriateness.

Contributions

The following table summarizes cash contributions to our defined benefit pension plans and retiree health benefit plans.

	Year Ended December 31,	
	2016	Estimated 2017
U.S. Plans	$ 24	$ 169
Non-U.S. Plans	154	181
Total	$ 178	$ 350
Retiree Health	$ 61	$ 63

The 2016 pension plan contributions did not include any contributions for our domestic tax-qualified defined benefit plans because none were required to meet the minimum funding requirements.

The 2017 expected pension plan contributions include $145 for our domestic tax-qualified defined benefit plans, comprised of $15 to meet the minimum funding requirements and $130 of additional voluntary contributions.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the following years:

	Pension Benefits			
	U.S.	Non-U.S.	Total	Retiree Health
2017	$ 852	$ 210	$ 1,062	$ 63
2018	227	216	443	64
2019	223	222	445	62
2020	225	228	453	61
2021	296	237	533	59
Years 2022-2026	1,433	1,281	2,714	261

Assumptions

Weighted-average assumptions used to determine benefit obligations at the plan measurement dates:

	Pension Benefits					
	2016		2015		2014	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	4.0%	2.5%	4.3%	3.3%	3.9%	3.1%
Rate of compensation increase	0.2%	2.6%	0.2%	2.7%	0.2%	2.6%

	Retiree Health		
	2016	2015	2014
Discount rate	3.9%	4.1%	3.8%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits							
	2017		2016		2015		2014	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	4.0%	2.5%	4.3%	3.3%	3.9%	3.1%	4.8%	4.2%
Expected return on plan assets	7.0%	4.1%	7.5%	4.8%	7.5%	5.2%	7.8%	6.1%
Rate of compensation increase	0.2%	2.6%	0.2%	2.7%	0.2%	2.6%	0.2%	2.6%

	Retiree Health			
	2017	2016	2015	2014
Discount rate	3.9%	4.1%	3.8%	4.5%

Note: Expected return on plan assets is not applicable to retiree health benefits as these plans are not funded. Rate of compensation increase is not applicable to retiree health benefits as compensation levels do not impact earned benefits.

Assumed health care cost trend rates were as follows:

	December 31,	
	2016	2015
Health care cost trend rate assumed for next year	7.2%	7.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.8%	4.9%
Year that the rate reaches the ultimate trend rate	2026	2026

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total service and interest cost components	$ 2	$ (2)
Effect on post-retirement benefit obligation	53	(46)

Defined Contribution Plans

We have post-retirement savings and investment plans in several countries, including the U.S., U.K. and Canada. In many instances, employees from those defined benefit pension plans that have been amended to freeze future service accruals were transitioned to an enhanced defined contribution plan. In these plans employees are allowed to contribute a portion of their salaries and bonuses to the plans, and we match a portion of the employee contributions. We recorded charges related to our defined contribution plans of $61 in 2016, $66 in 2015 and $71 in 2014.

Note 17 - Income and Other Taxes

Income before income taxes (pre-tax income) from continuing operations was as follows:

	Year Ended December 31,		
	2016	2015	2014
Domestic income	$ 415	$ 613	$ 635
Foreign income	153	311	455
Income Before Income Taxes	$ 568	$ 924	$ 1,090

(Benefit) provision for income taxes from continuing operations were as follows:

	Year Ended December 31,		
	2016	2015	2014
Federal Income Taxes			
Current	$ (15)	$ (225)	$ (58)
Deferred	(4)	300	150
Foreign Income Taxes			
Current	71	73	83
Deferred	(13)	7	(16)
State Income Taxes			
Current	15	(38)	21
Deferred	8	76	18
Total (Benefit) Provision	$ 62	$ 193	$ 198

A reconciliation of the U.S. federal statutory income tax rate to the consolidated effective income tax rate was as follows:

	Year Ended December 31,		
	2016	2015	2014
U.S. federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Nondeductible expenses	2.9 %	1.1 %	1.3 %
Effect of tax law changes	1.2 %	(1.0)%	(5.2)%
Change in valuation allowance for deferred tax assets	(1.4)%	(1.6)%	(1.4)%
State taxes, net of federal benefit	3.0 %	2.2 %	2.0 %
Audit and other tax return adjustments	(4.1)%	1.3 %	(3.0)%
Tax-exempt income, credits and incentives	(4.0)%	(1.8)%	(1.9)%
Foreign rate differential adjusted for U.S. taxation of foreign profits[1]	(22.6)%	(15.3)%	(9.0)%
Other	0.9 %	1.0 %	0.4 %
Effective Income Tax Rate	10.9 %	20.9 %	18.2 %

(1) The "U.S. taxation of foreign profits" represents the U.S. tax, net of foreign tax credits, associated with actual and deemed repatriations of earnings from our non-U.S. subsidiaries.

On a consolidated basis, including discontinued operations, we paid a total of $130, $138 and $121 in income taxes to federal, foreign and state jurisdictions during the three years ended December 31, 2016, respectively.

Total income tax expense (benefit) was allocated as follows:

	Year Ended December 31,		
	2016	2015	2014
Pre-tax income	$ 62	$ 193	$ 198
Discontinued operations[1]	(250)	(134)	23
Common shareholders' equity:			
Changes in defined benefit plans	15	59	(408)
Stock option and incentive plans, net	—	(18)	(18)
Cash flow hedges	(8)	15	—
Translation adjustments	2	—	(2)
Total Income Tax Expense (Benefit)	$ (179)	$ 115	$ (207)

(1) Refer to Note 4 - Divestitures for additional information regarding discontinued operations.

Unrecognized Tax Benefits and Audit Resolutions

We recognize tax liabilities when, despite our belief that our tax return positions are supportable, we believe that certain positions may not be fully sustained upon review by tax authorities. Each period, we assess uncertain tax positions for recognition, measurement and effective settlement. Benefits from uncertain tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement - the more-likely-than-not recognition threshold. Where we have determined that our tax return filing position does not satisfy the more likely than not recognition threshold, we have recorded no tax benefits.

We are also subject to ongoing tax examinations in numerous jurisdictions due to the extensive geographical scope of our operations. Our ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease our effective tax rate, as well as impact our operating results. The specific timing of when the resolution of each tax position will be reached is uncertain. As of December 31, 2016, we do not believe that there are any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2016	2015	2014
Balance at January 1	$ 222	$ 207	$ 225
Additions (Reductions) related to current year	(9)	36	12
Additions related to prior years positions	—	—	9
Reductions related to prior years positions	(31)	(5)	(23)
Settlements with taxing authorities[1]	—	(6)	(8)
Reductions related to lapse of statute of limitations	(2)	(9)	(6)
Currency	(2)	(1)	(2)
Tax Positions assumed in Conduent Separation	(13)	—	—
Balance at December 31	$ 165	$ 222	$ 207

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(1) Majority of settlements did not result in the utilization of cash.

Included in the balances at December 31, 2016, 2015 and 2014 are $5, $9 and $12, respectively, of tax positions that are highly certain of realizability but for which there is uncertainty about the timing or that they may be reduced through an indirect benefit from other taxing jurisdictions. Because of the impact of deferred tax accounting, other than for the possible incurrence of interest and penalties, the disallowance of these positions would not affect the annual effective tax rate.

Within income tax expense, we recognize interest and penalties accrued on unrecognized tax benefits, as well as interest received from favorable settlements. We had $10, $2 and $3 accrued for the payment of interest and penalties associated with unrecognized tax benefits at December 31, 2016, 2015 and 2014, respectively.

In the U.S., we are no longer subject to U.S. federal income tax examinations for years before 2012. With respect to our major foreign jurisdictions, we are no longer subject to tax examinations by tax authorities for years before 2003.

Deferred Income Taxes

We have not provided deferred taxes on approximately $7.0 billion of undistributed earnings of foreign subsidiaries and other foreign investments carried at equity at December 31, 2016, as such undistributed earnings have been determined to be indefinitely reinvested and we currently do not plan to initiate any action that would precipitate a deferred tax impact. We do not believe it is practical to calculate the potential deferred tax impact, as there is a significant amount of uncertainty with respect to determining the amount of foreign tax credits as well as any additional local withholding tax and other indirect tax consequences that may arise from the distribution of these earnings. In addition, because such earnings have been indefinitely reinvested in our foreign operations, repatriation would require liquidation of those investments or a recapitalization of our foreign subsidiaries, the impacts and effects of which are not readily determinable.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes were as follows:

	December 31, 2016	December 31, 2015
Deferred Tax Assets		
Research and development	$ 289	$ 370
Post-retirement medical benefits	276	311
Net operating losses	407	367
Operating reserves, accruals and deferrals	190	171
Tax credit carryforwards	751	666
Deferred compensation	197	167
Pension	539	553
Other	81	138
Subtotal	2,730	2,743
Valuation allowance	(416)	(383)
Total	$ 2,314	$ 2,360
Deferred Tax Liabilities		
Unearned income and installment sales	$ 633	$ 705
Intangibles and goodwill	200	208
Other	48	48
Total	$ 881	$ 961
Total Deferred Taxes, Net	$ 1,433	$ 1,399

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more-likely-than-not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2016 and 2015 was an increase of $33 and a decrease of $125, respectively. The valuation allowance relates primarily to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which we have concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.

Although realization is not assured, we have concluded that it is more-likely-than-not that the deferred tax assets, for which a valuation allowance was determined to be unnecessary, will be realized in the ordinary course of operations based on the available positive and negative evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

At December 31, 2016, we had tax credit carryforwards of $751 available to offset future income taxes, of which $48 are available to carryforward indefinitely while the remaining $703 will expire 2017 through 2037 if not utilized. We also had net operating loss carryforwards for income tax purposes of $0.7 billion that will expire 2017 through 2037, if not utilized, and $1.7 billion available to offset future taxable income indefinitely

Note 18 – Contingencies and Litigation

As more fully discussed below, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting, servicing and procurement law; intellectual property law; environmental law; employment law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Additionally, guarantees, indemnifications and claims arise during the ordinary course of business from relationships with suppliers, customers and nonconsolidated affiliates, as well as through divestitures and sales of businesses, when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract could trigger an obligation of the Company. These potential claims include actions based upon alleged exposures to products, real estate, intellectual property such as patents, environmental matters, and other indemnifications. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of these claims. However, while the ultimate liabilities resulting from such claims may be significant to results of operations in the period recognized, management does not anticipate they will have a material adverse effect on the Company's consolidated financial position or liquidity. As of December 31, 2016, we have accrued our estimate of liability incurred under our indemnification arrangements and guarantees.

Brazil Tax and Labor Contingencies

Our Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax matters, which comprise a significant portion of the total contingencies, principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our positions. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows.

The labor matters principally relate to claims made by former employees and contract labor for the equivalent payment of all social security and other related labor benefits, as well as consequential tax claims, as if they were regular employees. As of December 31, 2016, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of related interest, amounted to approximately $750 with the increase from the December 31, 2015 balance of $577, primarily related to currency and interest partially offset by closed cases. With respect to the unreserved balance of $750, the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute. As of December 31, 2016 we had $85 of escrow cash deposits for matters we are disputing, and there are liens on certain Brazilian assets with a net book value of $4 and additional letters of credit and surety bonds of $142 and $91, respectively, which include associated indexation. Generally, any escrowed amounts would be refundable and any liens would be removed to the extent the matters are resolved in our favor. We routinely assess all these matters as to probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

Litigation Against the Company

State of Texas v. Xerox Corporation, Xerox State Healthcare, LLC, and ACS State Healthcare, LLC: On May 9, 2014, the State of Texas, via the Texas Office of Attorney General (the "State"), filed a lawsuit in the 53rd Judicial District Court of Travis County, Texas. The lawsuit alleges that Xerox Corporation, Xerox State Healthcare, LLC and ACS State Healthcare (collectively " the Defendants") violated the Texas Medicaid Fraud Prevention Act in the administration of ACS's contract with the Texas Department of Health and Human Services ("HHSC"). Xerox Corporation provided a guaranty of contractual performance with respect to the ACS contract. The State alleges that the Defendants made false representations of material facts regarding the processes, procedures, implementation and results regarding the prior authorization of orthodontic claims. The State seeks recovery of actual damages, two times the amount of any overpayments made as a result of unlawful acts, civil penalties, pre- and post-judgment interest and all costs and attorneys' fees. The State references the amount in controversy as exceeding hundreds of millions of dollars. The Defendants filed their Answer in June, 2014 denying all allegations. The Defendants will continue to vigorously defend themselves in this matter. This matter is a "Conduent Liability", as defined in the Separation and Distribution Agreement dated as of December 31, 2016 between Xerox Corporation and Conduent Incorporated, for which Conduent is required to indemnify Xerox. Conduent is entitled to direct the defense of this matter.

Oklahoma Firefighters Pension and Retirement System v. Xerox Corporation, Ursula M. Burns, Luca Maestri, Kathryn A. Mikells, Lynn R. Blodgett and Robert K. Zapfel: On October 21, 2016, the Oklahoma Firefighters Pension and Retirement System ("plaintiff") filed a purported securities class action complaint against Xerox Corporation, Ursula Burns, Luca Maestri, Kathryn Mikells, Lynn Blodgett and Robert Zapfel (collectively, "defendants") in the U.S. District Court for the Southern District of New York on behalf of the plaintiff and certain purchasers or acquirers of Xerox common stock. The complaint alleges that defendants made false and misleading statements, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act and SEC Rule 10b-5, relating to the operations and prospects of Xerox's Health Enterprise business. Plaintiff seeks, among other things, unspecified monetary damages and attorneys' fees. Other, similar lawsuits may follow. On December 28, 2016, the Court entered a stipulated order setting out a schedule for amendment of the complaint and for defendants' response to that complaint following the Court's appointment of lead plaintiff under the Private Securities Litigation Reform Act. The Court has not yet ruled on the appointment of lead plaintiff. Xerox and the individual defendants will vigorously defend against this matter. At this time, it is premature to make any conclusion regarding the probability of incurring material losses in this litigation. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or settlement, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment, or settlement occurs.

Guarantees, Indemnifications and Warranty Liabilities

Indemnifications Provided as Part of Contracts and Agreements

Acquisitions/Divestitures:

We have indemnified, subject to certain deductibles and limits, the purchasers of businesses or divested assets for the occurrence of specified events under certain of our divestiture agreements. In addition, we customarily agree to hold the other party harmless against losses arising from a breach of representations and covenants, including such matters as adequate title to assets sold, intellectual property rights, specified environmental matters and certain income taxes arising prior to the date of acquisition. Where appropriate, an obligation for such indemnifications is recorded as a liability at the time of the acquisition or divestiture. Since the obligated amounts of these types of indemnifications are often not explicitly stated and/or are contingent on the occurrence of future events, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not historically made significant payments for these indemnifications. Additionally, under certain of our acquisition agreements, we have provided for additional consideration to be paid to the sellers if established financial targets are achieved post-closing. We have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. Contingent obligations related to indemnifications arising from our divestitures and contingent consideration provided for by our acquisitions are not expected to be material to our financial position, results of operations or cash flows.

Other Agreements:

We are also party to the following types of agreements pursuant to which we may be obligated to indemnify the other party with respect to certain matters:

- Guarantees on behalf of our subsidiaries with respect to real estate leases. These lease guarantees may remain in effect subsequent to the sale of the subsidiary.
- Agreements to indemnify various service providers, trustees and bank agents from any third-party claims related to their performance on our behalf, with the exception of claims that result from third-party's own willful misconduct or gross negligence.
- Guarantees of our performance in certain sales and services contracts to our customers and indirectly the performance of third parties with whom we have subcontracted for their services. This includes indemnifications to customers for losses that may be sustained as a result of the use of our equipment at a customer's location.

In each of these circumstances, our payment is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract and such procedures also typically allow us to challenge the other party's claims. In the case of lease guarantees, we may contest the liabilities asserted under the lease. Further, our obligations under these agreements and guarantees may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments we made.

Patent Indemnifications

In most sales transactions to resellers of our products, we indemnify against possible claims of patent infringement caused by our products or solutions. In addition, we indemnify certain software providers against claims that may arise as a result of our use or our subsidiaries', customers' or resellers' use of their software in our products and solutions. These indemnities usually do not include limits on the claims, provided the claim is made pursuant to the procedures required in the sales contract.

Indemnification of Officers and Directors

Our corporate by-laws require that, except to the extent expressly prohibited by law, we must indemnify Xerox Corporation's officers and directors against judgments, fines, penalties and amounts paid in settlement, including legal fees and all appeals, incurred in connection with civil or criminal action or proceedings, as it relates to their services to Xerox Corporation and our subsidiaries. Although the by-laws provide no limit on the amount of indemnification, we may have recourse against our insurance carriers for certain payments made by us. However, certain indemnification payments (such as those related to "clawback" provisions in certain compensation arrangements) may not be covered under our directors' and officers' insurance coverage. We also indemnify certain fiduciaries of our employee benefit plans for liabilities incurred in their service as fiduciary whether or not they are officers of the Company. Finally, in connection with our acquisition of businesses, we may become contractually obligated to indemnify certain former and current directors, officers and employees of those businesses in accordance with pre-acquisition by-laws and/or indemnification agreements and/or applicable state law.

Product Warranty Liabilities

In connection with our normal sales of equipment, including those under sales-type leases, we generally do not issue product warranties. Our arrangements typically involve a separate full service maintenance agreement with the customer. The agreements generally extend over a period equivalent to the lease term or the expected useful life of the equipment under a cash sale. The service agreements involve the payment of fees in return for our performance of repairs and maintenance. As a consequence, we do not have any significant product warranty obligations, including any obligations under customer satisfaction programs. In a few circumstances, particularly in certain cash sales, we may issue a limited product warranty if negotiated by the customer. We also issue warranties for certain of our entry level products, where full service maintenance agreements are not available. In these instances, we record warranty obligations at the time of the sale. Aggregate product warranty liability expenses for the three years ended December 31, 2016 were $15, $22 and $25, respectively. Total product warranty liabilities as of December 31, 2016 and 2015 were $8 and $9, respectively.

Separation Related Guarantees and Indemnifications

We are required to retain performance guarantees on certain outsourcing contracts that were transferred to Conduent as part of the Separation transaction. The guarantees are primarily associated with government contracts and our liability may be capped in certain circumstances. We have received an indemnification from Conduent to make payments to us in the event we are required to make a payment or incur a liability in connection with these performance guarantees. We expect Conduent to fully and completely perform their obligations under these contracts. In addition, we believe there is a sufficient pool of alternate providers for the services performed as part of these contracts and therefore we believe replacement providers could be identified to complete the contracted services in the event Conduent was unable to perform. Based on these considerations, we have assessed the potential loss under these guarantees and determined that no liability was required to be recorded in our financial statements associated with these guarantees. We are not required to, and will not, offer or agree to provide any performance guarantees with respect to any contract that Conduent enters into after the Separation, including renewals and extensions of existing contracts except for extensions at the sole option of the customer.

Other Contingencies

We have issued or provided approximately $375 of guarantees as of December 31, 2016 in the form of letters of credit or surety bonds issued to i) support certain insurance programs; ii) support our obligations related to the Brazil tax and labor contingencies; and iii) support certain contracts, primarily with public sector customers, which require us to provide a surety bond as a guarantee of our performance of contractual obligations.

In general, we would only be liable for the amount of these guarantees in the event we defaulted in performing our obligations under each contract; the probability of which we believe is remote. We believe that our capacity in the surety markets as well as under various credit arrangements (including our Credit Facility) is sufficient to allow us to respond to future requests for proposals that require such credit support.

Note 19 - Preferred Stock

Series B Convertible Perpetual Preferred Stock

At Separation, 300,000 shares of Xerox Series A Convertible Perpetual Preferred Stock with a carrying value of $356, which represented all of the issued and outstanding shares of Xerox Series A Convertible Perpetual Preferred Stock, were exchanged for 180,000 newly issued shares of Xerox Series B Convertible Perpetual Preferred Stock and 120,000 newly issued shares of Conduent Series A Convertible Perpetual Preferred Stock. The $356 carrying value included a $7 fair value adjustment for the modification of the awards upon the exchange.

The 120,000 shares of Conduent Series A Convertible Perpetual Preferred Stock has an aggregate liquidation value of $120 and were included in the distribution of Conduent's net assets at a carrying value of $142. The carrying value of $142 is based on the proportional share of the carrying value of Xerox Series A Convertible Perpetual Preferred Stock being exchanged for Conduent's Series A Convertible Perpetual Preferred Stock.

The 180,000 shares of Xerox Series B Convertible Perpetual Preferred Stock has an aggregate liquidation value of $180 and a carrying value of $214, which likewise is the proportional share of the carrying value of Xerox Series A Convertible Perpetual Preferred Stock that was exchanged for Xerox Series B Convertible Perpetual Preferred Stock. The Xerox Series B Convertible Preferred Stock pays quarterly cash dividends at a rate of 8% per year ($14 per year). Each share of convertible preferred stock is convertible at any time, at the option of the holder, into 149.8127 shares of common stock for a total of 26,966 thousand shares (reflecting an initial conversion price of approximately $6.675 per share of common stock), subject to customary anti-dilution adjustments.

If the closing price of our common stock exceeds $9.75 or 146.1% of the initial conversion price of $6.675 per share of common stock for 20 out of 30 trading days, we have the right to cause any or all of the Xerox Series B Convertible Perpetual Preferred Stock to be converted into shares of common stock at the then applicable conversion rate. The convertible Preferred Stock is also convertible, at the option of the holder, upon a change in control, at the applicable conversion rate plus an additional number of shares determined by reference to the price paid for our common stock upon such change in control. In addition, upon the occurrence of certain fundamental change events, including a change in control or the delisting of Xerox's common stock, the holder of convertible preferred stock has the right to require us to redeem any or all of the convertible preferred stock in cash at a redemption price per share equal to the liquidation preference and any accrued and unpaid dividends to, but not including, the redemption date. The convertible preferred stock is classified as temporary equity (i.e., apart from permanent equity) as a result of the contingent redemption feature.

Note 20 – Shareholders' Equity

Preferred Stock

As of December 31, 2016, we had one class of preferred stock outstanding. See Note 19 - Preferred Stock for further information. We are authorized to issue approximately 22 million shares of cumulative preferred stock, $1.00 par value per share.

Common Stock

We have 1.75 billion authorized shares of common stock, $1.00 par value per share. At December 31, 2016, 101 million shares were reserved for issuance under our incentive compensation plans, 48 million shares were reserved for debt to equity exchanges and 27 million shares were reserved for conversion of the Series B convertible perpetual preferred stock.

Treasury Stock

We account for the repurchased common stock under the cost method and include such treasury stock as a component of our common shareholder's equity. Retirement of treasury stock is recorded as a reduction of Common stock and Additional paid-in capital at the time such retirement is approved by our Board of Directors.

The following provides cumulative information relating to our share repurchase programs from their inception in October 2005 through December 31, 2016 (shares in thousands). No shares were repurchased during 2016:

Authorized share repurchase programs	$	8,000
Share repurchase cost	$	7,755
Share repurchase fees	$	12
Number of shares repurchased		695,230

Of the cumulative $8.0 billion of share repurchase authority previously granted by our Board of Directors, approximately $245 of that authority remained available as of December 31, 2016.

The following table reflects the changes in Common and Treasury stock shares (shares in thousands):

	Common Stock Shares	Treasury Stock Shares
Balance at December 31, 2013	1,210,321	22,001
Stock based compensation plans, net	13,965	—
Acquisition of Treasury stock	—	86,536
Cancellation of Treasury stock	(100,928)	(100,928)
Conversion of 2014 9% Notes	996	—
Balance at December 31, 2014	1,124,354	7,609
Stock based compensation plans, net	11,292	—
Acquisition of Treasury stock	—	115,201
Cancellation of Treasury stock	(122,810)	(122,810)
Balance at December 31, 2015	1,012,836	—
Stock based compensation plans, net	1,539	—
Balance at December 31, 2016	1,014,375	—

Stock-Based Compensation

We have a long-term incentive plan whereby eligible employees may be granted restricted stock units (RSUs), performance shares (PSs) and non-qualified stock options. We grant stock-based awards in order to continue to attract and retain employees and to better align employees' interests with those of our shareholders. Each of these awards is subject to settlement with newly issued shares of our common stock. At December 31, 2016 and 2015, 41 million and 43 million shares, respectively, were available for grant of awards.

Stock-based compensation expense was as follows:

	Year Ended December 31,		
	2016	2015	2014
Stock-based compensation expense, pre-tax	$ 50	$ 27	$ 63
Income tax benefit recognized in earnings	19	10	24

Restricted Stock Units: Compensation expense is based upon the grant date market price. The compensation expense is recorded over the vesting period, which is normally three years from the date of grant, based on management's estimate of the number of shares expected to vest.

Performance Shares: We grant officers, and selected executives and middle managers, PSs that vest contingent upon meeting pre-determined cumulative goals for Revenue, Earnings per Share (EPS) and Cash Flow from Operations, typically over a three-year performance period. If the cumulative three-year actual results exceed the stated targets, then the plan participants have the potential to earn additional shares of common stock: a maximum overachievement of 50% of the original grant for officers and selected executives and a maximum of 25% of the original grant for all other participants. All PSs entitle the holder to one share of common stock, payable after a three-year service period and the attainment of the stated goals.

In 2015, the maximum overachievement that could be earned was changed to 100% (from 50%) for officers and selected executives. All other terms of the awards remain unchanged.

Because of the difficulty in setting three-year performance goals that would appropriately take into account the Separation, PSs granted in 2016 vest contingent upon achieving one-year performance goals.

The fair value of PSs is based upon the market price of our stock on the date of the grant. Compensation expense is recognized over the vesting period, which is normally three years from the date of grant, based on management's estimate of the number of shares expected to vest. If the stated targets are not met, any recognized compensation cost would be reversed.

Employee Stock Options: With the exception of the conversion of options in connection with our acquisition of Affiliated Computer Systems (ACS) in 2010, we have not issued any new stock options associated with our employee long-term incentive plan since 2004. Accordingly, all of our outstanding options at December 31, 2016 were transferred to Conduent employees as part of the Separation. After the Separation, there are no longer any Xerox options outstanding.

Separation-Related Adjustments: Pursuant to the Employee Matters Agreement entered into in connection with the Separation, we made certain adjustments to the number of our share-based compensation awards, using the closing price of our common stock on the final day of trading prior to the effective date of the Separation and the volume weighted-average prices for the first trading day of Xerox or Conduent common stock, as applicable, immediately following the Separation. These adjustments were done with the intention of preserving the intrinsic value the awards had immediately prior to the Separation. All equity awards have been converted to equity awards of the post-Separation employer, as adjusted to reflect the Separation. These adjustments are reflected in the tables below. All awards continue to vest over the original vesting period. The difference between the fair value of the awards based on the volume weighted-average prices for the first trading day immediately following the Separation and the opening price on that day was not material.

The Separation-related adjustments did not have a material impact on the potentially dilutive securities to be considered in the calculation of diluted earnings per share of common stock.

Summary of Stock-based Compensation Activity

(shares in thousands)	2016 Shares	2016 Weighted Average Grant Date Fair Value (1)	2015 Shares	2015 Weighted Average Grant Date Fair Value (1)	2014 Shares	2014 Weighted Average Grant Date Fair Value (1)
Restricted Stock Units						
Outstanding at January 1	2,390	$ 11.05	12,197	$ 9.50	19,079	$ 9.62
Granted	7,174	9.57	798	11.08	926	12.30
Vested	(314)	9.62	(10,191)	7.86	(6,934)	10.33
Cancelled	(548)	10.12	(414)	9.27	(874)	8.55
Separation of Conduent	(3,144)	10.07	—	—	—	—
Shares granted in equity conversion	1,674	7.52	—	—	—	—
Outstanding at December 31	**7,232**	**7.52**	**2,390**	**11.05**	**12,197**	**9.50**
Performance Shares						
Outstanding at January 1	23,206	$ 11.67	20,721	$ 11.36	8,058	$ 9.15
Granted	5,284	9.35	9,470	10.68	16,967	12.28
Vested	(33)	11.33	(3,268)	7.90	(2,404)	10.68
Cancelled	(4,935)	11.84	(3,717)	10.74	(1,900)	11.07
Separation of Conduent	(7,894)	11.09	—	—	—	—
Shares granted in equity conversion	4,595	8.50	—	—	—	—
Outstanding at December 31	**20,223**	**8.50**	**23,206**	**11.67**	**20,721**	**11.36**
Stock Options						
Outstanding at January 1	3,119	$ 6.87	6,115	$ 7.00	14,199	$ 6.95
Canceled/expired	(392)	6.99	(405)	7.43	(215)	6.95
Exercised	(1,225)	7.03	(2,591)	7.09	(7,869)	6.92
Separation of Conduent	(1,502)	6.70	—	—	—	—
Outstanding at December 31	—	—	3,119	6.87	6,115	7.00
Exercisable at December 31	—	—	3,119	6.87	6,115	7.00

(1) Exercise Price for Stock Options.

The following information disclosures at December 31, 2016 reflect outstanding post-Separation stock-based awards for Xerox only and therefore exclude amounts associated with stock-based awards transferred to Conduent.

The total unrecognized compensation cost related to non-vested stock-based awards at December 31, 2016 was as follows:

Awards	Unrecognized Compensation	Remaining Weighted-Average Vesting Period (Years)
Restricted Stock Units	$ 30	2.2
Performance Shares	39	1.8
Total	$ 69	

The aggregate intrinsic value of outstanding RSUs and PSs awards was as follows:

Awards	December 31, 2016
Restricted Stock Units	$ 48
Performance Shares	135

The total intrinsic value and actual tax benefit realized for all vested and exercised stock-based awards was as follows:

	December 31, 2016			December 31, 2015			December 31, 2014		
Awards	Total Intrinsic Value	Cash Received	Tax Benefit	Total Intrinsic Value	Cash Received	Tax Benefit	Total Intrinsic Value	Cash Received	Tax Benefit
Restricted Stock Units	$ 3	$ —	$ 1	$ 109	$ —	$ 33	$ 85	$ —	$ 26
Performance Shares	—	—	—	35	—	12	30	—	10
Stock Options	3	9	1	14	19	5	42	55	15

Note 21 – Other Comprehensive Loss

As previously disclosed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies, the historical statements of Other Comprehensive Loss have not been revised to reflect the effect of the Separation. Refer to Note 4 - Divestitures for additional information regarding the Separation. Other Comprehensive Loss is comprised of the following:

	Year Ended December 31,					
	2016		2015		2014	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Translation Adjustments Losses	$ (344)	$ (346)	$ (660)	$ (660)	$ (736)	$ (734)
Unrealized (Losses) Gains:						
Changes in fair value of cash flow hedges gains (losses)	18	14	13	12	(20)	(10)
Changes in cash flow hedges reclassed to earnings(1)	(40)	(28)	28	13	36	26
Other losses	(1)	(1)	(3)	(2)	(1)	(1)
Net Unrealized (Losses) Gains	(23)	(15)	38	23	15	15
Defined Benefit Plans Losses						
Net actuarial/prior service losses	(118)	(87)	(73)	(86)	(1,291)	(861)
Prior service amortization/curtailment(2)	(10)	(6)	(38)	(23)	(46)	(29)
Actuarial loss amortization/settlement(2)	160	109	186	126	121	83
Fuji Xerox changes in defined benefit plans, net(3)	(93)	(93)	21	21	40	40
Other gains(4)	202	203	116	115	106	105
Changes in Defined Benefit Plans Gains (Losses)	141	126	212	153	(1,070)	(662)
Other Comprehensive Loss	(226)	(235)	(410)	(484)	(1,791)	(1,381)
Less: Other comprehensive loss attributable to noncontrolling interests	(3)	(3)	(1)	(1)	(1)	(1)
Other Comprehensive Loss Attributable to Xerox	$ (223)	$ (232)	$ (409)	$ (483)	$ (1,790)	$ (1,380)

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(1) *Reclassified to Cost of sales - refer to Note 14 - Financial Instruments for additional information regarding our cash flow hedges.*
(2) *Reclassified to Total Net Periodic Benefit Cost - refer to Note 16 - Employee Benefit Plans for additional information.*
(3) *Represents our share of Fuji Xerox's benefit plan changes.*
(4) *Primarily represents currency impact on cumulative amount of benefit plan net actuarial losses and prior service credits in AOCL.*

Accumulated Other Comprehensive Loss (AOCL)

The AOCL balance at December 31, 2016, reflects the transfer of Conduent related AOCL balances at December 31, 2016 to Conduent - refer to Note 4 - Divestitures for additional information regarding the Separation. AOCL is comprised of the following:

	December 31,		
	2016	2015	2014
Cumulative translation adjustments	$ (2,274)	$ (2,402)	$ (1,743)
Other unrealized (losses) gains, net	(13)	1	(22)
Benefit plans net actuarial losses and prior service credits(1)	(2,061)	(2,241)	(2,394)
Total Accumulated Other Comprehensive Loss Attributable to Xerox	$ (4,348)	$ (4,642)	$ (4,159)

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(1) *Includes our share of Fuji Xerox.*

Note 22 – (Loss) Earnings per Share

The following table sets forth the computation of basic and diluted (loss) earnings per share of common stock (shares in thousands):

	Year Ended December 31,		
	2016	2015	2014
Basic Earnings per Share:			
Net income from continuing operations attributable to Xerox	$ 616	$ 848	$ 1,029
Accrued dividends on preferred stock	(24)	(24)	(24)
Adjusted Net Income From Continuing Operations Available to Common Shareholders	$ 592	$ 824	$ 1,005
Net loss from discontinued operations attributable to Xerox	(1,093)	(374)	(16)
Adjusted Net (Loss) Income Available to Common Shareholders	$ (501)	$ 450	$ 989
Weighted-average common shares outstanding	1,013,563	1,064,526	1,154,365
Basic (Loss) Earnings per Share:			
Continuing operations	$ 0.58	$ 0.77	$ 0.87
Discontinued operations	(1.07)	(0.35)	(0.01)
Basic (Loss) Earnings per Share	$ (0.49)	$ 0.42	$ 0.86
Diluted Earnings per Share:			
Net income from continuing operations attributable to Xerox	$ 616	$ 848	$ 1,029
Accrued dividends on preferred stock	(24)	(24)	(24)
Adjusted Net Income From Continuing Operations Available to Common Shareholders	$ 592	$ 824	$ 1,005
Net loss from discontinued operations attributable to Xerox	(1,093)	(374)	(16)
Adjusted Net (Loss) Income Available to Common Shareholders	$ (501)	$ 450	$ 989
Weighted-average common shares outstanding	1,013,563	1,064,526	1,154,365
Common shares issuable with respect to:			
Stock options	694	1,294	2,976
Restricted stock and performance shares	9,722	10,404	14,256
Adjusted Weighted Average Common Shares Outstanding	1,023,979	1,076,224	1,171,597
Diluted (Loss) Earnings per Share:			
Continuing operations	$ 0.58	$ 0.77	$ 0.86
Discontinued operations	(1.07)	(0.35)	(0.02)
Diluted (Loss) Earnings per Share	$ (0.49)	$ 0.42	$ 0.84
The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive (shares in thousands):			
Stock Options	808	1,825	3,139
Restricted stock and performance shares	21,721	17,607	17,987
Convertible preferred stock	26,966	26,966	26,966
Total Securities	49,495	46,398	48,092
Dividends per Common Share	$ 0.31	$ 0.28	$ 0.25

QUARTERLY RESULTS OF OPERATIONS (Unaudited)

(in millions, except per-share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2016					
Revenues	$ 2,615	$ 2,793	$ 2,629	$ 2,734	$ 10,771
Costs and Expenses	2,583	2,602	2,463	2,555	10,203
Income before Income Taxes and Equity Income	32	191	166	179	568
Income tax (benefit) expense	(2)	18	28	18	62
Equity in net income of unconsolidated affiliates	37	22	39	23	121
Income from Continuing Operations	71	195	177	184	627
(Loss) income from discontinued operations, net of tax	(35)	(38)	8	(1,028)	(1,093)
Net Income (Loss)	36	157	185	(844)	(466)
Less: Net income - noncontrolling interests	2	3	3	3	11
Net Income (Loss) Attributable to Xerox	$ 34	$ 154	$ 182	$ (847)	$ (477)
Basic Earnings (Loss) per Share[(1)]:					
Continuing operations	$ 0.06	$ 0.18	$ 0.16	$ 0.17	0.58
Discontinued operations	(0.03)	(0.03)	0.01	(1.01)	(1.07)
Total Basic Earnings (Loss) per Share	$ 0.03	$ 0.15	$ 0.17	$ (0.84)	$ (0.49)
Diluted Earnings (Loss) per Share[(1)]:					
Continuing operations	$ 0.06	$ 0.18	$ 0.16	$ 0.17	0.58
Discontinued operations	(0.03)	(0.03)	0.01	(1.00)	(1.07)
Total Diluted Earnings (Loss) per Share	$ 0.03	$ 0.15	$ 0.17	$ (0.83)	$ (0.49)
2015					
Revenues	$ 2,807	$ 2,926	$ 2,786	$ 2,946	$ 11,465
Costs and Expenses	2,612	2,697	2,573	2,659	10,541
Income before Income Taxes and Equity Income	195	229	213	287	924
Income tax expense	40	48	47	58	193
Equity in net income of unconsolidated affiliates	34	29	40	32	135
Income from Continuing Operations	189	210	206	261	866
Income (loss) from discontinued operations, net of tax	41	(193)	(237)	15	(374)
Net Income	230	17	(31)	276	492
Less: Net income - noncontrolling interests	5	5	3	5	18
Net Income Attributable to Xerox	$ 225	$ 12	$ (34)	$ 271	$ 474
Basic Earnings (Loss) per Share[(1)]:					
Continuing operations	$ 0.16	$ 0.18	$ 0.19	$ 0.25	0.77
Discontinued operations	0.04	(0.17)	(0.23)	0.01	(0.35)
Total Basic Earnings (Loss) per Share:	$ 0.20	$ 0.01	$ (0.04)	$ 0.26	$ 0.42
Diluted Earnings (Loss) per Share[(1)]:					
Continuing operations	$ 0.16	$ 0.18	$ 0.19	$ 0.24	0.77
Discontinued operations	0.03	(0.17)	(0.23)	0.02	(0.35)
Total Diluted Earnings (Loss) per Share	$ 0.19	$ 0.01	$ (0.04)	$ 0.26	$ 0.42

(1) *The sum of quarterly earnings per share may differ from the full-year amounts due to rounding, or in the case of diluted earnings per share, because securities that are anti-dilutive in certain quarters may not be anti-dilutive on a full-year basis.*

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Management's Responsibility for Financial Statements

Our management is responsible for the integrity and objectivity of all information presented in this annual report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the independent auditors, PricewaterhouseCoopers LLP, the internal auditors and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors and internal auditors have access to the Audit Committee.

Disclosure Controls and Procedures

The Company's management evaluated, with the participation of our principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to Xerox Corporation, including our consolidated subsidiaries, and was accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the rules promulgated under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the above evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding directors is incorporated herein by reference to the section entitled “Proposal 1 - Election of Directors” in our definitive Proxy Statement (2017 Proxy Statement) to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our Annual Meeting of Stockholders to be held on May 23, 2017. The Proxy Statement will be filed within 120 days after the end of our fiscal year ended December 31, 2016.

The information regarding compliance with Section 16(a) of the Securities and Exchange Act of 1934 is incorporated herein by reference to the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” of our 2017 Proxy Statement.

The information regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference herein from the subsection entitled “Committee Functions, Membership and Meetings” in the section entitled “Proposal 1 - Election of Directors” in our 2017 Proxy Statement.

We have adopted a code of ethics applicable to our principal executive officer, principal financial officer and principal accounting officer. The Finance Code of Conduct can be found on our website at: http://www.xerox.com/investor and then clicking on Corporate Governance. Information concerning our Finance Code of Conduct can be found under "Corporate Governance" in our 2017 definitive Proxy Statement and is incorporated here by reference.

Executive Officers of Xerox

The following is a list of the executive officers of Xerox, their current ages, their present positions and the year appointed to their present positions. Each officer is elected to hold office until the meeting of the Board of Directors held on the day of the next annual meeting of shareholders, subject to the provisions of the By-Laws.

Name	Age	Present Position	Year Appointed to Present Position	Xerox Officer Since
Jeffrey Jacobson	57	Chief Executive Officer	2017	2012
Michael Feldman	50	Executive Vice President, President North America Operations	2017	2013
Darrell L. Ford	52	Executive Vice President, Chief Human Resources Officer	2015	2015
Sarah Hlavinka McConnell	52	Executive Vice President, General Counsel and Secretary	2017	2017
William F. Osbourn, Jr.	52	Executive Vice President, Chief Financial Officer	2017	2017
Herve Tessler	53	Executive Vice President, President International Operations	2017	2010
Kevin Warren	54	Executive Vice President, Chief Commercial Officer	2017	2010
Steve Hoover	56	Senior Vice President, Chief Technology Officer	2017	2017
Yehia Maaty	48	Senior Vice President, Chief Delivery Officer	2017	2014
Farooq Muzaffar	42	Senior Vice President, Chief Strategy and Marketing Officer	2017	2017
Joseph H. Mancini, Jr.	58	Vice President, Chief Accounting Officer	2013	2010

Of the officers named above, Mr. Hoover, Mr. Maaty, Mr. Mancini, Jr., Mr. Tessler and Mr. Warren have been officers or executives of Xerox, or its subsidiaries, for at least the past five years.

Mr. Jacobson joined Xerox in 2012 and served as the president of the company's Technology Business from 2014 to 2016. Previously, he was the president and CEO of Presstek, Inc. from 2007 to 2012, and chairman beginning in 2009. Prior to joining Presstek, he was a corporate vice president and the chief operating officer of the Graphic Communications Group at Eastman Kodak Company from 2005 to 2007 and was at Kodak Polychrome Graphics from 1998 to 2005, including serving as CEO from 2000 to 2005.

Mr. Feldman joined Xerox in 2013 and served as the president of Large Enterprise Operations for the Xerox Technology Business for the past 3 years. This followed 24 years at Hewlett-Packard where he served as HP’s vice president and general manager of the Managed Enterprise Solutions Business Unit in the Imaging and Printing Group’s Americas Organization.

Mr. Ford joined Xerox in 2015. Previously he served as senior vice president and chief human resources officer at Advanced Micro Devices (AMD) since 2012. Prior to joining AMD, he held senior HR leadership roles at Shell Oil, Honeywell International and AT&T.

Ms. McConnell joined Xerox in 2017. Prior to joining Xerox, she was executive vice president, general counsel and corporate secretary for ABM Industries Incorporated, a leading facility services provider with domestic and international operations, from 2007 to 2017. Prior to joining ABM, she served as vice president, assistant general counsel and secretary for Fisher Scientific International.

Mr. Osbourn joined Xerox in 2016 following 13 years at Time Warner Cable (TWC). After serving in a variety of roles, including controller and chief accounting officer for eight years, he was co-chief financial officer of TWC. Prior, he spent two years as executive director for External Financial Reporting and Accounting Policy at Time Warner Inc. Before Time Warner, he spent 14 years at PricewaterhouseCoopers LLP in roles of increasing responsibility and was admitted to partnership in 2000.

Mr. Muzaffar joined Xerox in 2017 after 12 years in executive positions at Verizon, including chief technology officer for Verizon Enterprise Solutions. Prior to his Verizon work, he was an investment banker in technology, media and telecom at Goldman Sachs, leading mergers and acquisitions in the software sector.

ITEM 11. EXECUTIVE COMPENSATION

The information included under the following captions under “Proposal 1-Election of Directors” in our 2017 definitive Proxy Statement is incorporated herein by reference: “Compensation Discussion and Analysis”, “Summary Compensation Table”, “Grants of Plan-Based Awards in 2016”, “Outstanding Equity Awards at 2016 Fiscal Year-End”, “Option Exercises and Stock Vested in 2016”, “Pension Benefits for the 2016 Fiscal Year”, “Nonqualified Deferred Compensation for the 2016 Fiscal Year”, “Potential Payments upon Termination or Change in Control”, “Summary of Director Annual Compensation", "Compensation Committee Interlocks and Insider Participation” and “Compensation Committee”. The information included under the heading “Compensation Committee Report” in our 2017 definitive Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be “soliciting material” or to be “filed” with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans is incorporated herein by reference to the subsections entitled “Ownership of Company Securities,” and “Equity Compensation Plan Information” under “Proposal 1- Election of Directors” in our 2017 definitive Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions is incorporated herein by reference to the subsection entitled “Certain Relationships and Related Person Transactions” under “Proposal 1- Election of Directors” in our 2017 definitive Proxy Statement. The information regarding director independence is incorporated herein by reference to the subsections entitled “Corporate Governance” and “Director Independence” in the section entitled “Proposal 1 - Election of Directors” in our 2017 definitive Proxy Statement.

ITEM 14. PRINCIPAL AUDITOR FEES AND SERVICES

The information regarding principal auditor fees and services is incorporated herein by reference to the section entitled “Proposal 2 - Ratification of Election of Independent Registered Public Accounting Firm” in our 2017 definitive Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Index to Financial Statements and Financial Statement Schedule, incorporated by reference or filed as part of this report:

- Report of Independent Registered Public Accounting Firm including Report on Financial Statement Schedule;
- Consolidated Statements of (Loss) Income for each of the years in the three-year period ended December 31, 2016;
- Consolidated Statements of Comprehensive (Loss) Income for each of the years in the three-year period ended December 31, 2016;
- Consolidated Balance Sheets as of December 31, 2016 and 2015;
- Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2016;
- Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2016;
- Notes to the Consolidated Financial Statements;
- Schedule II - Valuation and Qualifying Accounts for the three years ended December 31, 2016; and
- All other schedules are omitted as they are not applicable, or the information required is included in the financial statements or notes thereto.

(2) Supplementary Data:

- Quarterly Results of Operations (unaudited); and
- Five Years in Review.

(3) The exhibits filed herewith or incorporated herein by reference are set forth in the Index of Exhibits included herein.

(b) The management contracts or compensatory plans or arrangements listed in the “Index of Exhibits” that are applicable to the executive officers named in the Summary Compensation Table which appears in Registrant's 2017 Proxy Statement or to our directors are preceded by an asterisk (*).

ITEM 16. FORM 10-K SUMMARY

None

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XEROX CORPORATION

/s/ JEFFREY JACOBSON

Jeffrey Jacobson
Chief Executive Officer
February 27, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

February 27, 2017

Signature	Title
Principal Executive Officer:	
/S/ JEFFREY JACOBSON	Chief Executive Officer and Director
Jeffrey Jacobson	
Principal Financial Officer:	
/S/ WILLIAM F. OSBOURN JR.	Vice President and Chief Financial Officer
William F. Osbourn Jr.	
Principal Accounting Officer:	
/S/ JOSEPH H. MANCINI, JR.	Vice President and Chief Accounting Officer
Joseph H. Mancini, Jr.	
Directors:	
/S/ URSULA M. BURNS	Chairman of the Board and Director
Ursula M. Burns	
/S/ GREGORY Q. BROWN	Director
Gregory Q. Brown	
/S/ JONATHAN CHRISTODORO	Director
Jonathan Christodoro	
/S/ JOSEPH J. ECHEVARRIA	Director
Joseph J. Echevarria	
/S/ RICHARD J. HARRINGTON	Director
Richard J. Harrington	
/S/ WILLIAM CURT HUNTER	Director
William Curt Hunter	
/S/ ROBERT J. KEEGAN	Director
Robert J. Keegan	
/S/ CHERYL GORDON KRONGARD	Director
Cheryl Gordon Krongard	
/S/ CHARLES PRINCE	Director
Charles Prince	
/S/ ANN N. REESE	Director
Ann N. Reese	
/S/ STEPHEN H. RUSCKOWSKI	Director
Stephen Rusckowski	
/S/ SARA MARTINEZ TUCKER	Director
Sara Martinez Tucker	

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the three years ended December 31, 2016

(in millions)	Balance at beginning of period	Additions charged to bad debt provision (1)	Amounts (credited) charged to other income statement accounts (1)	Deductions and other, net of recoveries (2)	Balance at end of period
2016 Allowance for Losses:					
Accounts Receivable	$ 74	$ 13	$ 2	$ (25)	$ 64
Finance Receivables	118	24	4	(36)	110
	$ 192	$ 37	$ 6	$ (61)	$ 174
2015 Allowance for Losses:					
Accounts Receivable	$ 82	$ 21	$ 5	$ (34)	$ 74
Finance Receivables	131	28	—	(41)	118
	$ 213	$ 49	$ 5	$ (75)	$ 192
2014 Allowance for Losses:					
Accounts Receivable	$ 106	$ 16	$ (2)	$ (38)	$ 82
Finance Receivables	154	33	3	(59)	131
	$ 260	$ 49	$ 1	$ (97)	$ 213

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(1) Bad debt provisions relate to estimated losses due to credit and similar collectability issues. Other charges (credits) relate to adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.

(2) Deductions and other, net of recoveries primarily relates to receivable write-offs, but also includes the impact of foreign currency translation adjustments and recoveries of previously written off receivables.

INDEX OF EXHIBITS
Document and Location

2	Separation and Distribution Agreement dated as of December 30, 2016 by and between Registrant and Conduent Incorporated.
	Incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K dated December 30, 2016. See SEC File Number 001-04471.
3(a)	Restated Certificate of Incorporation of Registrant filed with the Department of State of New York on February 21, 2013, as amended by Certificate of Amendment of Certificate of Incorporation filed with the Department of State of the State of New York on December 23, 2016.
3(b)	By-Laws of Registrant as amended through August 15, 2016.
	Incorporated by reference to Exhibit 3(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016. See SEC File Number 001-04471.
4(a)(1)	Indenture, dated as of June 25, 2003, between Registrant and Wells Fargo, as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Registrant when and as authorized by or pursuant to a resolution of Registrant's Board of Directors (the “June 25, 2003 Indenture”).
	Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K dated June 25, 2003. See SEC File Number 001-04471.
4(a)(2)	Form of Third Supplemental Indenture, dated as of March 20, 2006, to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4(b)(6) to Registrant's Current Report on Form 8-K dated March 20, 2006. See SEC File Number 001-04471.
4(a)(3)	Form of Fourth Supplemental Indenture, dated as of August 18, 2006, to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4(b)(7) to Registrant's Current Report on Form 8-K dated August 18, 2006. See SEC File Number 001-04471.
4(a)(4)	Form of Sixth Supplemental Indenture, dated as of May 17, 2007 to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4(b)(2) to Registrant's Registration Statement No. 333-142900. See SEC File Number 001-04471.
4(b)	Form of Amended and Restated Credit Agreement dated as of March 18, 2014 between Registrant and the Initial Lenders named therein, Citibank, N.A., as Administrative Agent, and Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and BNP Paribas Securities Corp. as Joint Lead Arrangers and Joint Bookrunners (the “Credit Agreement”).
	Incorporated by reference to Exhibit 4(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. See SEC File Number 001-04471.
4(c)	Form of Indenture dated as of December 4, 2009 between Xerox Corporation and the Bank of New York Mellon, as trustee, relating to an unlimited amount of senior debt securities.
	Incorporated by reference to Exhibit 4(b)(5) to Post-Effective Amendment No. 1 to Registrant's Registration Statement No. 333-142900. See SEC File Number 001-04471.
4(d)	Instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis have not been filed. Registrant agrees to furnish to the Commission a copy of each such instrument upon request.
10	The management contracts or compensatory plans or arrangements listed below that are applicable to the executive officers named in the Summary Compensation Table which appears in Registrant's 2016 Proxy Statement or to our directors are preceded by an asterisk (*).
*10(a)(1)	Registrant's Form of Separation Agreement (with salary continuance) - February 2010.
	Incorporated by reference to Exhibit 10(a)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(a)(2)	Registrant's Form of Separation Agreement (without salary continuance) - February 2010.
	Incorporated by reference to Exhibit 10(a)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(a)(3)	Registrant’s Executive Salary Continuance Program effective March 1, 2017.
*10(b)(1)	Registrant’s 2016 Separation Incentive Program.

	Incorporated by reference to paragraph (A)(1) in Registrant's Current Report on Form 8-K dated March 25, 2016. See SEC File Number 001-04471.
*10(b)(2)	Form of Short-Term Cash Separation Award Agreement under 2016 Separation Incentive Program.
	Incorporated by reference to Exhibit 10(b)(2) to Registrant's Quarterly Report on Form 10-Q for the quarter ended dated March 31, 2016. See SEC File Number 001-04471.
*10(b)(3)	Form of Long-Term Cash Separation Award Agreement under 2016 Separation Incentive Program.
	Incorporated by reference to Exhibit 10(b)(3) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. See SEC File Number 001-04471.
*10(c)	Letter Agreement dated May 20, 2016 between Registrant and Ursula M. Burns.
	Incorporated by reference to Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(d)(1)	Registrant's 2004 Equity Compensation Plan for Non-Employee Directors, as amended and restated as of May 21, 2013 (“2004 ECPNED”).
	Incorporated by reference to Exhibit 10(d)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(d)(2)	Form of Agreement under 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(2) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005. See SEC File Number 001-04471.
*10(d)(3)	Form of Grant Summary under 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(3) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005. See SEC File Number 001-04471.
*10(d)(4)	Form of DSU Deferral under 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(4) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005. See SEC File Number 001-04471.
*10(e)(1)	Registrant's 2004 Performance Incentive Plan, as amended and restated as of May 24, 2012 ("2012 PIP").
	Incorporated by reference to Exhibit 10(e)(26) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012. See SEC File Number 001-04471.
*10(e)(2)	Amendment No. 1 dated as of December 11, 2013 to 2012 PIP.
	Incorporated by reference to Exhibit 10(e)(23) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(e)(3)	Annual Performance Incentive Plan for 2014.
	Incorporated by reference to Exhibit 10(e)(14) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. See SEC File number 001-04471.
*10(e)(4)	Performance Elements for 2014 Executive Long-Term Incentive Plan.
	Incorporated by reference to Exhibit 10(e)(25) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(e)(5)	Form of Award Agreement under 2012 PIP (Performance Shares).
	Incorporated by reference to Exhibit 10(e)(26) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(e)(6)	Form of Award Summary under 2012 PIP (Performance Shares).
	Incorporated by reference to Exhibit 10(e)(27) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(e)(7)	Form of Award Agreement under 2012 PIP (Retention Restricted Stock Units).
	Incorporated by reference to Exhibit 10(e)(28) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(e)(8)	Form of Award Summary under 2012 PIP (Retention Restricted Stock Units).
	Incorporated by reference to Exhibit 10(e)(29) to Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. See SEC File Number 001-04471.
*10(e)(9)	Annual Performance Incentive Plan for 2015 (“2015 APIP”)

	Incorporated by reference to Exhibit 10(e)(15) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
*10(e)(10)	Performance Elements for 2015 Executive Long-Term Incentive Program ("2015 ELTIP")
	Incorporated by reference to Exhibit 10(e)(21) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. See SEC File number 001-04471.
*10(e)(11)	Form of Award Agreement under 2015 ELTIP (Performance Shares)
	Incorporated by reference to Exhibit 10(e)(22) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. See SEC File number 001-04471.
*10(e)(12)	Form of Award Agreement under 2015 ELTIP (Retention Restricted Stock Units)
	Incorporated by reference to Exhibit 10(e)(23) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. See SEC File number 001-04471.
*10(e)(13)	Annual Performance Incentive Plan for 2016 ("2016 APIP").
*10(e)(14)	Performance Elements for 2016 Executive Long-Term Incentive Program
	Incorporated by reference to Exhibit 10(e)(20) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. See SEC File number 001-04471.
*10(e)(15)	Form of Award Agreement under 2016 ELTIP (Performance Shares)
	Incorporated by reference to Exhibit 10(e)(21) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. See SEC File number 001-04471.
*10(e)(16)	Form of Award Agreement under 2016 ELTIP (Restricted Stock Units)
	Incorporated by reference to Exhibit 10(e)(22) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. See SEC File number 001-04471.
*10(e)(17)	Form of Award Agreement under 2016 ELTIP (Retention Restricted Stock Units)
	Incorporated by reference to Exhibit 10(e)(23) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. See SEC File number 001-04471.
*10(e)(18)	Form of Award Agreement under 2016 ELTIP (Performance Shares and Restricted Stock Units)
	Incorporated by reference to Exhibit 10(e)(24) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. See SEC File number 001-04471.
*10(e)(19)	Amendment No. 2 dated as of February 24, 2016 to 2012 APIP.
	Incorporated by reference to Exhibit 10(e)(25) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(e)(20)	Form of Award Agreement under 2016 ELTIP (Performance Shares and Restricted Stock Units - CEO).
	Incorporated by reference to Exhibit 10(e)(26) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(e)(21)	Registrant's 2004 Performance Incentive Plan, as amended and restated effective as of May 20, 2016.
	Incorporated by reference to Exhibit 10(e)(27) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(e)(22)	Amendment to Certain Restricted Stock Unit award agreements under Registrant's 2004 Performance Incentive Plan, as amended to date.
	Incorporated by reference to Exhibit 10(e)(28) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(e)(23)	2016 CEO Executive Long-Term Incentive Program Award Agreement (Performance Shares and Restricted Stock Units).
	Incorporated by reference to Exhibit 10(e)(29) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(e)(24)	2017 CEO Executive Long-Term Incentive Program Award Agreement (Restricted Stock Units).
	Incorporated by reference to Exhibit 10(e)(30) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016. See SEC File Number 001-04471.
*10(e)(25)	Annual Performance Incentive Plan ("APIP") for 2017.
*10(e)(26)	[RESERVED]
*10(e)(27)	Form of Omnibus Award Agreement under ELTIP (1-year graded Restricted Stock Units).

*10(e)(28)	Form of Omnibus Award Agreement under ELTIP (2-year graded Restricted Stock Units).
*10(e)(29)	Form of Omnibus Award Agreement under ELTIP (3-year graded Restricted Stock Units).
*10(e)(30)	Form of Omnibus Award Agreement under ELTIP (Restricted Stock Units).
*10(e)(31)	Form of Omnibus Award Agreement under ELTIP (Retention Restricted Stock Units).
*10(e)(32)	Form of Omnibus Award Agreement under ELTIP (Performance Shares).
*10(e)(33)	Form of Omnibus Award Agreement under ELTIP (Performance Shares and Restricted Stock Units).
*10(f)(1)	Letter Agreement dated March 19, 2014 between Registrant and Robert K. Zapfel, Executive Vice President and President, Services of Registrant (“Zapfel Letter Agreement”). Incorporated by reference to Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. See SEC File Number 001-04471.
*10(f)(2)	Modification dated March 25, 2016 to Zapfel Letter Agreement. Incorporated by reference to paragraph (A)(2) in Registrant's Current Report on Form 8-K dated March 25, 2016. See SEC File Number 001-04471.
*10(g)(1)	2004 Restatement of Registrant's Unfunded Supplemental Executive Retirement Plan, as amended and restated December 4, 2007 (“2007 USERP”). Incorporated by reference to Exhibit 10(g)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(g)(2)	Amendment dated December 4, 2007 to Registrant's 2007 USERP. Incorporated by reference to Exhibit 10(g)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(g)(3)	Amendment No. 1 dated December 11, 2008 to Registrant's 2007 USERP. Incorporated by reference to Exhibit 10(g)(3) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. See SEC File Number 001-04471.
*10(g)(4)	Amendment No. 2 dated April 28, 2011 to Registrant's 2007 USERP. Incorporated by reference to Exhibit 10(g)(4) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011. See SEC File Number 001-04471.
*10(g)(5)	Amendment No. 3 dated December 7, 2011 to Registrant's 2007 USERP. Incorporated by reference to Exhibit 10(g)(5) to Registrant's Current Report on Form 8-K dated December 7, 2011. See SEC File Number 001-04471.
*10(g)(6)	Modification to vesting under Registrant’s 2007 USERP. Incorporated by reference to paragraph (B) in Registrant's Current Report on Form 8-K dated March 25, 2016. See SEC File Number 001-04471.
*10(h)	1996 Amendment and Restatement of Registrant's Restricted Stock Plan for Directors, as amended through February 4, 2002. Incorporated by reference to Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. See SEC File Number 001-04471.
10(i)	[RESERVED]
*10(j)(1)	Registrant's Universal Life Plan as amended and restated as of August 26, 2013. Incorporated by reference to Exhibit 10(j)(1) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2013. See SEC File Number 001-00471.
*10(j)(2)	Participant Agreement for Registrant's Universal Life Plan. Incorporated by reference to Exhibit 10(j)(2) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2013. See SEC File Number 001-00471.
*10(k)(1)	Registrant's Deferred Compensation Plan for Directors, as amended and restated December 5, 2007 (“DCPD”). Incorporated by reference to Exhibit 10(k)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(k)(2)	Amendment dated December 5, 2007 to DCPD. Incorporated by reference to Exhibit 10(k)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(k)(3)	Amendment No. 2 dated May 17, 2010 to DCPD.

	Incorporated by reference to Exhibit 10(k)(3) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. See SEC File Number 001-04471.
*10(l)	Registrant's Deferred Compensation Plan for Executives, 2004 Restatement, as amended through August 11, 2004.
	Incorporated by reference to Exhibit 10(l) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2004. See SEC File Number 001-04471.
10(m)	Separation Agreement dated May 11, 2000 between Registrant and G. Richard Thoman, former President and Chief Executive Officer of Registrant.
	Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. See SEC File Number 001-04471.
*10(n)	Uniform Rule dated December 17, 2008 for all Deferred Compensation Promised by Registrant.
	Incorporated by reference to Exhibit 10(r) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. See SEC File Number 001-04471.
10(o)	Exchange Agreement dated October 27, 2016 by and among Darwin Deason, Conduent Incorporated and Registrant.
	Incorporated by reference to Exhibit 10(u) to Registrant's Current Report on Form 8-K dated October 27, 2016. See SEC File Number 001-04471.
*10(p)	Form of Severance Agreement entered into with various executive officers, effective October 2010.
	Incorporated by reference to Exhibit 10(t) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. See SEC File Number 001-04471.
*10(q)	Letter Agreement dated November 21, 2016 between Registrant and William F. Osbourn, Jr.
	Incorporated by reference to Exhibit 10(v) to Registrant's Current Report on Form 8-K dated December 2, 2016. See SEC File Number 001-04471.
*10(r)	Master Plan Amendment dated May 2, 2011 to Registrant-Sponsored Benefit Plans.
	Incorporated by reference to Exhibit 10(bb) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011. See SEC File Number 001-04471.
10(s)	Agreement dated January 28, 2016 between the Icahn Group and Registrant re: separation of Registrant’s Business Process Outsourcing business and voting at Registrant’s 2016 annual meeting of shareholders.
	Incorporated by reference to Exhibit 10(s) to Registrant’s Current Report on Form 8-K dated January 28, 2016. See SEC File Number 001-04471.
10(t)	Agreement dated June 27, 2016 between the Icahn Group and Registrant re: voting provisions and election of a director to Registrant’s Board.
	Incorporated by reference to Exhibit 10(b) to Registrant's Current Report on Form 8-K dated June 27, 2016. See SEC File Number 001-04471.
10(u)	Transition Services Agreement dated as of December 30, 2016 by and between Registrant and Conduent Incorporated.
	Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated December 30, 2016. See SEC File Number 001-04471.
10(v)	Tax Matters Agreement dated as of December 30, 2016 by and between Registrant and Conduent Incorporated.
	Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K dated December 30, 2016. See SEC File Number 001-04471.
10(w)	Employee Matters Agreement dated as of December 30, 2016 by and between Registrant and Conduent Incorporated.
	Incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K dated December 30, 2016. See SEC File Number 001-04471.
10(x)	Intellectual Property Agreement dated as of December 30, 2016 by and between Registrant and Conduent Incorporated.
	Incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K dated December 30, 2016. See SEC File Number 001-04471.
10(y)	Trademark License Agreement dated as of December 30, 2016 by and between Registrant and Conduent Incorporated.

	Incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K dated December 30, 2016. See SEC File Number 001-04471.
12	Computation of Ratio of Earnings to Fixed charges and the Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21	Subsidiaries of Registrant.
23	Consent of PricewaterhouseCoopers LLP.
31(a)	Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31(b)	Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32	Certification of CEO and CFO pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.INS	XBRL Instance Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.SCH	XBRL Taxonomy Extension Schema Linkbase.

EXHIBIT 3(a)

As Amended Through December 23, 2016

RESTATED CERTIFICATE OF INCORPORATION
OF
XEROX CORPORATION

UNDER SECTION 807 OF THE
BUSINESS CORPORATION LAW

1. The name of the Corporation is "XEROX CORPORATION". The name under which it was formed is "THE HALOID COMPANY".

2. The Certificate of Incorporation was filed in the Office of the Secretary of State of the State of New York on April 18, 1906.

3. This restatement of the Certificate of Incorporation was authorized by a resolution adopted by the Board of Directors of the Corporation at a meeting thereof duly called and held. The text of the Certificate of Incorporation is hereby restated without further amendment to read as herein set forth in full:

FIRST: The name of the Corporation is XEROX CORPORATION.

SECOND: The purposes for which it is formed are as follows:

To engage in the invention, development, production, operation, sale or lease of devices, papers and other items, processes, and services, relating to the communications, photographic, printing and image reproduction arts;

To engage in any commercial, mercantile, manufacturing, mining, industrial, importing, exporting or trading business, venture, activity or service or other business, venture, activity or service of a kind or type described in these purposes;

To engage in scientific and technological research and pursuits of every lawful kind and description and to utilize, employ and exploit any and all knowledge resulting therefrom;

To purchase, lease or otherwise acquire, own, hold, sell, mortgage, charge or otherwise dispose of, invest, trade and deal in and with real and personal property of every kind and description.

THIRD: The office of the Corporation is to be located in the City of Rochester, Monroe County, New York.

FOURTH: The aggregate number of shares which the Corporation shall have the authority to issue is 1,750,000,000 shares of Common Stock, of the par value of $1.00 each (hereinafter referred to as "Common Stock"), 600,000 shares of Class B Stock of the par value of $1.00 each (hereinafter referred to as "Class B Stock"), and 22,043,067 shares of Cumulative Preferred Stock, of the par value of $1.00 each (hereinafter referred to as "Cumulative Preferred Stock").

The designations, preferences, privileges and voting powers of each class of stock of the Corporation, and the restrictions and qualifications thereof, shall be as follows:

1. The Cumulative Preferred Stock may be issued from time to time as follows:

(a) The Cumulative Preferred Stock may be issued from time to time as shares of one or more series of Cumulative Preferred Stock and the Board of Directors is expressly authorized, prior to issuance, in the resolution or resolutions providing for the issue of shares in each particular series, to fix the following:

(i) the distinctive serial designation and number of shares which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(ii) the annual dividend rate for such series, and the date from which dividends on shares of such series shall be cumulative;

(iii) the redemption provisions and price or prices, if any, for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption for a sinking fund and the same or a different redemption price or scale of redemption prices applicable to any other redemption;

(iv) the amount or amounts which shall be paid to the holders of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation (but not less than $1.00 in the case of involuntary liquidation);

(v) the obligation, if any, of the Corporation to retire shares of such series pursuant to a sinking fund which shall be applied to the redemption of shares of such series;

(vi) the terms and conditions (with or without limitations), if any, on which shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes, including the price or prices or at the rate or rates of conversion or exchange and the terms and conditions of adjustment thereof, if any; and

(vii) the voting rights, if any, in addition to those specified herein, and any other preferences, privileges and restrictions or qualifications of such series.

(b) All shares of Cumulative Preferred Stock, regardless of series, shall be of equal rank with each other and shall be identical with each other in all respects except as provided in or permitted by paragraph (a) of this subdivision 1 and except as provided in paragraph (b) of subdivision 6; and the shares of the Cumulative Preferred Stock of any one series shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall be cumulative.

(c) In case the stated dividends and the amounts payable on liquidation are not paid in full, the shares of all series of the Cumulative Preferred Stock shall share ratably in the payment of dividends (including accumulations, if any) in accordance with the sums which would be payable on said shares if all dividends were declared and paid in full, and in any distribution of assets other than by way of dividends in accordance with the sums which would be payable on such distributions if all sums payable were discharged in full.

2. The holders of the Cumulative Preferred Stock of each series shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available for the payment of dividends, cumulative cash dividends at the annual rate for such series (as fixed by the Board of Directors in accordance with subdivision 1 in respect of any series), and no more, payable quarter-yearly, on the first day of January, April, July and October in each year, to shareholders of record on the respective dates, not exceeding forty days preceding such dividend payment dates, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend; provided that if dividends on any shares of the Cumulative Preferred Stock shall be cumulative from a date less than thirty days prior to the first quarter-yearly dividend payment date in respect of such shares, the dividends accrued on such shares to such date shall not be payable on such date but shall be payable on the next following quarter-yearly dividend payment date. The holders of shares of the Cumulative Preferred Stock shall not be entitled to receive any dividends thereon other than the dividends referred to in this subdivision 2.

As provided in paragraph (c) of subdivision 1, no dividend shall be paid upon, or declared or set apart for, any share of Cumulative Preferred Stock of any series for any quarter-yearly dividend period (other than the first quarter-yearly dividend period for any shares if the dividend on such shares for such period shall not then be payable pursuant to the provisions of subdivision 2) unless at the same time a like proportionate dividend for the same quarter-yearly dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon, or declared and set apart for, all shares of Cumulative Preferred Stock of all series then issued and outstanding and entitled to receive the dividend.

3. So long as any shares of the Cumulative Preferred Stock are outstanding, no dividend whatever shall be paid or declared at any time, and no distribution made, on any junior stock (other than in junior stock) nor shall any shares of junior stock be purchased or otherwise acquired for value or redeemed at any time by the Corporation or any subsidiary:

(a) unless all dividends on the Cumulative Preferred Stock of all series for all past quarter-yearly dividend periods (other than the first quarter-yearly dividend period for any shares if the dividend on such shares for such period shall not then be payable pursuant to the provisions of subdivision 2) shall have been paid and the full dividends thereon for the then current quarter-yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart; and

(b) unless the Corporation shall have redeemed, retired or purchased all shares of each series of Cumulative Preferred Stock required to have been redeemed, retired or purchased at such time pursuant to the sinking fund fixed for such series by the Board of Directors in accordance with subdivision 1,

provided, however, that the foregoing restrictions in this subdivision 3 shall not apply to the acquisition of any junior stock solely in exchange for, or solely out of the proceeds of sale of, any other junior stock.

Subject to the foregoing provisions of this subdivision 3, and to any further limitations prescribed by the Board of Directors in accordance with subdivision 1, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of any funds of the Corporation legally available therefor, and the Cumulative Preferred Stock shall not be entitled to participate in any such dividends.

4. Subject to the provisions of subdivision 5, the Corporation at its option (expressed by resolution of the Board of Directors) or for the purpose of any sinking fund therefor may (except as otherwise provided by the Board of Directors in accordance with subdivision 1 in respect of any series) redeem the outstanding shares of Cumulative Preferred Stock, or of any one or more series thereof, at any time in whole, or from time to time in part, upon notice duly given as hereinafter specified, at the applicable redemption price or prices for such shares (as fixed in accordance with subdivision 1 in respect of any series), including, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption.

Notice of every such redemption of Cumulative Preferred Stock of any series (a) if all the shares of such series are held of record by not more than ten holders, shall be given by mailing such notice not less than 30 nor more than 60 days prior to the date fixed for such redemption to each holder of record of shares of such series so to be redeemed at his address as the same shall appear on the books of the Corporation, or (b) if all the shares of such series are held of record by more than ten holders, shall be given by publication at least once in each of two successive calendar weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the Borough of Manhattan, The City of New York, the first publication to be not less than 30 nor more than 60 days prior to the date fixed for such redemption, and notice of such redemption shall also be mailed not less than 30 nor more than 60 days prior to the date fixed for such redemption, to each holder of record of shares of such series so to be redeemed at his address as the same shall appear on the books of the Corporation; but, if publication is required, no failure to mail any such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceeding for the redemption of any shares to be redeemed.

In case of redemption of a part only of the Cumulative Preferred Stock of any series at the time outstanding, whether for the sinking fund therefor or otherwise, the redemption may (subject to any provision made by the Board of Directors in accordance with subdivision 1 in respect of any series) be either pro rata or by lot, as determined by the Board of Directors. Subject to the foregoing, the Board of Directors shall have full power and authority to prescribe the manner in which the drawings by lot or the pro rata redemption shall be conducted and, subject to the provisions contained in the Certificate of Incorporation or provided by the Board of Directors in accordance with subdivision 1, the terms and conditions upon which the Cumulative Preferred Stock shall be redeemed from time to time.

If any such notice of redemption shall have been duly given and if, on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on redemption thereof without interest, and the right to exercise, on or before the date fixed for redemption, all privileges of conversion or exchange, if any, not theretofore expired.

If any such notice of redemption shall have been duly given or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable written authorization promptly to give or complete such notice, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus, and undivided profits aggregating at least $5,000,000 according to its last published statement of condition, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest, and the right to exercise, on or before the date fixed for redemption, all privileges of conversion or exchange, if any, not theretofore expired. Any interest accrued on such funds shall be paid to the Corporation from time to time.

Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the holders of the shares so called for redemption shall look only to the Corporation for payment thereof; provided that any funds so deposited which shall not be required for redemption because of the exercise of any privilege of conversion or exchange subsequent to the date of deposit shall be repaid to the Corporation forthwith.

None of the shares of Cumulative Preferred Stock of any series redeemed or retired pursuant to the sinking fund fixed for such series by the Board of Directors in accordance with subdivision 1, shall be reissued and all such shares shall, in the manner provided by law, be eliminated from the authorized capital stock of the Corporation. The Corporation shall not be prohibited from reissuing any shares of Cumulative Preferred Stock redeemed or retired (other than for the sinking fund therefor) or converted into or exchanged for stock pursuant to the provisions fixed by the Board of Directors in accordance with subdivision 1, and after such redemption, retirement or conversion of the Corporation may, in the manner provided by law, restore such shares to the status of authorized but unissued shares of Cumulative Preferred Stock undesignated as to series.

5. If and so long as all dividends on the Cumulative Preferred Stock of all series for all past quarter-yearly dividend periods (other than the first quarter-yearly dividend period for any shares if the dividend on such shares for such period shall not then be payable pursuant to the provisions of subdivision 2) shall not have been paid and the full dividends thereon for the then current quarter-yearly dividend period shall not have been paid or declared and a sum sufficient for the payment thereof set apart, the Corporation shall not redeem (for sinking fund or otherwise) less than all of the Cumulative Preferred Stock at the time outstanding, and neither the Corporation nor any subsidiary shall purchase or otherwise acquire for value (for sinking fund or otherwise) any of the Cumulative Preferred Stock at the time outstanding.

6. Unless the consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least two-thirds of the shares of Cumulative Preferred Stock at the time outstanding, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, at which the Cumulative Preferred Stock shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(a) The authorization of, or any increase in the authorized amount of, any class of stock ranking prior to the Cumulative Preferred Stock;

(b) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation which would affect adversely any right, preference, privilege or voting power of the Cumulative Preferred Stock or of the holders thereof; provided, however, that if any such amendment, alteration or repeal would affect adversely any right, preference, privilege or voting power of one or more, but not all, of the series of Cumulative Preferred Stock at the time outstanding, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected, similarly given, shall be required in lieu of (or if such consent is required by law, in addition to) the consent of the holders of two-thirds of the shares of the Cumulative Preferred Stock as a class; and

(c) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance (other than by mortgage) of all or substantially all the property or business of the Corporation, or the consolidation or merger of the Corporation with or into any other corporation, except any such consolidation or merger wherein none of the rights, preferences, privileges or voting powers of any series of the Cumulative Preferred Stock or the holders thereof are adversely affected.

No consent of the holders of the Cumulative Preferred Stock or of any series thereof which would otherwise be required to permit, effect or validate any action of the Corporation or a subsidiary pursuant to the provisions of this subdivision 6 or pursuant to any provision fixed by the Board of Directors in accordance with subdivision 1 shall be required if, prior to or concurrently with such action, provision shall be made in accordance with the provisions of the fourth paragraph of subdivision 4 for the redemption of all outstanding shares of Cumulative Preferred Stock or all outstanding shares of such series, as the case may be, and all funds necessary for such redemption shall be deposited in trust in accordance with the provisions of such paragraph.

7. Unless and until six quarter-yearly dividends on the Cumulative Preferred Stock of any series shall be in default, in whole or in part, the entire voting power, except as otherwise provided in the Certificate of Incorporation or By-Laws, shall be vested exclusively in the Common Stock in accordance with the provisions of, and except as otherwise expressly provided in, the Certificate of Incorporation. If and whenever six full quarter-yearly dividends (whether or not consecutive) payable on the Cumulative Preferred Stock of any series shall be in arrears, in whole or in part, the number of Directors then constituting the Board of Directors shall be increased by two and the holders of the Cumulative Preferred Stock, voting separately as a class, regardless of series, shall be entitled to elect the two additional directors at any annual meeting of shareholders or special meeting held in place thereof, or at a special meeting of the holders of the Cumulative Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Cumulative Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarter-yearly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Cumulative Preferred Stock to elect such additional two Directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends), and the terms of office of all persons elected as Directors by the holders of the Cumulative Preferred Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the Cumulative Preferred Stock, the Secretary of the Corporation may, and upon the written request of any holder of the Cumulative Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Cumulative Preferred Stock for the election of the two Directors to be elected by them as herein

provided, such call to be made by notice similar to that provided in the By-Laws for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within twenty days after receipt of any such request, then any holder of Cumulative Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The Directors elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in place thereof. In case any vacancy shall occur among the Directors elected by the holders of the Cumulative Preferred Stock, a successor shall be elected to serve until the next annual meeting of the shareholders or special meeting held in place thereof by the then remaining Director elected by the holders of the Cumulative Preferred Stock or the successor of such remaining Director.

In any case in which the holders of Cumulative Preferred Stock or any series thereof shall be entitled to vote pursuant to the provisions of the Certificate of Incorporation or pursuant to law, each holder of Cumulative Preferred Stock or of such series, as the case may be, shall be entitled to one vote for each share thereof held.

8. In the event of any liquidation, dissolution or winding up of the Corporation, the holders of the Cumulative Preferred Stock of each series shall be entitled to receive out of the assets of the Corporation, before any distribution or payment shall be made to the holders of any junior stock, (i) if such liquidation, dissolution or winding up shall be involuntary, the amount fixed by the Board of Directors in accordance with subdivision 1 but not less than $1.00, and (ii) if such liquidation, dissolution or winding up shall be voluntary, the amount per share fixed by the Board of Directors in accordance with the provisions of subdivision 1 in the case of any series of Cumulative Preferred Stock, in effect at the time thereof, together with, in each case, all accrued and unpaid dividends thereon to the date fixed for the payment of such distributive amounts; and the holders of the junior stock shall be entitled, to the exclusion of the holders of the Cumulative Preferred Stock of any and all series, to share ratably in all the remaining assets of the Corporation in accordance with their respective rights. As provided in paragraph (c) of subdivision 1, if upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the assets available for distribution shall be insufficient to pay the holders of all outstanding shares of Cumulative Preferred Stock the full amounts to which they respectively shall be entitled, the holders of shares of Cumulative Preferred Stock of all series shall share ratably in any distribution of assets in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full. Neither the consolidation or merger of the Corporation with or into any other corporation, nor any sale, lease or conveyance of all or any part of the property or business of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this subdivision 8.

9. Except as otherwise expressly provided in the Certificate of Incorporation and except as otherwise provided by law, voting rights upon any and all matters shall be vested exclusively in the holders of the Common Stock and the Class B Stock (each share of Common Stock and of Class B Stock having one vote).

10. No holder of Common Stock, Cumulative Preferred Stock or Class B Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any obligations or other securities convertible into, or exchangeable for, any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

11. The holders of Common Stock and of Class B Stock shall possess equal voting rights and rights as to dividends or distributions, and in the event of any liquidation, dissolution or winding up of the Corporation. No dividend, distribution, split-up, combination, reclassification, or other change in the shares of Common Stock shall be made without the same being made with respect to the Class B Stock.

12. For all purposes of the Certificate of Incorporation:

The term “accrued and unpaid dividends” when used with reference to any share of any series of the Cumulative Preferred Stock shall mean an amount computed at the annual dividend rate for the shares of such series from the date on which dividends on such share became cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid on such share; but no interest shall be payable upon any arrearages.

The term “Certificate of Incorporation” shall mean the certificate of incorporation of the Corporation as amended and supplemented by any certificate heretofore or hereafter filed pursuant to law, including any certificate filed pursuant to law with respect to, and providing for the issue of, any series of Cumulative Preferred Stock.

The term “junior stock”, when used with reference to the Cumulative Preferred Stock, shall mean the Common Stock, the Class B Stock and any other stock of the Corporation, now or hereafter authorized, over which the Cumulative Preferred Stock has preference or priority either in the payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation.

The term “sinking fund”, as applied to any series of preferred stock, shall mean any fund or requirement for the periodic redemption, retirement or purchase of shares of such series.

The term “stock ranking prior to the Cumulative Preferred Stock” shall mean any stock of the Corporation, now or hereafter authorized, which has preference over the Cumulative Preferred Stock either in the payment of dividends or in any liquidation, dissolution or winding up of the Corporation.

SERIES A CONVERTIBLE PERPETUAL PREFERRED STOCK

13. (a) *Designation.* There is hereby created out of the authorized and unissued shares of Cumulative Preferred Stock of the Corporation a series of preferred stock designated as the "Series A Convertible Perpetual Preferred Stock" (the "Series A Preferred Stock"). The number of shares constituting such series shall be 300,000.

(b) *Definitions*. As used herein with respect to the Series A Preferred Stock, the following terms shall have the following meanings, whether used in the singular or the plural:

"Additional Shares" has the meaning set forth in Subdivision 13(l)(i).

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Conversion Price" at any given time means the price equal to $1,000 divided by the Applicable Conversion Rate in effect at such time.

"Applicable Conversion Rate" means the Conversion Rate in effect at any given time.

"Board of Directors" means the board of directors of the Corporation or any committee thereof duly authorized to act in the relevant matter on behalf of such board of directors.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banks in New York City, New York are generally required or authorized by law to be closed.

"Certificate of Incorporation" means the Restated Certificate of Incorporation of Xerox Corporation, as amended.

"Close of Business" means 5:00 pm, New York City time, on the date in question.

"Closing Price" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means:

(i) the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) on the New York Stock Exchange on such date;

(ii) if the Common Stock or such other securities are not traded on the New York Stock Exchange on such date, the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such other securities are traded on such date;

(iii) if the Common Stock or such other securities are not traded on a U.S. national or regional securities exchange on such date, the last quoted bid price for the Common Stock or such other securities on such date in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization; or

(iv) if the Common Stock or such other securities are not quoted by Pink OTC Markets Inc. or a similar organization on such date, as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Subdivision 13, all references herein to the "Closing Price" and "last reported sale price" of the Common Stock on the New York Stock Exchange shall be such closing sale price and last reported sale price as reflected on the website of the New York Stock Exchange (http://www.nyse.com) and as reported by Bloomberg Professional Service; *provided* that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of the New York Stock Exchange shall govern.

"Common Stock Outstanding" means, at any given time, the number of shares of Common Stock issued and outstanding at such time.

"Conversion Date" has the meaning set forth in Subdivision 13(i)(v)(B).

"Conversion Rate" means, with respect to each share of Series A Preferred Stock, 89.8876 shares of Common Stock, subject to adjustment in accordance with the provisions of this Subdivision 13.

"Cumulative Preferred Stock" means the Cumulative Preferred Stock, par value of $1.00 each, of the Corporation.

"Current Market Price" means, in the case of any distribution giving rise to an adjustment to the Conversion Rate pursuant to Subdivision 13(j)(iv), Subdivision 13(j)(v) or Subdivision 13(j)(vi) or a distribution upon conversion pursuant to Subdivision 13(j)(viii), the average Closing Price of the Common Stock during the ten consecutive Trading Day period ending on and including the Trading Day immediately preceding the Ex-Dividend Date for such distribution. Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to Subdivision 13(j), such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of Subdivision 13(j) and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

"Distributed Property" has the meaning set forth in Subdivision 13(j)(v).

"Dividend Payment Date" has the meaning set forth in Subdivision 13(d)(ii).

"Dividend Period" means each period from, and including, a Dividend Payment Date (or with respect to the initial Dividend Period, the Issue Date) to, but excluding, the following Dividend Payment Date.

"Dividend Rate" has the meaning set forth in Subdivision 13(d)(i).

"Dividend Record Date" has the meaning set forth in Subdivision 13(d)(iv).

"Dividend Threshold Amount" has the meaning set forth in Subdivision 13(j)(vi)(B).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Property" has the meaning set forth in Subdivision 13(k)(i).

"Ex-Dividend Date" means the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the relevant dividend, distribution or issuance.

"Expiration Date" has the meaning set forth in Subdivision 13(j)(vii).

"Expiration Time" has the meaning set forth in Subdivision 13(j)(vii).

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction as reasonably determined by the Board of Directors in good faith; *provided*, *however*, that with respect to Subdivision 13(o)(ii), Fair Market Value shall mean the value of the Optional Redemption Transferred Shares determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

"Fiscal Quarter" means, with respect to the Corporation, the fiscal quarter publicly disclosed by the Corporation.

"Fundamental Change" means the occurrence of any of the following:

(i) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the Common Stock;

(ii) consummation of any consolidation, merger or other business combination of the Corporation with or into another Person or any sale, lease or conveyance in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation's subsidiaries, in each case pursuant to which the Common Stock will be converted into cash, securities or other property, other than:

(A) pursuant to a transaction in which the Persons that "beneficially owned" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, Voting Shares of the Corporation immediately prior to such transaction beneficially own, directly or indirectly, Voting Shares representing a majority of the total voting power of all outstanding classes of Voting Shares of the continuing or surviving Person immediately after the transaction; or

(B) any merger or consolidation primarily for the purpose of changing the jurisdiction on incorporation of the Corporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity; or

(iii) the Common Stock ceases to be listed on a U.S. national securities exchange or association (other than as a result of a transaction described in clause (ii) above);

provided, *however*, that a Fundamental Change with respect to clauses (i) or (ii) above shall not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of common stock that is traded on a U.S. national securities exchange or that will be traded on a U.S. national securities exchange when issued or exchanged in connection with such transaction.

"Fundamental Change Notice" has the meaning set forth in Subdivision 13(m)(ii).

"Fundamental Change Redemption Date" has the meaning set forth in Subdivision 13(m)(i).

"Fundamental Change Redemption Price" has the meaning set forth in Subdivision 13(m)(i).

"Holder(s)" means the Person(s) in whose name the shares of the Series A Preferred Stock are registered, which may be treated by the Corporation, as the absolute owner of the shares of Series A Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes. The initial Holder shall be Darwin Deason.

"Issue Date" means the date upon which any shares of Series A Preferred Stock are first issued.

"Junior Securities" has the meaning set forth in Subdivision 13(c)(i).

"Liquidation Preference" means, with respect to each share of Series A Preferred Stock, at any time, $1,000.

"Make-Whole Acquisition" means the occurrence of a transaction described under clauses (i) or (ii) of the definition of "Fundamental Change."

"Make-Whole Acquisition Conversion Period" has the meaning set forth in Subdivision 13(l)(i).

"Make-Whole Acquisition Effective Date" has the meaning set forth in Subdivision 13(l)(i).

"Make-Whole Acquisition Stock Price" means the price paid per share of Common Stock in the event of a Make-Whole Acquisition. If the holders of shares of Common Stock receive only cash in the Make-Whole Acquisition, the Make-Whole Acquisition Stock Price shall be the cash amount paid per share of Common Stock. Otherwise, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on the 10 Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

"Mandatory Conversion Date" has the meaning set forth in Subdivision 13(h)(iii).

"Notice of Mandatory Conversion" has the meaning set forth in Subdivision 13(h)(iii).

"Optional Redemption Date" has the meaning set forth in Subdivision 13(o)(ii)(B).

"Optional Redemption Notice" has the meaning set forth in Subdivision 13(o)(ii)(A).

"Optional Redemption Transferred Shares" has the meaning set forth in Subdivision 13(o)(ii).

"Parity Securities" has the meaning set forth in Subdivision 13(c)(ii).

"Permitted Transferee(s)" means any of (w) the spouse of Darwin Deason, (x) any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason, (y) any brother or sister of Darwin Deason, or (z) any trust for the direct or indirect benefit of exclusively Darwin Deason and/or the spouse of Darwin Deason; any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason; or any brother or sister of Darwin Deason.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock corporation, limited liability company or trust.

"Record Date" means, with respect to any issuance, dividend, or distribution declared, paid or made on or with respect to any capital stock of the Corporation, the date fixed for the determination of the holders of such capital stock entitled to receive such issuance, dividend or distribution.

"Registrar" means the Corporation or any other registrar appointed by the Corporation.

"Reorganization Event" has the meaning set forth in Subdivision 13(k)(i).

"Senior Securities" has the meaning set forth in Subdivision 13(c)(iii).

"Series A Preferred Stock" has the meaning set forth in Subdivision 13(a).

"Spin-Off" has the meaning set forth in Subdivision 13(j)(v).

"Spin-Off Valuation Period" has the meaning set forth in Subdivision 13(j)(v).

"Trading Day" means a day on which the shares of Common Stock or any securities distributed in a Spin-Off, as the case may be:

(i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the Close of Business; and

(ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

"Transfer" means, with respect to each share of Series A Preferred Stock, the sale, transfer, pledge, assignment, loan or other disposition or encumbrance of such share of Series A Preferred Stock.

"Trigger Event" has the meaning set forth in Subdivision 13(j)(xv).

"Voting Shares" of a Person means shares of all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors of such Person.

(c) *Ranking*. The Series A Preferred Stock shall, with respect to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation, rank:

(i) senior to the Corporation's Common Stock and Class B Stock and each other class or series of capital stock that the Corporation may issue in the future the terms of which do not expressly provide that it ranks on a parity with or senior to the Series A Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the "Junior Securities");

(ii) on a parity with each class or series of Cumulative Preferred Stock established after the Issue Date by the Corporation the terms of which expressly provide that such class or series will rank on a parity with the Series A Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the "Parity Securities"); and

(iii) subject to the approval of the holders of the Series A Preferred Stock to the extent required by subdivision 6 of Article FOURTH of the Certificate of Incorporation, junior to any class or series of the Corporation's capital stock that the Corporation may issue in the future the terms of which expressly provide that such class or series shall rank senior to the Series A Preferred Stock (collectively, the "Senior Securities").

For the avoidance of doubt, the Corporation has the right to authorize and/or issue additional shares or classes or series of Junior Securities or Parity Securities without notice to or consent of the Holder(s).

(d) *Dividends.*

(i) The Holder(s) shall be entitled to receive, on each share of Series A Preferred Stock, when, as and if declared by the Board of Directors, out of any funds legally available for the payment of dividends, cumulative cash dividends at a rate per annum equal to 8.0% of the Liquidation Preference (the "Dividend Rate") in accordance with subdivisions 1, 2 and 3 of Article FOURTH of the Certificate of Incorporation; *provided*, *however*, that in the event that on any Dividend Payment Date there shall be accrued and unpaid dividends for any prior Dividend Period, the Dividend Rate shall equal 8.0% per annum of the sum of (x) the Liquidation Preference and (y) the amount of all such accrued and unpaid dividends for any prior Dividend Periods.

(ii) Dividends will accrue and cumulate from the Issue Date and are payable quarterly in arrears on the first day of January, April, July and October (each, a "Dividend Payment Date"), commencing on the first Dividend Payment Date following the Issue Date. If a Dividend Payment Date falls on a day that is not a Business Day, the dividends will be paid on the next Business Day as if it were paid on the Dividend Payment Date and no interest will accrue in connection therewith.

(iii) The amount of dividends payable for each full quarterly Dividend Period will be computed by dividing the Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other Dividend Period shorter or longer than a full quarterly Dividend Period, will be computed on the basis of the actual number of days elapsed during such Dividend Period over a 360-day year.

(iv) Dividends will be paid to the Holder(s) as such Holder(s) appear in the records of the Corporation at the Close of Business on the 15th day of the immediately preceding calendar month in which the applicable Dividend Payment Date falls (the "Dividend Record Date"). The Dividend Record Date shall apply regardless of whether any particular Dividend Record Date is a Business Day.

(v) Dividends on any share of Series A Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable.

(e) *Liquidation.*

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the Holder(s) shall be entitled to receive for each share of Series A Preferred Stock out of the assets of the Corporation or proceeds thereof legally available for distribution to stockholders of the Corporation, after satisfaction of all liabilities, if any, to creditors of the Corporation and subject to the rights of holders of any Senior Securities, and before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Securities, a liquidating distribution in an amount equal to (x) the Liquidation Preference and (y) an amount equal to any accrued and unpaid dividends on such share of Series A Preferred Stock through the date of such liquidating distribution. After payment of the full amount of such liquidating distribution, the Holder(s) will not be entitled to any further participation in any distribution of assets by, and shall have no right or claim to any remaining assets, of the Corporation.

(ii) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series A Preferred Stock and the corresponding amounts payable on any Parity Securities, the Holder(s) and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions which would be payable on such shares if all amounts payable thereon were paid in full.

(iii) Neither the consolidation or merger of the Corporation with or into any other entity, nor the consolidation or merger of any other entity with or into the Corporation, nor the sale, lease or other transfer or disposition of all or substantially all of the Corporation's property or business or other assets shall, in and of itself, constitute a liquidation, dissolution or winding up of the Corporation.

(f) *Maturity*. The Series A Preferred Stock shall be perpetual, unless converted in accordance with this Certificate of Incorporation or redeemed either at the option of the Holder pursuant to Subdivision 13(m) or at the option of the Corporation pursuant to Subdivision 13(o)(ii).

(g) *Conversion at the Holder's Option*. Each Holder shall have the right, at such Holder's option, at any time and from time to time, to convert all or any portion of such Holder's Series A Preferred Stock into shares of Common Stock at the Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 13(i).

(h) *Mandatory Conversion at the Corporation's Option.*

(i) On or after the fifth anniversary of the Issue Date, the Corporation shall have the right, at its option, at any time or from time to time to cause some or all of the Series A Preferred Stock to be converted into shares of Common Stock at the then Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so converted through the Mandatory Conversion Date, if, for 20 Trading Days during any period of 30 consecutive Trading Days (including the last Trading Day of such period), ending on the Trading Day preceding the date the Corporation delivers a Notice of Mandatory Conversion, the Closing Price of the Common Stock exceeds 130% of the then Applicable Conversion Price.

(ii) If the Corporation elects to cause fewer than all of the shares of Series A Preferred Stock to be converted pursuant to this Subdivision 13(h), the Corporation shall select the Series A Preferred Stock to be converted on a pro rata basis or by another method the Board of Directors, in its sole discretion, considers fair to the Holders. If the Corporation selects a portion of a Holder's Series A Preferred Stock for partial mandatory conversion and such Holder converts a portion of its shares of Series A Preferred Stock, the converted portion will be deemed to be from the portion selected for mandatory conversion under this Subdivision 13(h).

(iii) If the Corporation elects to exercise the mandatory conversion right pursuant to this Subdivision 13(h), the Corporation shall provide notice of such conversion to each Holder (such notice, a "Notice of Mandatory Conversion"). The conversion date shall be a date selected by the Corporation (the "Mandatory Conversion Date") and shall be no more than 7 days after the date on which the Corporation provides such Notice of Mandatory Conversion. In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion shall state, as appropriate:

(A) the Mandatory Conversion Date;

(B) the number of shares of Common Stock to be issued upon conversion of each share of Series A Preferred Stock; and

(C) the number of shares of Series A Preferred Stock to be converted.

(i) *Conversion Procedures*.

(i) As provided in Subdivision 13(d)(v), dividends on any share of Series A Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable, and such shares of Series A Preferred Stock shall cease to be outstanding upon conversion.

(ii) Prior to the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date, shares of Common Stock (and/or other securities, if applicable) issuable upon conversion of any shares of Series A Preferred Stock shall not be deemed outstanding for any purpose, and the Holder(s) shall have no rights with respect to the Common Stock (and/or other securities, if applicable) issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock (and/or other securities, if applicable) issuable upon conversion and rights to receive any dividends or other distributions on the Common Stock (and/or other securities, if applicable) issuable upon conversion) by virtue of holding shares of Series A Preferred Stock.

(iii) The Person(s) entitled to receive the Common Stock (and/or cash, securities or other property, if applicable) issuable upon conversion of Series A Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock (and/or other securities, if applicable) as of the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock (and/or cash, securities or other property, if applicable) and payments of cash in lieu of fractional shares, if any, and accrued and unpaid dividends, if any, to be issued or paid upon conversion of shares of Series A Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payments, in the name of the Holder and in the manner shown on the records of the Corporation.

(iv) Shares of Series A Preferred Stock duly converted in accordance with this Certificate of Incorporation, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued Cumulative Preferred Stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series A Preferred Stock; *provided* that no decrease shall reduce the authorized number of Series A Preferred Stock to a number less than the number of shares then outstanding.

(v) Conversion into shares of Common Stock will occur on the Mandatory Conversion Date or any applicable Conversion Date as follows:

(A) On the Mandatory Conversion Date, certificates representing shares of Common Stock shall be issued and delivered to the Holder(s) or their designee upon presentation and surrender of the certificate evidencing the Series A Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

(B) On the date of any conversion at the option of the Holder(s) pursuant to Subdivision 13(g), a Holder must do each of the following in order to convert:

(1) surrender the shares of Series A Preferred Stock to the Corporation;

(2) if required, furnish appropriate endorsements and transfer documents; and

(3) if required, pay all transfer or similar taxes.

The date on which a Holder complies with the procedures in this Subdivision 13(i)(v) is the "<u>Conversion Date</u>".

(vi) Fractional Shares.

(A) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series A Preferred Stock.

(B) In lieu of any fractional share of Common Stock otherwise issuable in respect of any conversion pursuant to Subdivision 13(g) or Subdivision 13(h), the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Conversion Date.

(C) If more than one share of the Series A Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series A Preferred Stock so surrendered.

(j) *Anti-Dilution Adjustments*.

(i) The Conversion Rate shall be adjusted from time to time by the Corporation in accordance with this Subdivision 13(j).

(ii) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, pay a dividend or make a distribution on its Common Stock in shares of its Common Stock to all or substantially all holders of its Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;

CR_1 = the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;

OS_0 = the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution; and

OS_1 = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such dividend or distribution.

Any adjustment made pursuant to this Subdivision 13(j)(ii) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution that is the subject of this Subdivision 13(j)(ii) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. For the avoidance of doubt, for purposes of this Subdivision 13(j)(ii), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution shall not include shares of Common Stock held in treasury, if any.

(iii) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, (x) subdivide the then Common Stock Outstanding into a greater number of shares of Common Stock or (y) combine the then Common Stock Outstanding into a smaller number of shares of Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the effective date of such subdivision or combination;

CR_1 = the Conversion Rate in effect immediately after the effective date of such subdivision or combination;

OS_0 = the number of shares of Common Stock Outstanding at the Close of Business on the effective date of such subdivision or combination; and

OS_1 = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination.

Any adjustment made pursuant to this Subdivision 13(j)(iii) shall become effective immediately after the effective date of such subdivision or combination.

(iv) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, distribute to holders of all or substantially all of the Common Stock any rights or warrants (other than a distribution of rights issued pursuant to a stockholder's rights plan, to the extent such rights are attached to shares of Common Stock (in which event the provisions of Subdivision 13(j)(xv) shall apply), a dividend reinvestment plan or an issuance in connection with a transaction in which Subdivision 13(k) applies) entitling them to subscribe for or purchase, for a period of not more than 60 calendar days from the issuance date of such distribution, shares of Common Stock at a price per share less than the Current Market Price of the Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \text{ X } \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;

CR' = the Conversion Rate in effect immediately after the Record Date for such distribution;

OS_0 = the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution;

X = the total number of shares of Common Stock issuable pursuant to such rights or warrants; and

Y = the number of shares of Common Stock equal to (x) the aggregate price payable to exercise such rights or warrants divided by (y) the Current Market Price of the Common Stock.

Any adjustment made pursuant to this Subdivision 13(j)(iv) shall become effective immediately after the Record Date for such distribution. If such rights or warrants described in this Subdivision 13(j)(iv) are not so distributed, the

Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to distribute such rights or warrants, to the Conversion Rate that would then be in effect if such distribution had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the distribution of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate price payable to exercise such rights or warrants, there shall be taken into account any consideration received by the Corporation upon exercise of such rights and warrants and the value of such consideration (if other than cash, to be determined in good faith by the Board of Directors). For the avoidance of doubt, for purposes of this Subdivision 13(j)(iv), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution shall not include shares of Common Stock held in treasury, if any.

(v) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, by dividend or otherwise, distribute to all or substantially all holders of the Common Stock shares of any class of capital stock of the Corporation, evidences of its indebtedness, assets, property or rights or warrants to acquire the Corporation's capital stock or other securities, but excluding:

(A) any dividends or distributions referred to in Subdivision 13(j)(ii);

(B) any rights or warrants referred to in Subdivision 13(j)(iv);

(C) any dividends or distributions referred to in Subdivision 13(j)(vi);

(D) any dividends and distributions in connection with a transaction to which Subdivision 13(k) shall apply; and

(E) any Spin-Offs to which the provision set forth below in this Subdivision 13(j)(v) shall apply,

(any such shares of capital stock, indebtedness, assets, property or rights or warrants to acquire Common Stock or other securities, hereinafter in this Subdivision 13(j)(v) called the "Distributed Property"), then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;

CR' = the Conversion Rate in effect immediately after the Record Date for such distribution;

SP_0 = the Current Market Price of the Common Stock; and

FMV = the Fair Market Value on the Record Date for such distribution of the Distributed Property, expressed as amount per share of Common Stock.

If the transaction that gives rise to an adjustment pursuant to this Subdivision 13(j)(v) is one pursuant to which the payment of a dividend or other distribution on the Common Stock consists of shares of capital stock of, or similar equity interests in, a Subsidiary or other business unit of the Corporation (a "Spin-Off") that are, or when issued will be, traded or listed on the New York Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or any other U.S. national securities exchange or association, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{(FMV + MP_0)}{MP_0}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;

CR' = the Conversion Rate in effect immediately after the Record Date for such distribution;

FMV = the average of the Closing Prices of the capital stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the 10 consecutive Trading Day period beginning on, and including, the effective date of the Spin-Off (the "Spin-Off Valuation Period"); and

MP_0 = the average of the Closing Prices of the Common Stock over the Spin-Off Valuation Period.

Any adjustment made pursuant to this Subdivision 13(j)(v) shall become effective immediately after the Record Date for such distribution. If any dividend or distribution of the type described in this Subdivision 13(j)(v) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If an adjustment to the Conversion Rate is required under this Subdivision 13(j)(v), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required under this Subdivision 13(j)(v) shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 13(j)(v).

(vi) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, by dividend or otherwise make a distribution to all or substantially all holders of its outstanding shares of Common Stock consisting exclusively of cash, but excluding:

(A) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), or upon a transaction to which Subdivision 13(k) applies, or

(B) regular cash dividends to the extent that such dividends do not exceed $0.25 per share in any Fiscal Quarter (the "Dividend Threshold Amount"),

then the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \quad X \quad \frac{SP_0}{SP_0 - DIV}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;
CR_1	=	the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;
SP_0	=	the Current Market Price of the Common Stock; and
DIV	=	the amount in cash per share of Common Stock of the dividend or distribution, as determined pursuant to the following sentences. If any adjustment is required to be made as set forth in this Subdivision 13(j)(vi) as a result of a distribution (1) that is a regularly scheduled quarterly dividend, such adjustment would be based on the amount by which such dividend exceeds the Dividend Threshold Amount or (2) that is not a regularly scheduled quarterly dividend, such adjustment would be based on the full amount of such distribution. The Dividend Threshold Amount is subject to adjustment on an inversely proportional basis whenever the Conversion Rate is adjusted; *provided* that no adjustment shall be made to the Dividend Threshold Amount for any adjustment made to the Conversion Rate as described under this Subdivision 13(j)(vi).

Any adjustment made pursuant to this Subdivision 13(j)(vi) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution of the type described in this Subdivision 13(j)(vi) is not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(vii) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, make a payment in respect of a tender offer or exchange offer for all or any portion of the Common Stock subject to the tender offer rules, to the extent that the cash and value of any other consideration included in the payment per share of Common Stock exceeds the Closing Price of the Common Stock on the trading day immediately succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the "Expiration Date"), then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \text{ x } \frac{FMV + (SP_1 \text{ x } OS_1)}{SP_1 \text{ x } OS_0}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Expiration Date;

CR_1 = the Conversion Rate in effect immediately after the Expiration Date;

FMV = the Fair Market Value, on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares of Common Stock validly tendered or exchanged and not withdrawn as of the Expiration Date;

OS_1 = the number of shares of Common Stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender offer or exchange offer (the "Expiration Time");

OS_0 = the number of shares of Common Stock outstanding immediately prior to the Expiration Time; and

SP_1 = the average of the Closing Price of Common Stock during the ten consecutive Trading Day period commencing on the Trading Day immediately after the Expiration Date.

Any adjustment made pursuant to this Subdivision 13(j)(vii) shall become effective immediately prior to 9:00 a.m., New York City time, on the Trading Day immediately following the Expiration Date. If the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Subdivision 13(j)(vii) to any tender offer or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this Subdivision 13(j)(vii). If an adjustment to the Conversion Rate is required under this Subdivision 13(j)(vii), delivery of any additional shares of Common Stock upon conversion of the Series A Preferred Stock shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 13(j)(vii).

(viii) In cases where the Fair Market Value of shares of capital stock, evidences of indebtedness, assets (including cash), or securities or certain rights, warrants or options to purchase securities of the Corporation, or the amount of the cash dividend or distribution applicable to one share of Common Stock, distributed to all or substantially all holders of the Common Stock:

(A) equals or exceeds the Current Market Price of the Common Stock; or

(B) the Current Market Price of the Common Stock exceeds the Fair Market Value of such assets, debt securities or rights, warrants or options or the amount of cash so distributed by less than $1.00,

rather than being entitled to an adjustment in the Conversion Rate, the Holder(s) will be entitled to receive upon conversion, in addition to shares of Common Stock, the kind and amount of shares of capital stock, evidences of indebtedness, assets, or securities or rights, warrants or options comprising the distribution, if any, that such Holder(s) would have received if such Holder(s) had held a number of shares of Common Stock equal to the principal amount of the notes held divided by the Conversion Rate in effect immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

(ix) All calculations under this Subdivision 13(j) shall be made to the nearest 1/100,000 of a share of Common Stock per share of Series A Preferred Stock. No adjustment in the Conversion Rate is required if the amount of such adjustment would be less than 1%; *provided*, *however*, that any such adjustment not required to be made pursuant to this Subdivision 13(j)(ix) will be carried forward and taken into account in any subsequent adjustment.

(x) No adjustment to the Conversion Rate shall be made if the Holder(s) may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series A Preferred Stock, without having to convert the Series A Preferred Stock, as if they held the full number of shares of Common Stock into which a share of the Series A Preferred Stock may then be converted.

(xi) The Corporation may, but is not required to, make such increases in the Conversion Rate, in addition to those required by Subdivision 13(j)(ii) through (vii), as the Board of Directors deems advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of Common Stock (or rights to acquire Common Stock) or from any event treated as such for income tax purposes.

(xii) In addition to the foregoing, to the extent permitted by applicable law and subject to the applicable rules of the New York Stock Exchange, the Corporation from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 Business Days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Corporation, which determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Corporation shall mail to Holder(s) a notice of the increase, which notice will be given at least 15 calendar days prior to the effectiveness of any such increase, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(xiii) If during a period applicable for calculating the Closing Price of Common Stock or any other security, an event occurs that requires an adjustment to the Conversion Rate, the Closing Price of such security shall be calculated for such period in a manner reasonably determined by the Corporation to appropriately reflect the impact of such event on the price of such security during such period. Whenever any provision of this Subdivision 13 requires a calculation of an average of Closing Prices of Common Stock or any other security over multiple days, appropriate adjustments shall be made to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Record Date of the event occurs, at any time during the period during which the average is to be calculated.

(xiv) Whenever the Conversion Rate is to be adjusted in accordance with Subdivision 13(j), the Corporation shall compute the Conversion Rate in accordance with Subdivision 13(j), taking into account Subdivision 13(j)(ix), and provide, or cause to be provided, a written notice to the Holder(s) of the occurrence of such event and setting forth the adjusted Conversion Rate.

(xv) Rights Plans. If the Corporation has a rights plan in effect with respect to the Common Stock on the Mandatory Conversion Date or any Conversion Date, upon conversion of any shares of the Series A Preferred Stock, the Holder of such shares will receive, in addition to the shares of Common Stock, the rights under the rights plan relating to such Common Stock, unless, prior to the Mandatory Conversion Date or such Conversion Date, the rights have (x) become exercisable or (y) separated from the shares of Common Stock in accordance with the provisions of such rights plan (the first of events to occur being the "Trigger Event"), in either of which cases the Conversion Rate will be adjusted, effective automatically at the time of such Trigger Event, as if the Corporation had made a distribution of such rights to all holders of the Common Stock as described in Subdivision 13(j)(iv) (without giving effect to the 60 day limit on the exercisability of rights and warrants ordinarily subject to such Subdivision 13(j)(iv)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such stockholder rights are exchanged by the Corporation for shares of Common Stock, the Conversion Rate shall be appropriately readjusted as if such stockholder rights had not been issued, but the Corporation had instead issued the shares of Common Stock issued upon such exchange as a dividend or distribution of shares of Common Stock subject to Subdivision 13(j)(ii).

(k) *Reorganization Events.*

(i) In the event that there occurs:

(A) any consolidation, merger or other business combination of the Corporation with or into another Person;

(B) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation;

(C) any reclassification, recapitalization or reorganization of the Corporation; or

(D) any statutory exchange of the outstanding shares of Common Stock for securities of another Person (other than in connection with a consolidation, merger or other business combination);

and in each case, the holders of the Common Stock receive stock, other securities or other property or assets (including cash or any combination thereof) with respect to or in exchange for the Common Stock (any such event or transaction, a "Reorganization Event") each share of Series A Preferred Stock outstanding immediately prior to such Reorganization Event shall, without notice to or consent of the Holder(s) and subject to Subdivision 13(k)(v), become convertible (but, for the avoidance of doubt, shall not be automatically converted in connection with such Reorganization Event) into the kind of securities, cash and other property received in such Reorganization Event by the holders of the Common Stock (other than the counterparty to the Reorganization Event or an Affiliate of such counterparty) (such securities, cash and other property, the "Exchange Property").

(ii) In the event that holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the Holder(s) are entitled to receive upon conversion shall be deemed to be the types and amounts of consideration received by a majority of the holders of the shares of Common Stock that did make an affirmative election.

(iii) The above provisions of this Subdivision 13(k) shall similarly apply to successive Reorganization Events and the provisions of Subdivision 13(j) shall apply to any shares of capital stock received by the holders of Common Stock in any such Reorganization Event.

(iv) The Corporation (or any successor) shall, within 20 days of the consummation of any Reorganization Event, provide written notice to the Holder(s) of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Subdivision 13(k).

(v) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless:

(A) such agreement provides for, or does not interfere with or prevent (as applicable), conversion of the Series A Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Subdivision 13(k); and

(B) to the extent that the Corporation is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series A Preferred Stock into stock of the Person surviving such Reorganization Event or, in the case of a Reorganization Event described in Subdivision 13(k)(i)(B), an exchange of Series A Preferred Stock for the stock of the Person to whom the Corporation's assets are conveyed or transferred, and such stock of the Person surviving such Reorganization Event or to whom the Corporation's assets are conveyed or transferred shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation.

(l) *Holder's Right to Convert Upon a Make-Whole Acquisition.*

(i) In addition to any other rights of conversion set forth herein, in the event a Make-Whole Acquisition occurs, each Holder shall have the right, at such Holder's option, to convert all or any portion of such Holder's shares of Series A Preferred Stock into shares of Common Stock during the period (the "Make-Whole Acquisition Conversion Period") beginning on the effective date of the Make-Whole Acquisition (the "Make-Whole Acquisition Effective Date") and ending on the date that is 30 calendar days after the Make-Whole Acquisition Effective Date at the Applicable Conversion Rate, plus a number of additional shares of Common Stock (the "Additional Shares") determined pursuant to Subdivision 13(l)(ii), plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 13(i).

(ii) The number of Additional Shares per share of Series A Preferred Stock shall be determined by reference to the table below for the applicable Make-Whole Acquisition Effective Date and the applicable Make-Whole Acquisition Stock Price:

	Make-Whole Acquisition Stock Price																	
Make-Whole Acquisition Effective Date	**$8.72**	**$10.00**	**$12.00**	**$14.00**	**$14.46**	**$16.00**	**$18.00**	**$20.00**	**$22.00**	**$24.00**	**$26.00**	**$28.00**	**$30.00**	**$32.00**	**$34.00**	**$36.00**	**$38.00**	**$40.00**
February 1, 2010	24.7913	23.6268	17.6972	13.9064	13.3093	11.3104	9.4138	7.9597	6.8038	5.8595	5.0727	4.4068	3.8368	3.3445	2.9161	2.5415	2.2124	1.9225
February 1, 2011	24.7913	22.0079	16.0166	12.3338	11.7769	9.9124	8.2031	6.9243	5.9232	5.1125	4.4392	3.8697	3.3813	2.9580	2.5883	2.2634	1.9767	1.7226
February 1, 2012	24.7913	20.3361	14.1073	10.4610	9.9415	8.2023	6.6990	5.6236	4.8061	4.1552	3.6187	3.1663	2.7780	2.4406	2.1447	1.8834	1.6513	1.4446
February 1, 2013	24.7913	18.7311	11.9829	8.2258	7.7398	6.1127	4.8531	4.0299	3.4382	2.9797	2.6061	2.2916	2.0214	1.7860	1.5788	1.3949	1.2309	1.0838
February 1, 2014	24.7913	17.6267	9.7394	5.4758	5.0124	3.4610	2.5458	2.0743	1.7728	1.5452	1.3585	1.1998	1.0627	0.9427	0.8369	0.7428	0.6586	0.5829
February 1, 2015 and thereafter	24.7913	16.9727	7.4564	0.8113	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact Make-Whole Acquisition Stock Price and Make-Whole Acquisition Effective Date may not be set forth in the table, in which case:

(A) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table or the Make-Whole Acquisition Effective Date is between two Make-Whole Acquisition Effective Dates in the table, the number of Additional Shares will be determined by straight-line interpolation between the number of Additional Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts and the two Make-Whole Acquisition Effective Dates, as applicable, based on a 365-day year;

(B) if the Make-Whole Acquisition Stock Price is in excess of $40.00 per share (subject to adjustment pursuant to Subdivision 13(j)), no Additional Shares will be issued upon conversion of the Series A Preferred Stock;

(C) if the Make-Whole Acquisition Stock Price is less than $8.72 per share (subject to adjustment pursuant to Subdivision 13(j)), no Additional Shares will be issued upon conversion of the Series A Preferred Stock; and

(D) if the Make-Whole Acquisition Effective Date is after the fifth anniversary of the Issue Date, then the number of Additional Shares will be determined by reference to the last row in the table.

The Make-Whole Acquisition Stock Prices set forth in the table above shall be adjusted pursuant to Subdivision 13(j) as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices will equal the Make-Whole Acquisition Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment and the denominator of which is the Conversion Rate as so adjusted. Each of the number of Additional Shares in the table shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Subdivision 13(j).

(iii) On or before the 20th calendar day prior to the date the Corporation anticipates the Make-Whole Acquisition being consummated or within two Business Days of becoming aware of a Make-Whole Acquisition of the type set forth in clause (i) of the definition of Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date of which the Make-Whole Acquisition is anticipated to be effective or the Make-Whole Acquisition Effective Date, as applicable; and

(B) the date by which a Make-Whole Acquisition conversion pursuant to this Subdivision 13(l) must be exercised.

(iv) On the Make-Whole Acquisition Effective Date or as soon as practicable thereafter, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 calendar days after the Make-Whole Acquisition Effective Date;

(B) the number of Additional Shares;

(C) the amount of cash, securities and other consideration receivable by a Holder upon conversion; and

(D) the instructions a Holder must follow to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l).

(v) To exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l), a Holder must, no later than 5:00 p.m., New York City time, on or before the date specified in the notice sent pursuant to Subdivision 13(l)(iv), comply with the procedures set forth in Subdivision 13(i), and indicate that it is exercising its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l).

(vi) If a Holder does not elect to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l), the shares of Series A Preferred Stock or successor security held by it shall remain outstanding (unless otherwise converted as provided herein), but the Holder will not be eligible to receive Additional Shares.

(vii) Upon a Make-Whole Acquisition conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Subdivision 13(l)(v), deliver to the Holder such cash, securities or other property as are issuable with respect to the shares of Series A Preferred Stock converted.

(viii) In the event that a Make-Whole Acquisition conversion is effected with respect to shares of Series A Preferred Stock or a successor security representing less than all the shares of Series A Preferred Stock or a successor security held by a Holder, upon such Make-Whole Acquisition conversion, the Corporation or its successor shall execute and the Registrar shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series A Preferred Stock or such successor security held by the Holder as to which a Make-Whole Acquisition conversion was not effected.

(m) *Holder's Redemption Right Upon a Fundamental Change*.

(i) Upon the occurrence of a Fundamental Change, each Holder shall have the option, during the period commencing on the date the applicable Fundamental Change Notice (as defined below) is mailed to Holders of the Series A Preferred Stock and ending at the Close of Business on the 45^{th} Business Day thereafter (the "<u>Fundamental Change Redemption Date</u>"), to require the Corporation to redeem all, or any portion, of such Holder's shares of Series A Preferred Stock at the redemption price per share equal to the Liquidation Preference per share of Series A Preferred Stock plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so redeemed to, but not including, the Fundamental Change Redemption Date (the "<u>Fundamental Change Redemption Price</u>").

(ii) Within 30 days following a Fundamental Change, the Corporation shall mail to each Holder of shares of the Series A Preferred Stock a notice (the "<u>Fundamental Change Notice</u>") setting forth the details of the Fundamental Change and the special redemption rights occasioned thereby. In addition to any information required by law or by the applicable rules of any exchange upon which the Series A Preferred Stock may be listed or admitted to trading, such notice shall state: (a) the Fundamental Change Redemption Date; (b) the Fundamental Change Redemption Price; (c) the place or places where certificates for shares may be surrendered for payment of the Fundamental Change Redemption Price, including any procedures applicable to redemption to be accomplished through book-entry transfers; (d) the procedures that the Holder of Series A Preferred Stock must follow to exercise such Holder's rights under this Subdivision 13(m); and (e) that dividends on the shares tendered for redemption will cease to accumulate on the Fundamental Change Redemption Date.

(iii) To exercise such Holder's special redemption right under this Subdivision 13(m), a Holder must (a) surrender the certificate or certificates evidencing the shares of Series A Preferred Stock to be redeemed, duly endorsed in a form satisfactory to the Corporation, at the office of the Corporation and (b) notify the Corporation at such office that such Holder elects to exercise such Holder's fundamental change redemption rights and the number of shares such Holder wishes to have redeemed. In the event that a Holder fails to notify the Corporation of the number of shares of Series A Preferred Stock which such Holder wishes to have redeemed, such Holder shall be deemed to have elected to have redeemed all shares represented by the certificate or certificates surrendered for redemption.

(iv) Exercise by a Holder of such Holder's special redemption right following a Fundamental Change is irrevocable, except that a Holder may withdraw its election to exercise such Holder's special redemption right at any time on or before the Fundamental Change Redemption Date by delivering a written or facsimile transmission notice to the Corporation at the address or facsimile number specified in the Fundamental Change Notice. Such notice, to be effective, must be received by the Corporation prior to the close of business on the Fundamental Change Redemption Date. All shares of Series A Preferred Stock tendered for redemption pursuant to the Holder's fundamental change redemption rights as described herein and not withdrawn shall be redeemed at or prior to the Close of Business on the Fundamental Change Redemption Date. From and after the Fundamental Change Redemption Date, unless the Corporation defaults in payment of the Fundamental Change Redemption Price, dividends on the shares of Series A Preferred Stock tendered for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series A Preferred Stock, and all rights of Holders thereof as shareholders of the Corporation (except the right to receive from the Company the Fundamental Change Redemption Price) shall cease. As soon as practical after the Fundamental Change Redemption Date, the Corporation shall deliver a new certificate representing the unredeemed portion, if any, of the shares of Series A Preferred Stock represented by the certificate or certificates surrendered for redemption.

(n) *Voting Rights*.

(i) Unless the consent of the Holder(s) of a greater number of shares shall then be required by law and except as provided in Subdivisions 13(n)(ii), 13(n)(iii) and 13(n)(iv), the consent of the Holder(s) of at least two-thirds of the shares of Series A Preferred Stock at the time outstanding, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, at which the Series A Preferred Stock shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(A) The authorization of, or any increase in the authorized amount of, any class of stock ranking prior to the Series A Preferred Stock;

(B) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation (whether, directly or indirectly, by merger, consolidation or otherwise) which would affect adversely any right, preference, privilege or voting power of the Series A Preferred Stock or of the Holder(s) thereof; and

(C) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation, or the consolidation, merger or other business combination of the Corporation with or into any other Person, except any such sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or consolidation or merger or other business combination wherein none of the rights, preferences, privileges or voting powers of the Series A Preferred Stock or the Holder(s) thereof are adversely affected.

(ii) The Holder(s) shall have no voting rights with respect to any consolidation, merger or other business combination of the Corporation with or into any other Person if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person surviving such transaction and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series A Preferred Stock or the stock of the Person surviving such transaction issued in accordance with Subdivision 13(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 13(k).

(iii) The Holder(s) shall have no voting rights with respect to any sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series A Preferred Stock or the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed issued in accordance with Subdivision 13(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 13(k).

(iv) The Holder(s) shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series A Preferred shall have been converted into shares of Common Stock.

(v) The last paragraph of Subdivision 6 of Article FOURTH of the Certificate of Incorporation shall not be applicable to the Series A Preferred Stock.

(vi) The Holder(s) will have the right to appoint two members of the Board of Directors in accordance with Subdivision 7 of Article FOURTH of the Certificate of Incorporation.

(o) *Transfer; Optional Redemption by the Corporation Upon Transfer.*

(i) The Transfer of the Series A Preferred Stock by the Holder(s) thereof shall not be restricted other than pursuant to the requirements of applicable law; *provided, however*, that, with respect to any such Transfer of shares of Series A Preferred Stock, the shares so Transferred must have an aggregate Liquidation Preference of at least $1 million and, if applicable, any shares owned by the Holder effecting such Transfer following such Transfer must have an aggregate Liquidation Preference of at least $1 million.

(ii) Upon a Transfer of the Series A Preferred Stock pursuant to Subdivision 13(o)(i) to a Person other than a Permitted Transferee, the Corporation shall have the right, at its option, to redeem, in part or in whole, such Transferred shares of Series A Preferred Stock (the "Optional Redemption Transferred Shares") at any time on or following the fifth anniversary of the date of such Transfer at a redemption price per share of Series A Preferred Stock equal to the then Fair Market Value of such Optional Redemption Transferred Shares and an amount equal to any accrued and unpaid dividends on such Optional Redemption Transferred Shares to, but not including, the Optional Redemption Date.

(A) If the Corporation exercises its optional redemption right to redeem the Optional Redemption Transferred Shares pursuant to Subdivision 13(o)(ii), a written notice (the "Optional Redemption Notice") shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) of such Optional Redemption Transferred Shares, which shall contain the number of Optional Redemption Transferred Shares, the name of the nationally recognized independent investment banking firm selected by the Corporation to determine the Fair Market Value of the Optional Redemption Transferred Shares to be redeemed, the Fair Market Value of the Optional Redemption Transferred Shares (on a per share and aggregate basis) and such other information required by applicable law.

(B) The date of the redemption of the Optional Redemption Transferred Shares shall be a date selected by the Corporation that is not less than 30 calendar days and not more than 60 calendar days after the date on which the Corporation provides Optional Redemption Notice (the "Optional Redemption Date").

(C) If, on or before the Optional Redemption Date specified in the Optional Redemption Notice, the Corporation has set aside all funds necessary for such redemption, separate and apart from its other funds, in trust for the pro rata benefit of the Holder(s) of the Optional Redemption Transferred Shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for the Optional Redemption Transferred Shares so called for redemption shall not have been surrendered for cancellation, all the Optional Redemption Transferred Shares so called for redemption shall no longer be deemed outstanding on and after such Optional Redemption Date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such Optional Redemption Date cease and terminate, except only the right of the Holder(s) thereof to receive the amount payable on redemption thereof without interest.

(iii) A Holder effecting a Transfer pursuant to this Subdivision 13(o) must notify the Registrar of the Transfer on the date of the Transfer. Any purported Transfer of shares of Series A Preferred Stock not in accordance with this Subdivision 13(o) shall be void and have no effect; *provided*, *however*, that the failure to notify the Registrar of any Transfer shall not cause such Transfer to be void and of no effect.

(p) *Reservation of Common Stock.*

(i) The Corporation has reserved and shall continue at all times to reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series A Preferred Stock as provided in this Subdivision 13, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series A Preferred Stock then outstanding. The Corporation shall take all such corporate and other actions as from time to time may be necessary to ensure that all shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock at the Conversion Rate in effect from time to time will, upon issue, be duly and validly authorized and issued, fully paid and nonassessable and free of any preemptive or similar rights. For purposes of this Subdivision 13(p), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series A Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(ii) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series A Preferred Stock, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as (x) any such acquired shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders) and (y) all such acquired shares have all the same attributes as any other share of Common Stock then outstanding, including without limitation any rights that may then be attached to all or substantially all of the Common Stock then outstanding pursuant to any stockholders' rights plan or similar arrangement.

(iii) All shares of Common Stock delivered upon conversion of the Series A Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holder(s)).

(iv) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series A Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(v) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series A Preferred Stock.

(q) *Replacement Certificates*. The Corporation shall replace any mutilated Series A Preferred Stock certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may reasonably be required by the Corporation.

(r) *Miscellaneous*.

(i) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail with postage prepaid, addressed: (x) if to the Corporation, to its office at 45 Glover Avenue, Norwalk, CT 06856, Attention: General Counsel, or (y) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation or (z) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(ii) No Holder of Series A Preferred Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any obligations or other securities convertible into, or exchangeable for, any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

(iii) The shares of Series A Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

SERIES B CONVERTIBLE PERPETUAL PREFERRED STOCK

1. (%3) *Designation.* There is hereby created out of the authorized and unissued shares of Cumulative Preferred Stock of the Corporation a series of preferred stock designated as the "Series B Convertible Perpetual Preferred Stock" (the "Series B Preferred Stock"). The number of shares constituting such series shall be 180,000.

(a) *Definitions*. As used herein with respect to the Series B Preferred Stock, the following terms shall have the following meanings, whether used in the singular or the plural:

"Additional Shares" has the meaning set forth in Subdivision 14(l)(i).

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Conversion Price" at any given time means the price equal to $1,000 divided by the Applicable Conversion Rate in effect at such time.

"Applicable Conversion Rate" means the Conversion Rate in effect at any given time.

"Board of Directors" means the board of directors of the Corporation or any committee thereof duly authorized to act in the relevant matter on behalf of such board of directors.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banks in New York City, New York are generally required or authorized by law to be closed.

"Certificate of Incorporation" means the Restated Certificate of Incorporation of Xerox Corporation, as amended.

"Close of Business" means 5:00 pm, New York City time, on the date in question.

"Closing Price" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means:

(i) the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) on the New York Stock Exchange on such date;

(ii) if the Common Stock or such other securities are not traded on the New York Stock Exchange on such date, the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such other securities are traded on such date;

(iii) if the Common Stock or such other securities are not traded on a U.S. national or regional securities exchange on such date, the last quoted bid price for the Common Stock or such other securities on such date in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization; or

(iv) if the Common Stock or such other securities are not quoted by Pink OTC Markets Inc. or a similar organization on such date, as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Subdivision 14, all references herein to the "Closing Price" and "last reported sale price" of the Common Stock on the New York Stock Exchange shall be such closing sale price and last reported sale price as reflected on the website of the New York Stock Exchange (http://www.nyse.com).

"Common Stock Outstanding" means, at any given time, the number of shares of Common Stock issued and outstanding at such time.

"Conversion Date" has the meaning set forth in Subdivision 14(i)(v)(B).

"Conversion Rate" means, with respect to each share of Series B Preferred Stock, 149.8127 shares of Common Stock, subject to adjustment in accordance with the provisions of this Subdivision 14.

"Cumulative Preferred Stock" means the Cumulative Preferred Stock, par value of $1.00 each, of the Corporation.

"Current Market Price" means, in the case of any distribution giving rise to an adjustment to the Conversion Rate pursuant to Subdivision 14(j)(iv), Subdivision 14(j)(v) or Subdivision 14(j)(vi) or a distribution upon conversion pursuant to Subdivision 14(j)(viii), the average Closing Price of the Common Stock during the ten consecutive Trading Day period ending on and including the Trading Day immediately preceding the Ex-Dividend Date for such distribution. Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to Subdivision 14(j), such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of Subdivision 14(j) and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

"Distributed Property" has the meaning set forth in Subdivision 14(j)(v).

"Dividend Payment Date" has the meaning set forth in Subdivision 14(d)(ii).

"Dividend Period" means each period from, and including, a Dividend Payment Date (or with respect to the initial Dividend Period, the Issue Date) to, but excluding, the following Dividend Payment Date.

"Dividend Rate" has the meaning set forth in Subdivision 14(d)(i).

"Dividend Record Date" has the meaning set forth in Subdivision 14(d)(iv).

"Dividend Threshold Amount" has the meaning set forth in Subdivision 14(j)(vi)(B).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Property" has the meaning set forth in Subdivision 14(k)(i).

"Ex-Dividend Date" means the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the relevant dividend, distribution or issuance.

"Expiration Date" has the meaning set forth in Subdivision 14(j)(vii).

"Expiration Time" has the meaning set forth in Subdivision 14(j)(vii).

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction as reasonably determined by the Board of Directors in good faith; *provided*, *however*, that with respect to Subdivision 14(o)(ii), Fair Market Value shall mean the value of the Optional Redemption Transferred Shares determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

"Fiscal Quarter" means, with respect to the Corporation, the fiscal quarter publicly disclosed by the Corporation.

"Fundamental Change" means the occurrence of any of the following:

(i) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate "beneficial owner", as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the Common Stock;

(ii) consummation of any consolidation, merger or other business combination of the Corporation with or into another Person or any sale, lease or conveyance in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation's subsidiaries, in each case pursuant to which the Common Stock will be converted into cash, securities or other property, other than:

(A) pursuant to a transaction in which the Persons that "beneficially owned" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, Voting Shares of the Corporation immediately prior to such transaction beneficially own, directly or indirectly, Voting Shares representing a majority of the total voting power of all outstanding classes of Voting Shares of the continuing or surviving Person immediately after the transaction; or

(B) any merger or consolidation primarily for the purpose of changing the jurisdiction of incorporation of the Corporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity; or

(iii) the Common Stock ceases to be listed on a U.S. national securities exchange or association (other than as a result of a transaction described in clause (ii) above);

provided, *however*, that a Fundamental Change with respect to clauses (i) or (ii) above shall not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of common stock that is traded on a U.S. national securities exchange or that will be traded on a U.S. national securities exchange when issued or exchanged in connection with such transaction.

"Fundamental Change Notice" has the meaning set forth in Subdivision 14(m)(ii).

"Fundamental Change Redemption Date" has the meaning set forth in Subdivision 14(m)(i).

"Fundamental Change Redemption Price" has the meaning set forth in Subdivision 14(m)(i).

"Holder(s)" means the Person(s) in whose name the shares of the Series B Preferred Stock are registered, which may be treated by the Corporation, as the absolute owner of the shares of Series B Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes. The initial Holder shall be Darwin Deason.

"Issue Date" means the date upon which any shares of Series B Preferred Stock are first issued.

"Junior Securities" has the meaning set forth in Subdivision 14(c)(i).

"Liquidation Preference" means, with respect to each share of Series B Preferred Stock, at any time, $1,000.

"Make-Whole Acquisition" means the occurrence of a transaction described under clauses (i) or (ii) of the definition of "Fundamental Change".

"Make-Whole Acquisition Conversion Period" has the meaning set forth in Subdivision 14(l)(i).

"Make-Whole Acquisition Effective Date" has the meaning set forth in Subdivision 14(l)(i).

"Make-Whole Acquisition Stock Price" means the price paid per share of Common Stock in the event of a Make-Whole Acquisition. If the holders of shares of Common Stock receive only cash in the Make-Whole Acquisition, the Make-Whole Acquisition Stock Price shall be the cash amount paid per share of Common Stock. Otherwise, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on the 10 Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

"Mandatory Conversion Date" has the meaning set forth in Subdivision 14(h)(iii).

"Notice of Mandatory Conversion" has the meaning set forth in Subdivision 14(h)(iii).

"Optional Redemption Date" has the meaning set forth in Subdivision 14(o)(ii)(B).

"Optional Redemption Notice" has the meaning set forth in Subdivision 14(o)(ii)(A).

"Optional Redemption Transferred Shares" has the meaning set forth in Subdivision 14(o)(ii).

"Parity Securities" has the meaning set forth in Subdivision 14(c)(ii).

"Permitted Transferee(s)" means any of (w) the spouse of Darwin Deason, (x) any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason, (y) any brother or sister of Darwin Deason, or (z) any trust for the direct or indirect benefit of exclusively Darwin Deason and/or the spouse of Darwin Deason; any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason; or any brother or sister of Darwin Deason.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock corporation, limited liability company or trust.

"Record Date" means, with respect to any issuance, dividend or distribution declared, paid or made on or with respect to any capital stock of the Corporation, the date fixed for the determination of the holders of such capital stock entitled to receive such issuance, dividend or distribution.

"Registrar" means the Corporation or any other registrar appointed by the Corporation.

"Reorganization Event" has the meaning set forth in Subdivision 14(k)(i).

"Senior Securities" has the meaning set forth in Subdivision 14(c)(iii).

"Series B Preferred Stock" has the meaning set forth in Subdivision 14(a).

"Spin-Off" has the meaning set forth in Subdivision 14(j)(v).

"Spin-Off Valuation Period" has the meaning set forth in Subdivision 14(j)(v).

"Trading Day" means a day on which the shares of Common Stock or any securities distributed in a Spin-Off, as the case may be:

(i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the Close of Business; and

(ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

"Transfer" means, with respect to each share of Series B Preferred Stock, the sale, transfer, pledge, assignment, loan or other disposition or encumbrance of such share of Series B Preferred Stock.

"Trigger Event" has the meaning set forth in Subdivision 14(j)(xv).

"Voting Shares" of a Person means shares of all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors of such Person.

(b) *Ranking*. The Series B Preferred Stock shall, with respect to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation, rank:

(i) senior to the Corporation's Common Stock and Class B Stock and each other class or series of capital stock that the Corporation may issue in the future the terms of which do not expressly provide that it ranks on a parity with or senior to the Series B Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the "Junior Securities");

(ii) on a parity with each class or series of Cumulative Preferred Stock established after the Issue Date by the Corporation the terms of which expressly provide that such class or series will rank on a parity with the Series B Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the "Parity Securities"); and

(iii) subject to the approval of the holders of the Series B Preferred Stock to the extent required by subdivision 6 of Article FOURTH of the Certificate of Incorporation, junior to any class or series of the Corporation's capital stock that the Corporation may issue in the future the terms of which expressly provide that such class or series shall rank senior to the Series B Preferred Stock (collectively, the "Senior Securities").

For the avoidance of doubt, the Corporation has the right to authorize and/or issue additional shares or classes or series of Junior Securities or Parity Securities without notice to or consent of the Holder(s).

(c) *Dividends.*

(i) The Holder(s) shall be entitled to receive, on each share of Series B Preferred Stock, when, as and if declared by the Board of Directors, out of any funds legally available for the payment of dividends, cumulative cash dividends at a rate per annum equal to 8.0% of the Liquidation Preference (the "Dividend Rate") in accordance with subdivisions 1, 2 and 3 of Article FOURTH of the Certificate of Incorporation; *provided*, *however*, that in the event that on any Dividend Payment Date there shall be accrued and unpaid dividends for any prior Dividend Period, the Dividend Rate shall equal 8.0% per annum of the sum of (x) the Liquidation Preference and (y) the amount of all such accrued and unpaid dividends for any prior Dividend Periods.

(ii) Dividends will accrue and cumulate from the Issue Date and are payable quarterly in arrears on the first day of January, April, July and October (each, a "Dividend Payment Date"), commencing on the first Dividend Payment Date following the Issue Date. If a Dividend Payment Date falls on a day that is not a Business Day, the dividends will be paid on the next Business Day as if it were paid on the Dividend Payment Date and no interest will accrue in connection therewith.

(iii) The amount of dividends payable for each full quarterly Dividend Period will be computed by dividing the Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other Dividend Period shorter or longer than a full quarterly Dividend Period, will be computed on the basis of the actual number of days elapsed during such Dividend Period over a 360-day year.

(iv) Dividends will be paid to the Holder(s) as such Holder(s) appear in the records of the Corporation at the Close of Business on the 15^{th} day of the immediately preceding calendar month in which the applicable Dividend Payment Date falls (the "Dividend Record Date"). The Dividend Record Date shall apply regardless of whether any particular Dividend Record Date is a Business Day.

(v) Dividends on any share of Series B Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable.

(d) *Liquidation.*

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the Holder(s) shall be entitled to receive for each share of Series B Preferred Stock out of the assets of the Corporation or proceeds thereof legally available for distribution to stockholders of the Corporation, after satisfaction of all liabilities, if any, to creditors of the Corporation and subject to the rights of holders of any Senior Securities, and before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Securities, a liquidating distribution in an amount equal to (x) the Liquidation Preference and (y) an amount equal to any accrued and unpaid dividends on such share of Series B Preferred Stock through the date of such liquidating distribution. After payment of the full amount of such liquidating distribution, the Holder(s) will not be entitled to any further participation in any distribution of assets by, and shall have no right or claim to any remaining assets, of the Corporation.

(ii) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series B Preferred Stock and the corresponding amounts payable on any Parity Securities, the Holder(s) and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions which would be payable on such shares if all amounts payable thereon were paid in full.

(iii) Neither the consolidation or merger of the Corporation with or into any other entity, nor the consolidation or merger of any other entity with or into the Corporation, nor the sale, lease or other transfer or disposition of all or substantially all of the Corporation's property or business or other assets shall, in and of itself, constitute a liquidation, dissolution or winding up of the Corporation.

(e) *Maturity*. The Series B Preferred Stock shall be perpetual, unless converted in accordance with this Certificate of Incorporation or redeemed either at the option of the Holder pursuant to Subdivision 14(m) or at the option of the Corporation pursuant to Subdivision 14(o)(ii).

(f) *Conversion at the Holder's Option*. Each Holder shall have the right, at such Holder's option, at any time and from time to time, to convert all or any portion of such Holder's Series B Preferred Stock into shares of Common Stock at the Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 14(i).

(g) *Mandatory Conversion at the Corporation's Option*.

(i) The Corporation shall have the right, at its option, at any time or from time to time to cause some or all of the Series B Preferred Stock to be converted into shares of Common Stock at the then Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so converted through the Mandatory Conversion Date, if, for 20 Trading Days during any period of 30 consecutive Trading Days (including the last Trading Day of such period), ending on the Trading Day preceding the date the Corporation delivers a Notice of Mandatory Conversion, the Closing Price of the Common Stock exceeds 146.07% of the then Applicable Conversion Price.

(ii) If the Corporation elects to cause fewer than all of the shares of Series B Preferred Stock to be converted pursuant to this Subdivision 14(h), the Corporation shall select the Series B Preferred Stock to be converted on a pro rata basis or by another method the Board of Directors, in its sole discretion, considers fair to the Holders. If the Corporation selects a portion of a Holder's Series B Preferred Stock for partial mandatory conversion and such Holder converts a portion of its shares of Series B Preferred Stock, the converted portion will be deemed to be from the portion selected for mandatory conversion under this Subdivision 14(h).

(iii) If the Corporation elects to exercise the mandatory conversion right pursuant to this Subdivision 14(h), the Corporation shall provide notice of such conversion to each Holder (such notice, a "<u>Notice of Mandatory Conversion</u>"). The conversion date shall be a date selected by the Corporation (the "<u>Mandatory Conversion Date</u>") and shall be no more than 7 days after the date on which the Corporation provides such Notice of Mandatory Conversion. In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion shall state, as appropriate:

(A) the Mandatory Conversion Date;

(B) the number of shares of Common Stock to be issued upon conversion of each share of Series B Preferred Stock; and

(C) the number of shares of Series B Preferred Stock to be converted.

(h) *Conversion Procedures*.

(i) As provided in Subdivision 14(d)(v), dividends on any share of Series B Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable, and such shares of Series B Preferred Stock shall cease to be outstanding upon conversion.

(ii) Prior to the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date, shares of Common Stock (and/or other securities, if applicable) issuable upon conversion of any shares of Series B Preferred Stock shall not be deemed outstanding for any purpose, and the Holder(s) shall have no rights with respect to the Common Stock (and/or other securities, if applicable) issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock (and/or other securities, if applicable) issuable upon conversion and rights to receive any dividends or other distributions on the Common Stock (and/or other securities, if applicable) issuable upon conversion) by virtue of holding shares of Series B Preferred Stock.

(iii) The Person(s) entitled to receive the Common Stock (and/or cash, securities or other property, if applicable) issuable upon conversion of Series B Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock (and/or other securities, if applicable) as of the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock (and/or cash, securities or other property, if applicable) and payments of cash in lieu of fractional shares, if any, and accrued and unpaid dividends, if any, to be issued or paid upon conversion of shares of Series B Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payments, in the name of the Holder and in the manner shown on the records of the Corporation.

(iv) Shares of Series B Preferred Stock duly converted in accordance with this Certificate of Incorporation, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued Cumulative Preferred Stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series B Preferred Stock; *provided* that no decrease shall reduce the authorized number of Series B Preferred Stock to a number less than the number of shares then outstanding.

(v) Conversion into shares of Common Stock will occur on the Mandatory Conversion Date or any applicable Conversion Date as follows:

(A) On the Mandatory Conversion Date, certificates representing shares of Common Stock shall be issued and delivered to the Holder(s) or their designee upon presentation and surrender of the certificate evidencing the Series B Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

(B) On the date of any conversion at the option of the Holder(s) pursuant to Subdivision 14(g), a Holder must do each of the following in order to convert:

(1) surrender the shares of Series B Preferred Stock to the Corporation;

(2) if required, furnish appropriate endorsements and transfer documents; and

(3) if required, pay all transfer or similar taxes.

The date on which a Holder complies with the procedures in this Subdivision 14(i)(v) is the "<u>Conversion Date</u>".

(vi) Fractional Shares.

(A) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series B Preferred Stock.

(B) In lieu of any fractional share of Common Stock otherwise issuable in respect of any conversion pursuant to Subdivision 14(g) or Subdivision 14(h), the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Conversion Date.

(C) If more than one share of the Series B Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series B Preferred Stock so surrendered.

(i) *Anti-Dilution Adjustments*.

(i) The Conversion Rate shall be adjusted from time to time by the Corporation in accordance with this Subdivision 14(j).

(ii) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, pay a dividend or make a distribution on its Common Stock in shares of its Common Stock to all or substantially all holders of its Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;
CR_1	=	the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;
OS_0	=	the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution; and
OS_1	=	the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such dividend or distribution.

Any adjustment made pursuant to this Subdivision 14(j)(ii) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution that is the subject of this Subdivision 14(j)(ii) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. For the avoidance of doubt, for purposes of this Subdivision 14(j)(ii), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution shall not include shares of Common Stock held in treasury, if any.

(iii) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, (x) subdivide the then Common Stock Outstanding into a greater number of shares of Common Stock or (y) combine the then Common Stock Outstanding into a smaller number of shares of Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the effective date of such subdivision or combination;
CR_1	=	the Conversion Rate in effect immediately after the effective date of such subdivision or combination;
OS_0	=	the number of shares of Common Stock Outstanding at the Close of Business on the effective date of such subdivision or combination; and
OS_1	=	the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination.

Any adjustment made pursuant to this Subdivision 14(j)(iii) shall become effective immediately after the effective date of such subdivision or combination.

(iv) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, distribute to holders of all or substantially all of the Common Stock any rights or warrants (other than a distribution of rights issued pursuant to a stockholder's rights plan, to the extent such rights are attached to shares of Common Stock (in which event the provisions of Subdivision 14(j)(xv) shall apply), a dividend reinvestment plan or an issuance in connection with a transaction in which Subdivision 14(k) applies) entitling them to subscribe for or purchase, for a period of not more than 60 calendar days from the issuance date of such distribution, shares of Common Stock at a price per share less than the Current Market Price of the Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
CR'	=	the Conversion Rate in effect immediately after the Record Date for such distribution;
OS_0	=	the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution;
X	=	the total number of shares of Common Stock issuable pursuant to such rights or warrants; and
Y	=	the number of shares of Common Stock equal to (x) the aggregate price payable to exercise such rights or warrants divided by (y) the Current Market Price of the Common Stock.

Any adjustment made pursuant to this Subdivision 14(j)(iv) shall become effective immediately after the Record Date for such distribution. If such rights or warrants described in this Subdivision 14(j)(iv) are not so distributed, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to distribute such rights or warrants, to the Conversion Rate that would then be in effect if such distribution had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the distribution of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate price payable to exercise such rights or warrants, there shall be taken into account any consideration received by the Corporation upon exercise of such rights and warrants and the value of such consideration (if other than cash, to be determined in good faith by the Board of Directors). For the avoidance of doubt, for purposes of this Subdivision 14(j)(iv), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution shall not include shares of Common Stock held in treasury, if any.

(v) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, by dividend or otherwise, distribute to all or substantially all holders of the Common Stock shares of any class of capital stock of the Corporation, evidences of its indebtedness, assets, property or rights or warrants to acquire the Corporation’s capital stock or other securities, but excluding:

(A) any dividends or distributions referred to in Subdivision 14(j)(ii);

(B) any rights or warrants referred to in Subdivision 14(j)(iv);

(C) any dividends or distributions referred to in Subdivision 14(j)(vi);

(D) any dividends and distributions in connection with a transaction to which Subdivision 14(k) shall apply; and

(E) any Spin-Offs to which the provision set forth below in this Subdivision 14(j)(v) shall apply,

(any such shares of capital stock, indebtedness, assets, property or rights or warrants to acquire Common Stock or other securities, hereinafter in this Subdivision 14(j)(v) called the “<u>Distributed Property</u>”), then, in each such case, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
CR'	=	the Conversion Rate in effect immediately after the Record Date for such distribution;
SP_0	=	the Current Market Price of the Common Stock; and
FMV	=	the Fair Market Value on the Record Date for such distribution of the Distributed Property, expressed as amount per share of Common Stock.

If the transaction that gives rise to an adjustment pursuant to this Subdivision 14(j)(v) is one pursuant to which the payment of a dividend or other distribution on the Common Stock consists of shares of capital stock of, or similar equity interests in, a Subsidiary or other business unit of the Corporation (a "<u>Spin-Off</u>") that are, or when issued will be, traded or listed on the New York Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or any other U.S. national securities exchange or association, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{(FMV + MP_0)}{MP_0}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
CR'	=	the Conversion Rate in effect immediately after the Record Date for such distribution;
FMV	=	the average of the Closing Prices of the capital stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the 10 consecutive Trading Day period beginning on, and including, the effective date of the Spin-Off (the "<u>Spin-Off Valuation Period</u>"); and
MP_0	=	the average of the Closing Prices of the Common Stock over the Spin-Off Valuation Period.

Any adjustment made pursuant to this Subdivision 14(j)(v) shall become effective immediately after the Record Date for such distribution. If any dividend or distribution of the type described in this Subdivision 14(j)(v) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If an adjustment to the Conversion Rate is required under this Subdivision 14(j)(v), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required under this Subdivision 14(j)(v) shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 14(j)(v).

(vi) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, by dividend or otherwise make a distribution to all or substantially all holders of its outstanding shares of Common Stock consisting exclusively of cash, but excluding:

(A) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), or upon a transaction to which Subdivision 14(k) applies, or

(B) regular cash dividends to the extent that such dividends do not exceed $0.25 per share in any Fiscal Quarter (the "<u>Dividend Threshold Amount</u>"),

then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - DIV}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;
CR_1	=	the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;
SP_0	=	the Current Market Price of the Common Stock; and
DIV	=	the amount in cash per share of Common Stock of the dividend or distribution, as determined pursuant to the following sentences. If any adjustment is required to be made as set forth in this Subdivision 14(j)(vi) as a result of a distribution (1) that is a regularly scheduled quarterly dividend, such adjustment would be based on the amount by which such dividend exceeds the Dividend Threshold Amount or (2) that is not a regularly scheduled quarterly dividend, such adjustment would be based on the full amount of such distribution. The Dividend Threshold Amount is subject to adjustment on an inversely proportional basis whenever the Conversion Rate is adjusted; *provided* that no adjustment shall be made to the Dividend Threshold Amount for any adjustment made to the Conversion Rate as described under this Subdivision 14(j)(vi).

Any adjustment made pursuant to this Subdivision 14(j)(vi) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution of the type described in this Subdivision 14(j)(vi) is not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(vii) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, make a payment in respect of a tender offer or exchange offer for all or any portion of the Common Stock subject to the tender offer rules, to the extent that the cash and value of any other consideration included in the payment per share of Common Stock exceeds the Closing Price of the Common Stock on the trading day immediately succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the "Expiration Date"), then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV + (SP_1 \times OS_1)}{SP_1 \times OS_0}$$

where,

CR_0	=	the Conversion Rate in effect at the Close of Business on the Expiration Date;
CR_1	=	the Conversion Rate in effect immediately after the Expiration Date;
FMV	=	the Fair Market Value, on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares of Common Stock validly tendered or exchanged and not withdrawn as of the Expiration Date;
OS_1	=	the number of shares of Common Stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender offer or exchange offer (the "Expiration Time");
OS_0	=	the number of shares of Common Stock outstanding immediately prior to the Expiration Time; and
SP_1	=	the average of the Closing Price of Common Stock during the ten consecutive Trading Day period commencing on the Trading Day immediately after the Expiration Date.

Any adjustment made pursuant to this Subdivision 14(j)(vii) shall become effective immediately prior to 9:00 a.m., New York City time, on the Trading Day immediately following the Expiration Date. If the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Subdivision 14(j)(vii) to any tender offer or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this Subdivision 14(j)(vii). If an adjustment to the Conversion Rate is required under this Subdivision 14(j)(vii), delivery of any additional shares of Common Stock upon conversion of the Series B Preferred Stock shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 14(j)(vii).

(viii) In cases where the Fair Market Value of shares of capital stock, evidences of indebtedness, assets (including cash), or securities or certain rights, warrants or options to purchase securities of the Corporation, or the amount of the cash dividend or distribution applicable to one share of Common Stock, distributed to all or substantially all holders of the Common Stock:

(A) equals or exceeds the Current Market Price of the Common Stock; or

(B) the Current Market Price of the Common Stock exceeds the Fair Market Value of such assets, debt securities or rights, warrants or options or the amount of cash so distributed by less than $1.00,

rather than being entitled to an adjustment in the Conversion Rate, the Holder(s) will be entitled to receive upon conversion, in addition to shares of Common Stock, the kind and amount of shares of capital stock, evidences of indebtedness, assets, or securities or rights, warrants or options comprising the distribution, if any, that such Holder(s) would have received if such Holder(s) had held a number of shares of Common Stock equal to the number of shares of Series B Preferred Stock held multiplied by the Conversion Rate in effect immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

(ix) All calculations under this Subdivision 14(j) shall be made to the nearest 1/100,000 of a share of Common Stock per share of Series B Preferred Stock. No adjustment in the Conversion Rate is required if the amount of such adjustment would be less than 1%; *provided*, *however*, that any such adjustment not required to be made pursuant to this Subdivision 14(j)(ix) will be carried forward and taken into account in any subsequent adjustment.

(x) No adjustment to the Conversion Rate shall be made if the Holder(s) may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series B Preferred Stock, without having to convert the Series B Preferred Stock, as if they held the full number of shares of Common Stock into which a share of the Series B Preferred Stock may then be converted.

(xi) The Corporation may, but is not required to, make such increases in the Conversion Rate, in addition to those required by Subdivision 14(j)(ii) through (vii), as the Board of Directors deems advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of Common Stock (or rights to acquire Common Stock) or from any event treated as such for income tax purposes.

(xii) In addition to the foregoing, to the extent permitted by applicable law and subject to the applicable rules of the New York Stock Exchange, the Corporation from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 Business Days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Corporation, which determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Corporation shall mail to Holder(s) a notice of the increase, which notice will be given at least 15 calendar days prior to the effectiveness of any such increase, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(xiii) If during a period applicable for calculating the Closing Price of Common Stock or any other security, an event occurs that requires an adjustment to the Conversion Rate, the Closing Price of such security shall be calculated for such period in a manner reasonably determined by the Corporation to appropriately reflect the impact of such event on the price of such security during such period. Whenever any provision of this Subdivision 14 requires a calculation of an average of Closing Prices of Common Stock or any other security over multiple days, appropriate adjustments shall be made to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Record Date of the event occurs, at any time during the period during which the average is to be calculated.

(xiv) Whenever the Conversion Rate is to be adjusted in accordance with Subdivision 14(j), the Corporation shall compute the Conversion Rate in accordance with Subdivision 14(j), taking into account Subdivision 14(j)(ix), and provide, or cause to be provided, a written notice to the Holder(s) of the occurrence of such event and setting forth the adjusted Conversion Rate.

(xv) Rights Plans. If the Corporation has a rights plan in effect with respect to the Common Stock on the Mandatory Conversion Date or any Conversion Date, upon conversion of any shares of the Series B Preferred Stock, the Holder of such shares will receive, in addition to the shares of Common Stock, the rights under the rights plan relating to such Common Stock, unless, prior to the Mandatory Conversion Date or such Conversion Date, the rights have (x) become exercisable or (y) separated from the shares of Common Stock in accordance with the provisions of such rights plan (the first of events to occur being the "Trigger Event"), in either of which cases the Conversion Rate will be adjusted, effective automatically at the time of such Trigger Event, as if the Corporation had made a distribution of such rights to all holders of the Common Stock as described in Subdivision 14(j)(iv) (without giving effect to the 60-day limit on the exercisability of rights and warrants ordinarily subject to such Subdivision 14(j)(iv)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such stockholder rights are exchanged by the Corporation for shares of Common Stock, the Conversion Rate shall be appropriately readjusted as if such stockholder rights had not been issued, but the Corporation had instead issued the shares of Common Stock issued upon such exchange as a dividend or distribution of shares of Common Stock subject to Subdivision 14(j)(ii).

(j) *Reorganization Events*.

(i) In the event that there occurs:

(A) any consolidation, merger or other business combination of the Corporation with or into another Person;

(B) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation;

(C) any reclassification, recapitalization or reorganization of the Corporation; or

(D) any statutory exchange of the outstanding shares of Common Stock for securities of another Person (other than in connection with a consolidation, merger or other business combination);

and in each case, the holders of the Common Stock receive stock, other securities or other property or assets (including cash or any combination thereof) with respect to or in exchange for the Common Stock (any such event or transaction, a "Reorganization Event") each share of Series B Preferred Stock outstanding immediately prior to such Reorganization Event shall, without notice to or consent of the Holder(s) and subject to Subdivision 14(k)(v), become convertible (but, for the avoidance of doubt, shall not be automatically converted in connection with such Reorganization Event) into the kind of securities, cash and other property received in such Reorganization Event by the holders of the Common Stock (other than the counterparty to the Reorganization Event or an Affiliate of such counterparty) (such securities, cash and other property, the "Exchange Property").

(ii) In the event that holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the Holder(s) are entitled to receive upon conversion shall be deemed to be the types and amounts of consideration received by a majority of the holders of the shares of Common Stock that did make an affirmative election.

(iii) The above provisions of this Subdivision 14(k) shall similarly apply to successive Reorganization Events and the provisions of Subdivision 14(j) shall apply to any shares of capital stock received by the holders of Common Stock in any such Reorganization Event.

(iv) The Corporation (or any successor) shall, within 20 days of the consummation of any Reorganization Event, provide written notice to the Holder(s) of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Subdivision 14(k).

(v) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless:

(A) such agreement provides for, or does not interfere with or prevent (as applicable), conversion of the Series B Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Subdivision 14(k); and

(B) to the extent that the Corporation is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series B Preferred Stock into stock of the Person surviving such Reorganization Event or, in the case of a Reorganization Event described in Subdivision 14(k)(i)(B), an exchange of Series B Preferred Stock for the stock of the Person to whom the Corporation's assets are conveyed or transferred, and such stock of the Person surviving such Reorganization Event or to whom the Corporation's assets are conveyed or transferred shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation.

(k) *Holder's Right to Convert Upon a Make-Whole Acquisition*.

(i) In addition to any other rights of conversion set forth herein, in the event a Make-Whole Acquisition occurs, each Holder shall have the right, at such Holder's option, to convert all or any portion of such Holder's shares of Series B Preferred Stock into shares of Common Stock during the period (the "Make-Whole Acquisition Conversion Period") beginning on the effective date of the Make-Whole Acquisition (the "Make-Whole Acquisition Effective Date") and ending on the date that is 30 calendar days after the Make-Whole Acquisition Effective Date at the Applicable Conversion Rate, plus a number of additional shares of Common Stock (the "Additional Shares") determined pursuant to Subdivision 14(l)(ii), plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 14(i).

(ii) The number of Additional Shares per share of Series B Preferred Stock shall be determined by reference to the table below for the applicable Make-Whole Acquisition Effective Date and the applicable Make-Whole Acquisition Stock Price:

Make-Whole Acquisition Effective Date	Make-Whole Acquisition Stock Price				
	$6.00	$6.68	$8.00	$9.00	$9.75
February 1, 2015 and thereafter	16.8550	12.6052	6.5538	3.2978	0.0000

The exact Make-Whole Acquisition Stock Price and Make-Whole Acquisition Effective Date may not be set forth in the table, in which case:

(A) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table or the Make-Whole Acquisition Effective Date is between two Make-Whole Acquisition Effective Dates in the table, the number of Additional Shares will be determined by straight-line interpolation between the number of Additional Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts and the two Make-Whole Acquisition Effective Dates, as applicable, based on a 365-day year;

(B) if the Make-Whole Acquisition Stock Price is in excess of $9.75 per share (subject to adjustment pursuant to Subdivision 14(j)), no Additional Shares will be issued upon conversion of the Series B Preferred Stock;

(C) if the Make-Whole Acquisition Stock Price is less than $6.00 per share (subject to adjustment pursuant to Subdivision 14(j)), no Additional Shares will be issued upon conversion of the Series B Preferred Stock; and

(D) if the Make-Whole Acquisition Effective Date is after the fifth anniversary of the Issue Date, then the number of Additional Shares will be determined by reference to the last row in the table.

The Make-Whole Acquisition Stock Prices set forth in the table above shall be adjusted pursuant to Subdivision 14(j) as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices will equal the Make-Whole Acquisition Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment and the denominator of which is the Conversion Rate as so adjusted. Each of the number of Additional Shares in the table shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Subdivision 14(j).

(iii) On or before the 20th calendar day prior to the date the Corporation anticipates the Make-Whole Acquisition being consummated or within two Business Days of becoming aware of a Make-Whole Acquisition of the type set forth in clause (i) of the definition of Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date as of which the Make-Whole Acquisition is anticipated to be effective or the Make-Whole Acquisition Effective Date, as applicable; and

(B) the date by which a Make-Whole Acquisition conversion pursuant to this Subdivision 14(l) must be exercised.

(iv) On the Make-Whole Acquisition Effective Date or as soon as practicable thereafter, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 calendar days after the Make-Whole Acquisition Effective Date;

(B) the number of Additional Shares;

(C) the amount of cash, securities and other consideration receivable by a Holder upon conversion; and

(D) the instructions a Holder must follow to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l).

(v) To exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l), a Holder must, no later than 5:00 p.m., New York City time, on or before the date specified in the notice sent pursuant to Subdivision 14(l)(iv), comply with the procedures set forth in Subdivision 14(i), and indicate that it is exercising its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l).

(vi) If a Holder does not elect to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l), the shares of Series B Preferred Stock or successor security held by it shall remain outstanding (unless otherwise converted as provided herein), but the Holder will not be eligible to receive Additional Shares.

(vii) Upon a Make-Whole Acquisition conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Subdivision 14(l)(v), deliver to the Holder such cash, securities or other property as are issuable with respect to the shares of Series B Preferred Stock converted.

(viii) In the event that a Make-Whole Acquisition conversion is effected with respect to shares of Series B Preferred Stock or a successor security representing less than all the shares of Series B Preferred Stock or a successor security held by a Holder, upon such Make-Whole Acquisition conversion, the Corporation or its successor shall execute and the Registrar shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series B Preferred Stock or such successor security held by the Holder as to which a Make-Whole Acquisition conversion was not effected.

(l) *Holder's Redemption Right Upon a Fundamental Change*.

(i) Upon the occurrence of a Fundamental Change, each Holder shall have the option, during the period commencing on the date the applicable Fundamental Change Notice (as defined below) is mailed to Holders of the Series B Preferred Stock and ending at the Close of Business on the 45th Business Day thereafter (the "Fundamental Change Redemption Date"), to require the Corporation to redeem all, or any portion, of such Holder's shares of Series B Preferred Stock at the redemption price per share equal to the Liquidation Preference per share of Series B Preferred Stock plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so redeemed to, but not including, the Fundamental Change Redemption Date (the "Fundamental Change Redemption Price").

(ii) Within 30 days following a Fundamental Change, the Corporation shall mail to each Holder of shares of the Series B Preferred Stock a notice (the "Fundamental Change Notice") setting forth the details of the Fundamental Change and the special redemption rights occasioned thereby. In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, such notice shall state: (a) the Fundamental Change Redemption Date; (b) the Fundamental Change Redemption Price; (c) the place or places where certificates for shares may be surrendered for payment of the Fundamental Change Redemption Price, including any procedures applicable to redemption to be accomplished through book-entry transfers; (d) the procedures that the Holder of Series B Preferred Stock must follow to exercise such Holder's rights under this Subdivision 14(m); and (e) that dividends on the shares tendered for redemption will cease to accumulate on the Fundamental Change Redemption Date.

(iii) To exercise such Holder's special redemption right under this Subdivision 14(m), a Holder must (a) surrender the certificate or certificates evidencing the shares of Series B Preferred Stock to be redeemed, duly endorsed in a form satisfactory to the Corporation, at the office of the Corporation and (b) notify the Corporation at such office that such Holder elects to exercise such Holder's fundamental change redemption rights and the number of shares such Holder wishes to have redeemed. In the event that a Holder fails to notify the Corporation of the number of shares of Series B Preferred Stock which such Holder wishes to have redeemed, such Holder shall be deemed to have elected to have redeemed all shares represented by the certificate or certificates surrendered for redemption.

(iv) Exercise by a Holder of such Holder's special redemption right following a Fundamental Change is irrevocable, except that a Holder may withdraw its election to exercise such Holder's special redemption right at any time on or before the Fundamental Change Redemption Date by delivering a written or facsimile transmission notice to the Corporation at the address or facsimile number specified in the Fundamental Change Notice. Such notice, to be effective, must be received by the Corporation prior to the close of business on the Fundamental Change Redemption Date. All shares of Series B Preferred Stock tendered for redemption pursuant to the Holder's fundamental change redemption rights as described herein and not withdrawn shall be redeemed at or prior to the Close of Business on the Fundamental Change Redemption Date. From and after the Fundamental Change Redemption Date, unless the Corporation defaults in payment of the Fundamental Change Redemption Price, dividends on the shares of Series B Preferred Stock tendered for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series B Preferred Stock, and all rights of Holders thereof as shareholders of the Corporation (except the right to receive from the Company the Fundamental Change Redemption Price) shall cease. As soon as practical after the Fundamental Change Redemption Date, the Corporation shall deliver a new certificate representing the unredeemed portion, if any, of the shares of Series B Preferred Stock represented by the certificate or certificates surrendered for redemption.

(m) *Voting Rights*.

(i) Unless the consent of the Holder(s) of a greater number of shares shall then be required by law and except as provided in Subdivisions 14(n)(ii), 14(n)(iii) and 14(n)(iv), the consent of the Holder(s) of at least two-thirds of the shares of Series B Preferred Stock at the time outstanding, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, at which the Series B Preferred Stock shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(A) The authorization of, or any increase in the authorized amount of, any class of stock ranking prior to the Series B Preferred Stock;

(B) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation (whether, directly or indirectly, by merger, consolidation or otherwise) which would affect adversely any right, preference, privilege or voting power of the Series B Preferred Stock or of the Holder(s) thereof; and

(C) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation, or the consolidation, merger or other business combination of the Corporation with or into any other Person, except any such sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or consolidation or merger or other business combination wherein none of the rights, preferences, privileges or voting powers of the Series B Preferred Stock or the Holder(s) thereof are adversely affected.

(ii) The Holder(s) shall have no voting rights with respect to any consolidation, merger or other business combination of the Corporation with or into any other Person if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person surviving such transaction and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series B Preferred Stock or the stock of the Person surviving such transaction issued in accordance with Subdivision 14(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 14(k).

(iii) The Holder(s) shall have no voting rights with respect to any sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series B Preferred Stock or the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed issued in accordance with Subdivision 14(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 14(k).

(iv) The Holder(s) shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series B Preferred Stock shall have been converted into shares of Common Stock.

(v) The last paragraph of Subdivision 6 of Article FOURTH of the Certificate of Incorporation shall not be applicable to the Series B Preferred Stock.

(vi) The Holder(s) will have the right to appoint two members of the Board of Directors in accordance with Subdivision 7 of Article FOURTH of the Certificate of Incorporation.

(n) *Transfer; Optional Redemption by the Corporation Upon Transfer*.

(i) The Transfer of the Series B Preferred Stock by the Holder(s) thereof shall not be restricted other than pursuant to the requirements of applicable law; *provided, however*, that, with respect to any such Transfer of shares of Series B Preferred Stock, the shares so Transferred must have an aggregate Liquidation Preference of at least $1 million and, if applicable, any shares owned by the Holder effecting such Transfer following such Transfer must have an aggregate Liquidation Preference of at least $1 million.

(ii) Upon a Transfer of the Series B Preferred Stock pursuant to Subdivision 14(o)(i) to a Person other than a Permitted Transferee, the Corporation shall have the right, at its option, to redeem, in part or in whole, such Transferred shares of Series B Preferred Stock (the "Optional Redemption Transferred Shares") at any time on or following the fifth anniversary of the date of such Transfer at a redemption price per share of Series B Preferred Stock equal to the then Fair Market Value of such Optional Redemption Transferred Shares and an amount equal to any accrued and unpaid dividends on such Optional Redemption Transferred Shares to, but not including, the Optional Redemption Date.

(A) If the Corporation exercises its optional redemption right to redeem the Optional Redemption Transferred Shares pursuant to Subdivision 14(o)(ii), a written notice (the "Optional Redemption Notice") shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) of such Optional Redemption Transferred Shares, which shall contain the number of Optional Redemption Transferred Shares, the name of the nationally recognized independent investment banking firm selected by the Corporation to determine the Fair Market Value of the Optional Redemption Transferred Shares to be redeemed, the Fair Market Value of the Optional Redemption Transferred Shares (on a per share and aggregate basis) and such other information required by applicable law.

(B) The date of the redemption of the Optional Redemption Transferred Shares shall be a date selected by the Corporation that is not less than 30 calendar days and not more than 60 calendar days after the date on which the Corporation provides Optional Redemption Notice (the "Optional Redemption Date").

(C) If, on or before the Optional Redemption Date specified in the Optional Redemption Notice, the Corporation has set aside all funds necessary for such redemption, separate and apart from its other funds, in trust for the pro rata benefit of the Holder(s) of the Optional Redemption Transferred Shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for the Optional Redemption Transferred Shares so called for redemption shall not have been surrendered for cancellation, all the Optional Redemption Transferred Shares so called for redemption shall no longer be deemed outstanding on and after such Optional Redemption Date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such Optional Redemption Date cease and terminate, except only the right of the Holder(s) thereof to receive the amount payable on redemption thereof without interest.

(iii) A Holder effecting a Transfer pursuant to this Subdivision 14(o) must notify the Registrar of the Transfer on the date of the Transfer. Any purported Transfer of shares of Series B Preferred Stock not in accordance with this Subdivision 14(o) shall be void and have no effect; *provided*, *however*, that the failure to notify the Registrar of any Transfer shall not cause such Transfer to be void and of no effect.

(o) *Reservation of Common Stock*.

(i) The Corporation has reserved and shall continue at all times to reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series B Preferred Stock as provided in this Subdivision 14, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding. The Corporation shall take all such corporate and other actions as from time to time may be necessary to ensure that all shares of Common Stock issuable upon conversion of shares of Series B Preferred Stock at the Conversion Rate in effect from time to time will, upon issue, be duly and validly authorized and issued, fully paid and nonassessable and free of any preemptive or similar rights. For purposes of this Subdivision 14(p), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series B Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(ii) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series B Preferred Stock, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as (x) any such acquired shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders) and (y) all such acquired shares have all the same attributes as any other share of Common Stock then outstanding, including without limitation any rights that may then be attached to all or substantially all of the Common Stock then outstanding pursuant to any stockholders' rights plan or similar arrangement.

(iii) All shares of Common Stock delivered upon conversion of the Series B Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holder(s)).

(iv) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series B Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(v) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series B Preferred Stock.

(p) *Replacement Certificates*. The Corporation shall replace any mutilated Series B Preferred Stock certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may reasonably be required by the Corporation.

(q) *Miscellaneous*.

(i) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail with postage prepaid, addressed: (x) if to the Corporation, to its office at P.O. Box 4505, 45 Glover Avenue, Norwalk, CT 06856, Attention: General Counsel, or (y) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation or (z) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(ii) No Holder of Series B Preferred Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any obligations or other securities convertible into, or exchangeable for, any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

(iii) The shares of Series B Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law."

FIFTH: The Secretary of State of the State of New York is hereby designated as the agent of the Corporation upon whom process in any action or proceeding against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against it served on him is:

XEROX CORPORATION
45 Glover Avenue

P. O. Box 4505
Norwalk, CT 06856-4505
Attention: General Counsel

SIXTH: Its duration is to be perpetual.

SEVENTH: The number of directors shall be not less than five (5) nor more than twenty-one (21) as determined in the manner prescribed by the By-Laws.

Unless the election is contested, each director shall be elected by the affirmative vote of a majority of the votes cast for or against the director at any meeting for the election of directors at which a quorum is present. In a contested election, directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. An election shall be considered contested if as of the record date there are more nominees for election than positions on the board of directors to be filled by election at the meeting.

EIGHTH: The Corporation may purchase, acquire, hold and dispose of the stocks, bonds and other evidences of indebtedness of any corporation, domestic or foreign, and may issue in exchange therefor, its stock, bonds or other obligations.

NINTH: A person who is or was a director of the Corporation shall not be personally liable to the Corporation or its shareholders for damages for any breach of duty in such capacity, except to the extent that the Business Corporation Law of the State of New York as in effect from time to time expressly provides that the foregoing provisions shall not eliminate or limit such personal liability. Nothing in this Article shall directly or indirectly increase the liability of any such person based upon acts or omissions occurring before the adoption hereof. No amendment, modification or repeal of this Article shall adversely affect any right or protection of any director that exists at the time of such change.

EXHIBIT 10(a)(3)

XEROX CORPORATION

EXECUTIVE SALARY CONTINUANCE PROGRAM

Effective March 1, 2017

Xerox Corporation hereby establishes the Executive Salary Continuance Program (the “Program”).

The Program is a severance pay plan within the meaning of Labor Regulations section 2510.3-2 that is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA and Labor Regulations section 2520.104-24, designed to provide salary continuation payments pursuant to section 401(a)(1) of ERISA to a select group of management or highly compensated employees upon involuntary termination of employment from the Company.

To the maximum extent possible, the Program is not intended to provide for any “deferral of compensation,” as defined in Code Section 409A and authoritative IRS guidance thereunder. Instead, the Program is intended to fall within the exceptions for “short-term deferrals,” as set forth in Treasury Regulations section 1.409A-1(b)(4), and “separation pay due to involuntary separation from service or participation in a window program,” as set forth in Treasury Regulations section 1.409A-1(b)(9)(iii), and it is further intended that Executive Salary Continuance shall be payable only upon an Eligible Executive’s “separation from service” under Treasury Regulations section 1.409A-1(h). For purposes of Treasury Regulations section 1.409A-2(b)(2)(iii), the right to each salary continuation payment under the Program shall be treated as the right to a separate payment. The Program shall be interpreted and administered, to the extent possible, in accordance with these intentions.

ARTICLE I – DEFINITIONS

1.1 Definitions.

Whenever the following terms are used in the Program, with the first letter capitalized, they shall have the meanings specified below.

“Administrator” shall mean the Compensation Committee or its delegate for any Eligible Executive who is an officer as defined by Section 16 of the Securities Exchange Act of 1934, or who reports directly to the CEO, and shall mean the CEO or his delegate for any other officer.

“Base Salary” shall mean an Eligible Executive's annualized gross base salary in effect as of his or her Severance Date excluding any overtime, bonuses or other supplemental compensation.

“CEO” shall mean the Company’s Chief Executive Officer.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Compensation Committee” shall mean the Compensation Committee of the Board of Directors of Xerox Corporation, or its delegate.

“Company” shall mean Xerox Corporation or any successor corporation resulting from merger, consolidation, or transfer of assets substantially as a whole, to the extent the Program is assumed by or assigned to such successor.
“Eligible Executive” shall mean the CEO and any other Company executive who is designated by the Administrator as eligible to receive Executive Salary Continuance under the Program, if such individual satisfies the eligibility requirements set forth in Article II.

“Executive Salary Continuance” shall mean the benefit, if any, payable pursuant to Section 3.1, except as otherwise provided in a written agreement between the Eligible Executive and the Company.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
“Severance Date” shall mean the date that an Eligible Executive has a “separation from service,” as defined in Treasury Regulations section 1.409A-1(h) or any successor thereto.

ARTICLE II - ELIGIBILITY

2.1 Eligibility Requirements.

(a) An executive shall be eligible to receive Executive Salary Continuance only if designated as eligible by the Administrator.

(b) An executive shall be eligible to receive Executive Salary Continuance only if such executive is an officer of the Company.

(c) An executive shall be eligible to receive Executive Salary Continuance only if the Administrator determines that the executive involuntarily terminated employment with the Company for reasons other than for cause. Involuntary termination shall include, but shall not be limited to, termination resulting from a reduction in force, a restructuring, or mutual agreement between the executive and the Company.

(d) The Administrator may determine that an executive is not eligible to receive Executive Salary Continuance unless the executive executes a valid release of claims, a non-compete and non-solicitation agreement and any other document deemed appropriate by the Administrator in connection with the Eligible Employee’s severance (“Separation documents”). In this case, an executive shall be entitled to Executive Salary Continuance only if both of the following requirements are satisfied no later than the date that is sixty (60) days after his or her Severance Date, or, if earlier, sixty (60) days after he or she first obtains a legally binding right to Executive Salary Continuance:

(i) the executive executes and delivers a valid release, as developed by the Company, of all claims against the Company or any employees, directors, or agents of the Company and any other Separation Documents required by the Administrator; and

(ii) the release and any other Separation Documents required by the Administrator becomes effective and irrevocable in accordance with its terms.

(e) An executive shall not be entitled to Executive Salary Continuance if his or her employment with the Company is terminated for any reason other than as set forth in subsection (a) above, including but not limited to retirement, termination by the Company for cause, or death.

ARTICLE III - BENEFITS PAYABLE UNDER THE PROGRAM

3.1 Amount of Executive Salary Continuance.
(a) If the CEO is an Eligible Executive, the CEO shall receive a benefit equal to two times the CEO's base salary.

(b) Any other Eligible Executive shall receive a benefit equal to one times the Eligible Executive's base salary.

(c) The Eligible Executive shall be eligible to continue to participate in employee benefits plans offered by the Company for active employees while receiving Executive Salary Continuance under the Program, to the extent permitted by the Code and other applicable law.

3.2 Payment of Executive Salary Continuance.

(a) Except as provided in subsections (b) through (e) below, Executive Salary Continuance shall be paid in accordance with the Company's regular payroll practices for similarly situated active employees, and shall be paid ratably over a period of one year (two years for the CEO) following the Eligible Executive's Severance Date.

(b) If the Administrator has determined that Executive Salary Continuance payments will not be made unless the executive executes the release and any other Separation Documents required by the Administrator as described in Section 2.1, such payments shall not be made until the date such release and any other Separation Documents required by the Administrator becomes effective and irrevocable in accordance with its terms. Any payments that otherwise would have been made prior to such date shall be made as soon as practicable after the release and any other Separation Documents required by the Administrator becomes effective and irrevocable, but not later than the fifteenth day of the third month following the date the Eligible Executive first obtained a legally binding right to Executive Salary Continuance.

(c) To the extent that Executive Salary Continuance payable to an Eligible Executive during the first six months following the Eligible Executive's Severance Date exceeds two times the compensation limit described in Code section 401(a)(17) determined as of the Executive's Severance Date, such excess amounts shall be paid on a ratable basis over all Executive Salary Continuance payments made on or after the six-month anniversary of the Eligible

Executive’s Severance Date, or such other schedule as determined pursuant to a written agreement between the Eligible Executive and the Company.

(d) Interest shall not be payable on any Executive Salary Continuance.

3.3. Detrimental Activity and Breach

Payments of Executive Salary Continuance to an Eligible Executive shall cease immediately upon a determination by the Administrator that such Eligible Executive engaged in detrimental activity against the Company, or breached the written agreement under which Executive Salary Continuance is provided to such executive under the Program.

3.4 Termination of Executive Salary Continuance Upon Re-employment.

The payment of Executive Salary Continuance to an Eligible Executive will terminate and any remaining benefits will be forfeited in the event that the Eligible Executive is subsequently re-employed by the Company, any subsidiary or affiliated company, or any entity that acquires part or all of the assets or operations of the Company or any subsidiary or affiliated company, whether by merger, stock or asset transfer, or other means, before he or she receives the full Executive Salary Continuance to which he or she is entitled under the Program.

ARTICLE IV - PLAN ADMINISTRATION

4.1 Powers and Duties of the Administrator.

The Administrator shall be the Plan Administrator, as defined in Section 3(16)(A) of ERISA. The Administrator shall enforce the Program in accordance with its terms, and shall be charged with the general administration of the Program. In accordance with Section 4.2, the Administrator shall have all powers and duties necessary to accomplish its purposes. The Administrator may delegate any or all of its duties under the Program.

4.2 Manner of Administering.

The Administrator shall have full discretionary authority and the exclusive right to construe and interpret the terms and provisions of the Program and to carry out its other powers and duties, and to determine any and all questions arising under the Programs or in connection with the administration thereof, including, without limitation, the discretionary authority to determine the amount of Executive Salary Continuance that will be paid to an Eligible Executive under Section 3.1, the right to remedy or resolve possible ambiguities, inconsistencies, or omissions, by general rule or particular decision. Benefits shall be paid to an individual only if the Administrator determines, in its sole discretion, that such individual is an Eligible Executive who is entitled to a benefit. The Administrator may determine that an executive is not an Eligible Executive and is not entitled to benefits under the Program for any reason or no reason. The actions, interpretations or constructions of the Administrator shall be final, binding, and conclusive on all parties, including but not limited to the Company and any Eligible Executives, and shall be given the maximum possible deference allowed by law.

ARTICLE V - AMENDMENT AND TERMINATION

5.1 Amendments and Termination.

The Compensation Committee shall have the power to approve, adopt, amend, modify and/or terminate the Program at any time and in any manner, with or without notice to Eligible Executives or others. In the event that the Program is terminated, no Eligible Executive shall have any claim against any of the assets of the Company.

The Chief Human Resources Officer of the Company shall have the power to amend the eligibility provisions of Article II at any time to provide that Eligible Executives shall include executives in addition to those who are officers of the Company, provided that such amendment does not define Eligible Executives to include employees other than a select group of management or highly compensated employees pursuant to Labor Regulations section 2520.104-24 and ERISA section 401(a)(1); amend the formula of Section 3.1 with respect to the benefit amount payable to such executives but in no event to provide a benefit to such executives equal to more than one times the Eligible Executive’s base salary; and amend the definition of “Administrator” to mean the Chief Human Resources Officer as to such executive and make such other conforming amendments to the extent necessary to effectuate such amendments.

The Chief Human Resources Officer of the Company shall have the power to amend the Program at any time to the extent necessary to ensure compliance with applicable law or effectuate the intent of the Program, including the intent that the Program constitute a severance pay welfare benefit plan under Labor Regulations section 2510.3-2(b)(ii), and that no payment under the Program would constitute deferred compensation within the meaning of Code section 409A.

Any amendment shall be in writing and effective in the manner and at the time therein set forth, and the Company and all Eligible Executives and others shall be bound thereby.

ARTICLE VI - MISCELLANEOUS

6.1 Limitation of Eligible Executives' Rights.

(a) Payments made under the Program shall not give any employee the right to be retained in the employ of the Company or any right or interest under the Program other than as herein provided. The Company reserves the right to dismiss any employee without any liability for any claim against the Company. Inclusion under the Program will not give any Eligible Executive any right to claim any benefit hereunder except to the extent such right has specifically become fixed under the terms of the Program. An Eligible Executive shall not have any recourse towards satisfaction of such benefit becoming fixed under the terms of the Program from other than the general assets of his or her Employer.

(b) Payments made under the Program shall not give any employee the right to any benefits provided only to employees retained in the employ of the Company (e.g., the Company's health and dental plans). Except as may otherwise be required by law or set forth specifically in such plans or in an agreement between the Company and the Eligible Executive, such benefits shall be terminated as of the employee's Severance Date.

6.2 Unsecured General Creditor.

All Eligible Executives and their heirs, successors, assigns and personal representatives shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company with respect to benefits payable under the Program. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfillment of the obligations of the Company under the Program. The Company's assets shall be, and remain, the general, unpledged, unrestricted assets of the Company. The Company's obligation under the Program shall be merely that of an unfunded and unsecured promise to pay money in the future, and the rights of all Eligible Executives shall be no greater than those of unsecured general creditors.

6.3 Non-Duplication of Benefits.

Benefits payable under the Program are in lieu of, and not in addition to, any other severance, separation, change in control or similar type of benefit payable under a severance, separation, change in control or similar plan, policy, agreement or arrangement of the Company. Accordingly, notwithstanding any provision of the Program to the contrary, benefits payable under the Program will be reduced and forfeited by the amount of benefits payable under any and all such other severance, separation, change in control and similar plans, policies, agreements or arrangements.

6.4 Withholding.

There shall be deducted from each payment under the Program all taxes that are required to be withheld by the Company with respect to such payment. The Company shall have the right to reduce any payment by (i) the amount of cash sufficient to provide the amount of said taxes, and (ii) an amount of cash equal to the amount of any contributions that the Eligible Executive has elected to make to any medical, welfare, or retirement plan maintained by the Company in accordance with the terms and provisions of those plans.

6.5 Restriction Against Alienation.

None of the benefits, payments, proceeds or claims of any Eligible Executive shall be subject to any claim of any creditor and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor, nor shall any such Eligible Executive have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Program. Notwithstanding the above, benefits which are in pay status may be subject to a garnishment or wage assignment made pursuant to a court order, or a tax levy.

6.6 Governing Law.

The Program shall be construed, administered, and governed in all respects under applicable federal law, and to the extent that federal law is inapplicable, under the laws of the State of New York provided, however, that if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Program being a "top hat" welfare benefit plan within the meaning of Section 3(1) of ERISA and Labor Regulations section 2520.104-24. If any provision of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

6.7 Headings, etc., Not Part of Agreement.

Headings and subheadings in the Program are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

6.8 Instrument on Counterparts.

The Program may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by any one counterpart.

6.9 Correction of Errors.

If the Administrator determines, in its sole discretion, that the Program has made an overpayment to any individual, the Administrator may recover the amount of the overpayment by requiring the payee to return the excess payments to the Program, reducing any future Program payments to the payee, or any other method deemed reasonable by the Administrator.

If the Administrator determines, in its sole discretion, that the Program has made an underpayment to any individual, the Administrator may correct the underpayment by making a lump-sum payment to the payee, increasing any future Plan payments to the payee, or any other method deemed reasonable by the Administrator.

6.11 Claims and Issues.

From time to time, claims or issues may arise that involve the Program. The resolution, settlement or adjudication of these claims or issues may result in an agreement or order that is not expressly contemplated under the Program document, including the payment of benefits which differ from the amounts generally payable under the Program. Any such agreements and orders will be respected to the extent that, as determined in the sole discretion of the Administrator, they do not violate any applicable statute, government regulation or ruling.

6.12 Construction.

As used in the Program, the masculine gender shall include the feminine and the singular may include the plural, unless the context clearly indicates to the contrary.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed by its duly authorized officers on the date indicated below.

XEROX CORPORATION
DATED:_________________
By______________________
Name___________________
Title_____________________

EXHIBIT 10(e)(13)

Annual Performance Incentive Plan for 2016 ("2016 APIP")

Under the 2016 APIP, executive officers of the Company are eligible to receive performance related cash payments. Payments are, in general, only made if performance objectives established by the Compensation Committee of the Board of Directors (the "Committee") are met.

The Committee previously approved an incentive target opportunity for 2016, expressed as a percentage of base salary, for each participating officer. The Committee also established overall threshold, target and maximum performance metrics for the 2016 APIP. Certain additional goals were established for some officers based on business unit measures. Additionally, the Committee had established an opportunity for an individual performance component whereby the Committee has the authority to increase or decrease the award, subject to the limitations of Section 162(m) of the Internal Revenue Code. The performance measures and weightings were adjusted earnings per share (weighted at 20%), operating cash flow (weighted at 20%), constant currency revenue growth (adjusted to exclude the impact of changes in the translation of foreign currencies into U.S. dollars) (weighted at 20%) and an assessment by the CEO and the Compensation Committee of the Board of Directors of the completion of the Company's separation (weighted at 40%).

The performance against the 2016 APIP goals was as follows: adjusted earnings per share was below target, operating cash flow was below target, constant currency revenue growth was below target and completion of the separation was at target.

EXHIBIT 10(e)(25)

Annual Performance Incentive Plan for 2017 (“2017 APIP”)

Under the 2017 APIP, executive officers of the Company are eligible to receive performance related cash payments. Payments are, in general, only made if performance objectives established by the Compensation Committee of the Board of Directors (the “Committee”) are met.

The Committee approved incentive opportunities for 2017, expressed as a percentage of base salary for each participating officer. The Committee also established overall threshold, target and maximum performance metrics for the 2017 APIP. Additionally, the Committee established an opportunity for an individual performance component whereby the Committee has the authority to increase or decrease the award, subject to the limitations of Section 162(m) of the Internal Revenue Code. The performance measures and weightings are: constant currency revenue growth (adjusted to exclude the impact of changes in the translation of foreign currencies into U.S. dollars) (weighted at 20%), adjusted pre-tax income (weighted at 30%), operating cash flow from continuing operations (weighted at 25%) and a strategic transformation measure (cost/productivity) (weighted at 25%).

Individual awards will be subject to the review and approval of the Committee following the completion of the 2017 fiscal year, with payment to be made within the first four months of 2018.

Omnibus Agreement – [insert year]: PIP;ELTIP;1 year graded RSUs

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the "Company"), dated as of the date that appears in the award summary that provides the value (or number of Restricted Stock Units) and vesting provisions of the award (the "Award Summary") in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company's subsidiaries or one of its affiliates (the "Employee").

In accordance with the provisions of the "2004 Performance Incentive Plan" and any amendments and/or restatements thereto (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee") or the Chief Executive Officer of the Company (the "CEO") has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

AWARDS

1. Award of Restricted Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Restricted Stock Units (individually, the "RSU") as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company's Human Resources Policies or similar policies of the Company's subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE RESTRICTED STOCK UNITS

2. Entitlement to Shares. Upon the vesting date indicated on the Award Summary, or the date of death if sooner, (the "Vesting Date") in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee's taxes in relation to the award as described in Paragraph 8 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement, that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no

adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

5. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

6. Effect of Termination of Employment or Death.

(a) Effect on RSUs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the “Employer”) for any reason, including retirement, and the RSUs have not vested in accordance with Paragraph 2, the RSUs shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 6(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such RSUs will vest on a pro-rata basis in accordance with Paragraph 2, based on the Employee’s actual months of service and vesting will be calculated as follows: multiply the total award granted by a fraction, the numerator of which will be the number of full months of service during the year and the denominator of which will be 12. Payout shall occur as soon as practicable following the Vesting Date;

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the RSUs pursuant to this grant shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 5 to the personal representatives, heirs or legatees of the deceased Employee; and

(iv) ceases to be an Employee of the Employer due to termination for Cause, the RSUs shall, subject to any Plan provision to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer’s long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 6 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of RSUs shall be provided pursuant to Paragraph 6(a)(ii) above.

(c) Cause. “Cause” means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company’s Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for “immediate discharge” under the Employer’s Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

7. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the RSUs.

8. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee’s Federal, state and municipal individual income taxes, the Employee’s portion of social security and other payroll taxes, and any other taxes related to Employee’s participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

9. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the RSUs are subject to modification and adjustment under Section 6(b) of the Plan.

(b) the award of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the RSUs and the shares of Common Stock subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the RSUs and the shares of Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;

(h) the RSUs and the shares of Common Stock subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

10. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

12. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

13. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

14. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

15. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer’s business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 15 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

16. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

17. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

18. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the

Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

19. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 5 to the personal representatives, legatees and heirs of the Employee.

21. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

22. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

23. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

24. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By___________________
Signature

Omnibus Agreement – [insert year]: PIP;ELTIP;2 year graded RSUs

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the “Company”), dated as of the date that appears in the award summary that provides the value (or number of Restricted Stock Units) and vesting provisions of the award (the “Award Summary”) in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company’s subsidiaries or one of its affiliates (the “Employee”).

In accordance with the provisions of the ”2004 Performance Incentive Plan” and any amendments and/or restatements thereto (the “Plan”), the Compensation Committee of the Board of Directors of the Company (the “Committee”) or the Chief Executive Officer of the Company (the “CEO”) has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

AWARDS

1. Award of Restricted Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Restricted Stock Units (individually, the “RSU”) as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company’s Human Resources Policies or similar policies of the Company’s subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE RESTRICTED STOCK UNITS

2. Entitlement to Shares. Upon the vesting dates indicated on the Award Summary, or the date of death if sooner, (each a “Vesting Date”) in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee’s taxes in relation to the award as described in Paragraph 8 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement, that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no

adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

5. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

6. Effect of Termination of Employment or Death.

(a) Effect on RSUs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason, including retirement, and the RSUs have not vested in accordance with Paragraph 2, the RSUs shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 6(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such RSUs will vest on a pro-rata basis in accordance with Paragraph 2, based on the Employee's actual months of service and vesting will be calculated as follows: multiply the total apportioned award for the year (as provided in the applicable award summary) in which the termination occurs by a fraction, the numerator of which will be the number of full months of employment for that year and the denominator of which will be twelve. Payout shall occur as soon as practicable following the Vesting Date;

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the RSUs pursuant to this grant shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 5 to the personal representatives, heirs or legatees of the deceased Employee; and

(iv) ceases to be an Employee of the Employer due to termination for Cause, the RSUs shall, subject to any Plan provision to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 6 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of RSUs shall be provided pursuant to Paragraph 6(a)(ii) above.

(c) Cause. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

7. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the RSUs.

8. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

9. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the RSUs are subject to modification and adjustment under Section 6(b) of the Plan.

(b) the award of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the RSUs and the shares of Common Stock subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the RSUs and the shares of Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;

(h) the RSUs and the shares of Common Stock subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

10. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

12. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

13. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

14. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

15. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 15 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

16. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

17. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

18. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the

Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

19. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 5 to the personal representatives, legatees and heirs of the Employee.

21. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

22. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

23. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

24. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By__________________

Signature

Omnibus Agreement – [insert year]: PIP;ELTIP;3 year graded RSUs

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the "Company"), dated as of the date that appears in the award summary that provides the value (or number of Restricted Stock Units) and vesting provisions of the award (the "Award Summary") in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company's subsidiaries or one of its affiliates (the "Employee").

In accordance with the provisions of the "2004 Performance Incentive Plan" and any amendments and/or restatements thereto (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee") or the Chief Executive Officer of the Company (the "CEO") has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

AWARDS

1. Award of Restricted Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Restricted Stock Units (individually, the "RSU") as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company's Human Resources Policies or similar policies of the Company's subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE RESTRICTED STOCK UNITS

2. Entitlement to Shares. Upon the vesting dates indicated on the Award Summary, or the date of death if sooner, (each a "Vesting Date") in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee's taxes in relation to the award as described in Paragraph 8 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement, that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no

adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

5. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

6. Effect of Termination of Employment or Death.

(a) Effect on RSUs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason, including retirement, and the RSUs have not vested in accordance with Paragraph 2, the RSUs shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 6(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis in accordance with Paragraph 2, based on the Employee's actual months of service and vesting will be calculated as follows: multiply the total apportioned award for the year (as provided in the applicable award summary) in which the termination occurs by a fraction, the numerator of which will be the number of full months of employment for that year and the denominator of which will be twelve.. Payout shall occur as soon as practicable following the Vesting Date;

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the RSUs pursuant to this grant shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 5 to the personal representatives, heirs or legatees of the deceased Employee; and

(iv) ceases to be an Employee of the Employer due to termination for Cause, the RSUs shall, subject to any Plan provision to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 6 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of RSUs shall be provided pursuant to Paragraph 6(a)(ii) above.

(c) Cause. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

7. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the RSUs.

8. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

9. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the RSUs are subject to modification and adjustment under Section 6(b) of the Plan.

(b) the award of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the RSUs and the shares of Common Stock subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the RSUs and the shares of Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;

(h) the RSUs and the shares of Common Stock subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

10. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

12. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

13. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

14. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

15. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 15 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

16. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

17. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

18. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the

Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

19. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 5 to the personal representatives, legatees and heirs of the Employee.

21. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

22. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

23. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

24. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By___________________
Signature

Omnibus Agreement – [insert year]: PIP;ELTIP;RSUs

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the “Company”), dated as of the date that appears in the award summary that provides the value (or number of Restricted Stock Units) and vesting provisions of the award (the “Award Summary”) in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company’s subsidiaries or one of its affiliates (the “Employee”).

In accordance with the provisions of the ”2004 Performance Incentive Plan” and any amendments and/or restatements thereto (the “Plan”), the Compensation Committee of the Board of Directors of the Company (the “Committee”) or the Chief Executive Officer of the Company (the “CEO”) has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

AWARDS

1. Award of Restricted Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Restricted Stock Units (individually, the “RSU”) as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company’s Human Resources Policies or similar policies of the Company’s subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE RESTRICTED STOCK UNITS

2. Entitlement to Shares. Upon the vesting date indicated on the Award Summary, or the date of death if sooner, (the “Vesting Date”) in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee’s taxes in relation to the award as described in Paragraph 10 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement, that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Ownership Guidelines. Guidelines pertaining to the Employee’s required ownership of Common Stock shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to Employee in writing.

5. Holding Requirements. The Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the RSUs (net of withholding tax and any applicable fees) until ownership guidelines are met under Paragraph 4 hereof, subject to any ownership and holding requirements policies established by the Committee from time to time. Such shares shall be held in the Employee's Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

If employment terminates due to the death of the Employee, such holding requirements shall cease at the date of death. If the Employee is a Corporate officer of the Company and terminates for any other reason, the holding requirement will be applicable for a six month period for the CEO and a three month period for all other officers, following termination.

6. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

7. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

8. Effect of Termination of Employment or Death.

(a) Effect on RSUs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason other than retirement, and the RSUs have not vested in accordance with Paragraph 2, the RSUs shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 8(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis in accordance with Paragraph 2, based on the Employee's actual months of service and vesting will be calculated as follows: multiply the total award granted by a fraction, the numerator of which will be the number of full months of service during the three years and the denominator of which will be 36. Payout shall occur as soon as practicable following the Vesting Date;

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the RSUs pursuant to this grant shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 7 to the personal representatives, heirs or legatees of the deceased Employee;

(iv) ceases to be an Employee of the Employer by reason of retirement (i.e., for purposes of this Agreement only, "retirement" for U.S. employees shall mean termination of employment at or above age 55 with 10 years of service or age 60 with 5 years of service with the Employer), shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis in accordance with Paragraph 2, based on the Employee's actual months of service, and vesting will be calculated as follows: multiply the total award granted by a fraction, the numerator of which will be the number of full months of service during the three years and the denominator of which will be 36. Payout shall occur as soon as practicable following the Vesting Date ; and

(v) ceases to be an Employee of the Employer due to termination for Cause, the RSUs shall, subject to any Plan provision to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 8 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of RSUs shall be provided pursuant to Paragraph 8(a)(ii) above.

(c) Cause. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

9. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the RSUs.

10. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

11. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the RSUs are subject to modification and adjustment under Section 6(b) of the Plan.

(b) the award of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the RSUs and the shares of Common Stock subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the RSUs and the shares of Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;

(h) the RSUs and the shares of Common Stock subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

12. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

14. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

15. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

16. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

17. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 17 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

18. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

19. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

20. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

21. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 7 to the personal representatives, legatees and heirs of the Employee.

23. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

24. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

25. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

26. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

27. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By__________________
Signature

Omnibus Agreement – [insert year]: PIP;ELTIP;RSUs;Retention

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the "Company"), dated as of the date that appears in the award summary that provides the value (or number of Restricted Stock Units) and vesting provisions of the award (the "Award Summary") in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company's subsidiaries or one of its affiliates (the "Employee").

In accordance with the provisions of the "2004 Performance Incentive Plan" and any amendments and/or restatements thereto (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee") or the Chief Executive Officer of the Company (the "CEO") has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

AWARDS

1. Award of Restricted Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Restricted Stock Units (individually, the "RSU") as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company's Human Resources Policies or similar policies of the Company's subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE RESTRICTED STOCK UNITS

2. Entitlement to Shares. Upon the vesting date indicated on the Award Summary, or the date of death if sooner, (the "Vesting Date") in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee's taxes in relation to the award as described in Paragraph 10 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement, that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Ownership Guidelines. Guidelines pertaining to the Employee's required ownership of Common Stock shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to Employee in writing.

5. Holding Requirements. The Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the RSUs (net of withholding tax and any applicable fees) until ownership guidelines are met under Paragraph 4 hereof, subject to any ownership and holding requirements policies established by the Committee from time to time. Such shares shall be held in the Employee's Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

If employment terminates due to the death of the Employee, such holding requirements shall cease at the date of death. If the Employee is a Corporate officer of the Company and terminates for any other reason, the holding requirement will be applicable for a six month period for the CEO and a three month period for all other officers, following termination.

6. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

7. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

8. Effect of Termination of Employment or Death.

Effect on RSUs. In the event the Employee

(a)(i) ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason other than death and the RSUs have not vested in accordance with Paragraph 2, the RSUs shall be cancelled on the date of such termination of employment; and

(a)(ii) ceases to be an Employee of the Employer by reason of death, the RSUs vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 7 to the personal representatives, heirs or legatees of the deceased Employee.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 8 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of RSUs shall be provided pursuant to Paragraph 8(a)(i) above.

9. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the RSUs.

10. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

11. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the RSUs are subject to modification and adjustment under Section 6(b) of the Plan.

(b) the award of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the RSUs and the shares of Common Stock subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the RSUs and the shares of Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;

(h) the RSUs and the shares of Common Stock subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

12. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

14. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

15. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

16. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

17. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions, shall disclose promptly and assign to the Employer, all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 17 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

18. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

19. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

20. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

21. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in

its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 7 to the personal representatives, legatees and heirs of the Employee.

23. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

24. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

25. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

26. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee’s country (the “Appendix”). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

27. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee’s participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By__________________
Signature

Omnibus Agreement – [insert year]: PIP;ELTIP;PSs

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the “Company”), dated as of the date that appears in the award summary that provides the value (or number of Performance Shares) and vesting provisions of the award (the “Award Summary”) in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company’s subsidiaries or one of its affiliates (the “Employee”).

In accordance with the provisions of the ”2004 Performance Incentive Plan” and any amendments and/or restatements thereto (the “Plan”), the Compensation Committee of the Board of Directors of the Company (the “Committee”) or the Chief Executive Officer of the Company (the “CEO”) has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Company agrees as follows:

AWARDS

1. Award of Performance Shares. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Performance Shares (individually, the “PS”) as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company’s Human Resources Policies or similar policies of the Company’s subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE PERFORMANCE SHARES

2. Entitlement to Shares. As soon as practicable on or after the vesting date indicated on the Award Summary, or the date of death if sooner, (the “Vesting Date”) in connection with the PSs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested PSs (subject to reduction for withholding of Employee’s taxes in relation to the award as described in Paragraph 10 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

The Committee shall set performance goals and review performance against such goals in connection with determining the payout of PSs. The award of PSs covered hereby shall be earned based on achieving three-year cumulative performance goals (as shall be determined by the Committee) at one hundred percent (100%) of target. To the extent such performance measures, in each case on a three-year cumulative basis, are achieved below threshold, there will be no entitlement to PSs; to the extent such performance measures are achieved between threshold and target, the PSs earned will be between 50% of target and 100% of target; and to the extent such performance measures are achieved between target and maximum levels, PSs will be earned between 100% and 200% of the target set forth in the Award Summary.

Upon the occurrence of an event constituting a Change in Control, all PSs and dividend equivalents outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of PSs covered by this Agreement (relating exclusively to PSs earned, based on achievement of three-year cumulative performance targets, not to exceed the target award amount shown on the Award Summary), that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of

the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Ownership Guidelines. Guidelines pertaining to the Employee's required ownership of Common Stock shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to Employee in writing.

5. Holding Requirements. The Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the PSs (net of withholding tax and any applicable fees) until ownership guidelines are met under Paragraph 4 hereof, subject to any ownership and holding requirements policies established by the Committee from time to time. Such shares shall be held in the Employee's Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

If employment terminates due to the death of the Employee, such holding requirements shall cease at the date of death. If the Employee is a Corporate officer of the Company and terminates for any other reason, the holding requirement will be applicable for a six month period for the CEO, and a three month period for all other officers, following termination.

6. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

7. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

8. Effect of Termination of Employment or Death.

(a) Effect on PSs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason other than retirement, and the PSs have not vested in accordance with Paragraph 2, the PSs shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 8(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis for three-year cumulative performance if achieved in accordance with Paragraph 2, based on the Employee's actual months of service, and vesting will be calculated as follows: multiply the total three-year cumulative award earned by a fraction, the numerator of which will be the number of full months of service during the three years and the denominator of which will be 36. Payout shall occur as soon as practicable following the Vesting Date;

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the PSs pursuant to this grant shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 7 to the personal representatives, heirs or legatees of the deceased Employee;

(iv) ceases to be an Employee of the Employer by reason of retirement (i.e., for purposes of this Agreement only, "retirement" for U.S. employees shall mean termination of employment at or above age 55 with 10 years of service or age 60 with 5 years of service with the Employer), shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis for three-year cumulative performance, if achieved in accordance with Paragraph 2, based on the Employee's actual months of service, and vesting will be calculated as follows: multiply the total three-year cumulative award earned by a fraction, the numerator of which will be the number of full months of service during the three years and the denominator of which will be 36. Payout shall occur as soon as practicable following the Vesting Date; and

(v) ceases to be an Employee of the Employer due to termination for Cause, the PSs shall, subject to any Plan provisions to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 8 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of PSs shall be provided pursuant to Paragraph 8(a)(ii) above.

(c) Cause. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

9. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the PSs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of PSs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the PSs.

10. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

11. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the PSs are subject to modification and adjustment under Section 6(b) of the Plan.

(b) the award of the PSs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSs, or benefits in lieu of PSs, even if PSs have been granted repeatedly in the past;

(c) all decisions with respect to future PS awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the PS award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the PSs and the shares of Common Stock subject to the PSs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the PSs and the shares of Common Stock subject to the PSs are not intended to replace any pension rights or compensation;

(h) the PSs and the shares of Common Stock subject to the PSs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the PSs, no claim or entitlement to compensation or damages shall arise from forfeiture of the PSs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, PSs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

12. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

14. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

15. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

16. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

17. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions, shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 17 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

18. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

19. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

20. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

21. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 7 to the personal representatives, legatees and heirs of the Employee.

23. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

24. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

25. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

26. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the PS award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

27. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the PSs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By__________________
Signature

Omnibus Agreement – [insert year]: PIP;ELTIP;PS&RSU

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the “Company”), dated as of the date that appears in the applicable award summary that provides the value (or number of Performance Shares and Restricted Stock Units, as applicable) and vesting provisions of the applicable award (together, the “Award Summaries”) in favor of the individual whose name appears on the applicable Award Summary, who is an employee of the Company, one of the Company’s subsidiaries or one of its affiliates (the “Employee”).

In accordance with the provisions of the “2004 Performance Incentive Plan” and any amendments and/or restatements thereto (the “Plan”), the Compensation Committee of the Board of Directors of the Company (the “Committee”) or the Chief Executive Officer of the Company (the “CEO”) has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summaries contain the details of the awards covered by this Agreement and are incorporated herein in their entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Company agrees as follows:

AWARDS

1. General. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the applicable Award Summary (i) the number of Performance Shares (individually, the “PS”) and (ii) the number of Restricted Stock Units (individually, the “RSU”), in each case, as shown on the applicable Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company’s Human Resources Policies or similar policies of the Company’s subsidiaries or affiliates) on the effective date of the award, as shown on the applicable Award Summary, shall be eligible to receive the awards.

TERMS OF THE PERFORMANCE SHARES

2. Entitlement to Shares. As soon as practicable on or after the vesting date indicated on the applicable Award Summary, or the date of death if sooner, (the “PS Vesting Date”) in connection with the PSs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested PSs (subject to reduction for withholding of Employee’s taxes in relation to the award as described in Paragraph 12 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

The Committee shall set performance goals and review performance against such goals in connection with determining the payout of PSs. The award of PSs covered hereby shall be earned based on achieving one or more performance measures, as shall be determined by the Committee. To the extent the applicable performance measure is achieved at one hundred percent (100%) of **"**target**"** (as determined by the Committee), the PSs subject to such performance measure will be earned at the target number of shares set forth in the applicable Award Summary. To the extent the applicable performance measure is achieved below **"**threshold**"** (as determined by the Committee), none of the PSs subject to such performance measure will be earned; to the extent the applicable performance measure is achieved between **"**threshold**"** and **"**target**"**, the PSs subject to such performance measure will be earned between 50% and 100% of the target number of shares set forth in the applicable Award Summary; and to the extent the applicable performance measure is achieved between **"**target**"** and **"**maximum**"** (as determined by the Committee), the PSs subject to such performance measure will be earned between 100% and 200% of the target number of shares set forth in the applicable Award Summary, in each case calculated on a linear basis.

Upon the occurrence of an event constituting a Change in Control, all PSs and dividend equivalents outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the PS Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number

of PSs covered by this Agreement (relating exclusively to PSs earned, based on actual achievement of the applicable performance measures, not to exceed the applicable target award amount shown on the applicable Award Summary), that are held by the Employee on the close of business on the business day immediately preceding the PS Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the PS Vesting Date, as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents or other payment in lieu thereof.

TERMS OF THE RESTRICTED STOCK UNITS

4. Entitlement to Shares. Upon the vesting date indicated on the applicable Award Summary, or the date of death if sooner, (the "RSU Vesting Date") in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee's taxes in relation to the award as described in Paragraph 12 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

5. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the RSU Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement that are held by the Employee on the close of business on the business day immediately preceding the RSU Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the RSU Vesting Date, as provided under Paragraph 4. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents or other payment in lieu thereof.

OTHER TERMS

6. Ownership Guidelines. Guidelines pertaining to the Employee's required ownership of Common Stock shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to Employee in writing.

7. Holding Requirements. The Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the PSs and the RSUs (net of withholding tax and any applicable fees) until ownership guidelines are met under Paragraph 6 hereof, subject to any ownership and holding requirements policies established by the Committee from time to time. Such shares shall be held in the Employee's Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

If employment terminates due to the death of the Employee, such holding requirements shall cease at the date of death. If the Employee is a Corporate officer of the Company and terminates for any other reason, the holding requirement will be applicable for a six month period for the CEO, and a three month period for all other officers, following termination.

8. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

9. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

10. Effect of Termination of Employment or Death.

(a) Effect on PSs and RSUs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason other than retirement, and the PSs have not vested in accordance with Paragraph 2 or the RSUs have not vested in accordance with Paragraph 4, the PSs or RSUs, as applicable, shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 10(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, calculated as follows, and which vesting may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company:

(1) in the case of PSs, multiply (x) the total number of PSs outstanding as of the effective date of such termination of employment by (y) the percentage of such PSs earned based on the actual achievement of the applicable performance measures, as determined by the Company, by (z) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36; and

(2) in the case of RSUs, multiply (x) the total number of RSUs outstanding as of the effective date of such termination of employment by (y) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36.

Payment shall occur as soon as practicable following the PS Vesting Date or RSU Vesting Date, as applicable.

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the PSs and the RSUs shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 2 or Paragraph 4, as applicable, to the personal representatives, heirs or legatees of the deceased Employee;

(iv) ceases to be an Employee of the Employer by reason of retirement (i.e., for purposes of this Agreement only, "retirement" for U.S. employees shall mean termination of employment at or above age 55 with 10 years of service or age 60 with 5 years of service with the Employer), shares will vest on a pro rata basis, calculated as follows, and which vesting may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company:

(1) in the case of PSs, multiply (x) the total number of PSs outstanding as of the effective date of such termination of employment by (y) the percentage of such PSs earned based on the actual achievement of the applicable performance measures, as determined by the Company, by (z) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36; and

(2) in the case of RSUs, multiply (x) the total number of RSUs outstanding as of the effective date of such termination of employment by (y) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36.

Payment shall occur as soon as practicable following the PS Vesting Date or RSU Vesting Date, as applicable.

(v) ceases to be an Employee of the Employer due to termination for Cause, the PSs and the RSUs, as applicable, shall, subject to any Plan provisions to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 10 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of PSs and RSUs shall be provided pursuant to Paragraph 10(a)(ii) above.

(c) Cause. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

11. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the PSs or the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of PSs or RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the PSs or the RSUs.

12. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

13. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the PSs and RSUs are subject to modification and adjustment under Section 6(b) of the Plan;

(b) the award of the PSs and RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSs or RSUs, or benefits in lieu of PSs or RSUs, even if PSs or RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future PS and RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the PS and RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the PSs, the RSUs and the shares of Common Stock subject thereto are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the PSs, the RSUs and the shares of Common Stock subject thereto are not intended to replace any pension rights or compensation;

(h) the PSs, the RSUs and the shares of Common Stock subject thereto are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the PSs and RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the PSs or RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, PSs and RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

14. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

15. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

16. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

17. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

18. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares, that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

19. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions, shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 19 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

20. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator (or such other person specified hereafter by the Company), and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

21. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

22. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

23. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

24. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 9 to the personal representatives, legatees and heirs of the Employee.

25. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

26. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

27. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

28. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the PS award and RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

29. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the PSs, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the applicable Award Summary.

XEROX CORPORATION

By___________________
Signature

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends, are determined using the following applicable factors:

Earnings available for fixed charges are calculated first, by determining the sum of: (a) income from continuing operations before income taxes and equity income; (b) distributed equity income; (c) fixed charges, as defined below; and (d) amortization of capitalized interest, if any. From this total, we subtract capitalized interest and net income attributable to noncontrolling interests.

Fixed charges are calculated as the sum of: (a) interest costs (both expensed and capitalized); (b) amortization of debt expense and discount or premium relating to any indebtedness; and (c) that portion of rental expense that is representative of the interest factor.

Preferred stock dividends used in the ratio of earnings to combined fixed charges and preferred stock dividends consist of the amount of pre-tax earnings required to cover dividends paid on our Series A convertible preferred stock.

	Year Ended December 31,				
(in millions)	2016	2015	2014	2013	2012
Fixed Charges:					
Interest expense[(1)]	$ 340	$ 355	$ 381	$ 406	$ 430
Capitalized interest[(1)]	—	—	4	4	13
Portion of rental expense which represents interest factor[(1)]	178	228	273	251	215
Total Fixed Charges	$ 518	$ 583	$ 658	$ 661	$ 658
Earnings Available for Fixed Charges:					
Pre-tax income	$ 568	$ 924	$ 1,090	$ 910	$ 934
Distributed equity income of affiliated companies	52	56	69	78	62
Add: Fixed charges	518	583	658	661	658
Less: Capitalized interest	—	—	(4)	(4)	(13)
Less: Net income attributable to noncontrolling interests	(11)	(18)	(23)	(20)	(28)
Total Earnings Available for Fixed Charges	$ 1,127	$ 1,545	$ 1,790	$ 1,625	$ 1,613
Ratio of Earnings to Fixed Charges	2.18	2.65	2.72	2.46	2.45
Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends					
Fixed Charges:					
Interest expense[(1)]	$ 340	$ 355	$ 381	$ 406	$ 430
Capitalized interest[(1)]	—	—	4	4	13
Portion of rental expense which represents interest factor[(1)]	178	228	273	251	215
Total Fixed charges before preferred stock dividends pre-tax income requirements	518	583	658	661	658
Preferred stock dividends pre-tax income requirements	39	39	39	39	39
Total Combined Fixed Charges and Preferred Stock Dividends	$ 557	$ 622	$ 697	$ 700	$ 697
Earnings Available for Fixed Charges:					
Pre-tax income	$ 568	$ 924	$ 1,090	$ 910	$ 934
Distributed equity income of affiliated companies	52	56	69	78	62
Add: Fixed charges before preferred stock dividends	518	583	658	661	658
Less: Capitalized interest	—	—	(4)	(4)	(13)
Less: Net income attributable to noncontrolling interests	(11)	(18)	(23)	(20)	(28)
Total Earnings Available for Fixed Charges and Preferred Stock Dividends	$ 1,127	$ 1,545	$ 1,790	$ 1,625	$ 1,613
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	2.02	2.48	2.57	2.32	2.31

(1) *Includes amounts related to discontinued operations. Refer to Note 4 - Divestitures in our Consolidated Financial Statements, which is incorporated by reference for additional information regarding our discontinued operations.*

SUBSIDIARIES OF XEROX CORPORATION

The following companies are subsidiaries of Xerox Corporation as of December 31, 2016. Unless otherwise noted, a subsidiary is a company in which Xerox Corporation or a subsidiary of Xerox Corporation holds 50% or more of the voting stock. The names of other subsidiaries have been omitted as they would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary:

American Photocopy Equipment Company of Pittsburgh, LLC	Delaware
Berney Office Solutions, LLC	Alabama
Capitol Office Solutions, LLC	Delaware
Global Imaging Systems, Inc.	Delaware
Arizona Office Technologies, Inc.	Arizona
ASI Business Solutions, LLC	Texas
Capitol Business Systems, LLC	Pennsylvania
Carolina Office Systems, Inc.	South Carolina
Carr Business Systems, Inc.	New York
Chicago Office Technology Group, Inc.	Illinois
ComDoc, Inc.	Ohio
Conestoga Copiers, Inc. d/b/a Conestoga Business Solutions	Pennsylvania
Connecticut Business Systems, LLC	Delaware
Conway Technology Group, LLC	New Hampshire
Eastern Managed Print Network, LLC	New York
Northeast Office Systems, LLC	Massachusetts
CTX Business Solutions, Inc.	Oregon
Dahill Office Technology Corporation	Texas (26)
Denitech Corporation	Texas
Elan Marketing, Inc. d/b/a Elan Office Systems	Nevada
Electronic Systems, Inc.	Virginia
TML Enterprises, Inc.	Virginia
GDP Technologies, Inc.	Georgia
Global PR Corporation	Illinois
ImageQuest, Inc.	Kansas
Image Technology Specialists, Inc.	Massachusetts
Inland Business Machines, Inc.	California
Integrity One Technologies, Inc.	Indiana
IOS Technology Group, Inc. d/b/a Imagetek Office Systems	Texas
Lucas Business Systems, Inc.	Delaware
Lewan & Associates, Inc.	Colorado
Imaging Concepts of New Mexico, Inc.	New Mexico
Merizon Group Incorporated	Wisconsin
Michigan Office Solutions, Inc.	Michigan
Minnesota Office Technology Group, Inc.	Minnesota
Mr. Copy, Inc.	California
MRC Smart Technology Solutions, Inc.	California
MWB Copy Products, Inc.	California
SoCal Office Technologies, Inc.	California
Martin Whalen Office Solutions, Inc.	Illinois
MW Leasing Company	Illinois
OneSOURCE Managed Services, LLC	Oklahoma
O.O.S.I. Leasing, LLC	Oklahoma
Precision Copier Service, Inc. d/b/a Sierra Office Solutions	Nevada
Quality Business Systems, Inc.	Washington

Boise Office Equipment, Inc.	Idaho
R. K. Dixon Company	Iowa
Global Iowa Finance, Inc.	Iowa
Saxon Business Systems, Inc.	Florida
Stewart of Alabama, Inc.	Alabama
Zeno Office Solutions, Inc.	Florida
Zeno Financial Services, Inc.	Florida
Zoom Imaging Solutions, Inc.	California
Gyricon, LLC	Delaware
Institute for Research on Learning	Delaware
NewField Information Technology LLC	Pennsylvania
Pacific Services and Development Corporation	Delaware
Palo Alto Research Center Incorporated	Delaware
PARC China Holdings, Inc.	Delaware
Proyectos Inverdoco, C.A.	Venezuela
Stewart Business Systems, LLC	New Jersey
The Xerox Foundation	Delaware
Xerox Argentina Industrial y Comercial S.A.	Argentina (1)
Xerox Capital LLC	Turks & Caicos Islands (8)
Xerox de Chile S.A.	Chile (29)
Xerox DNHC LLC	Delaware
Xerox del Ecuador, S.A.	Ecuador (25)
Xerox Engineering Systems NV	Belgium
Xerox Equipment Limited	Bermuda
Xerox Finance, Inc.	Delaware
Xerox Investments Holding (Bermuda) Limited	Bermuda
Xerox Financial Services LLC	Delaware
Xerox Foreign Sales Corporation	Barbados
Xerox Holdings, Inc.	Delaware
Talegen Holdings, Inc.	Delaware
Xerox International Joint Marketing, Inc.	Delaware
Xerox International Partners	California (9)
Xerox Investments Europe B.V.	Netherlands
XC Global Trading B.V.	Netherlands
XC Trading Singapore Pte Ltd.	Singapore
XC Trading Hong Kong Limited	Hong Kong
XC Trading Japan G.K.	Japan
XC Trading Korea YH	Korea
XC Trading Malaysia Sdn. Bhd.	Malaysia
XC Trading Shenzhen Co., Ltd.	China
Xerox Business Services (Shanghai) Co., Ltd.	China
Xerox Developing Markets Limited	Bermuda
Xerox Equipment UK Limited	United Kingdom
Xerox Holdings (Ireland) Limited	Ireland
Xerox (Europe) Limited	Ireland
NewField Information Technology Limited	United Kingdom
Xerox XF Holdings (Ireland) Limited	Ireland
Xerox Finance (Ireland) Limited	United Kingdom
Xerox Israel Ltd.	Israel
Xerox Middle East Investments (Bermuda) Limited	Bermuda

Bessemer Insurance Limited	Bermuda
Reprographics Egypt Limited	Egypt
Xerox Egypt S.A.E.	Egypt (5)
Xerox Finance Leasing S.A.E.	Egypt (3)
Xerox Emirates Limited Liability Company	UAE (11)
Xerox Maroc S.A.	Morocco (2)
Xerox Products Limited	Bermuda (15)
Xerox Products UK Limited	United Kingdom
Xerox UK Holdings Limited	United Kingdom
Triton Business Finance Limited	United Kingdom
Xerox Trading Enterprises Limited	United Kingdom
Xerox Overseas Holdings Limited	United Kingdom
Xerox Business Equipment Limited	United Kingdom
Xerox Computer Services Limited	United Kingdom
Xerox Mailing Systems Limited	United Kingdom
Xerox Limited	United Kingdom
ACS Worldwide Lending Limited	United Kingdom
Continua Limited	United Kingdom
Continua Sanctum Limited	United Kingdom
Limited Liability Company Xerox (C.I.S.)	Russia
The Xerox (UK) Trust	United Kingdom
Xerox AS	Norway
Xerox Austria GmbH	Austria
Xerox Global Services GmbH	Austria
Xerox Leasing GmbH	Austria
Xerox Office Supplies GmbH	Austria
Xerox Bulgaria EOOD	Bulgaria
Xerox Büro Araçlari Servis ve Ticaret Ltd. Sti	Turkey
Xerox Canada Inc.	Ontario
Xerox (Barbados) SRL	Barbados (13)
Xerox Finance (Luxembourg) Sarl	Luxembourg
Xerox Canada Finance Inc.	Ontario
Xerox Canada Ltd.	Canada (4)
LaserNetworks Inc.	Ontario
Xerox Financial Services Canada Ltd.	Ontario
Xerox Capital (Europe) Limited	United Kingdom
Concept Group Limited	Scotland
Imaging Business Systems (N.I.) Limited	Northern Ireland
Irish Business Systems Limited (Republic of Ireland)	Republic of Ireland
Xerox (Ireland) Limited	Ireland
Xerox AG	Switzerland
Xerox A/S	Denmark
Xerox Financial Services Danmark A/S	Denmark
Xerox Finance AG	Switzerland
Xerox Manufacturing (Nederland) B.V.	Netherlands
Xerox (Nederland) BV	Netherlands
Xerox Financial Services B.V.	Netherlands
Xerox Servicios Compartidos Guatemala	Guatemala (30)
Xerox Sverige AB	Sweden
Xerox (UK) Limited	United Kingdom

Bessemer Trust Limited	United Kingdom
Xerox Finance Limited	United Kingdom
Xerox Distributor Operations Limited	United Kingdom
XEROX CZECH REPUBLIC s r.o.	Czech Republic
Xerox Espana, S.A.U.	Spain
Xerox Fabricacion S.A.U.	Spain
Xerox Renting S.A.U.	Spain
Xerox Office Supplies S.A.U.	Spain
Xerox Exports Limited (dormant)	United Kingdom
Xerox Financial Services Belux NV	Belgium
Xerox Financial Services Norway AS	Norway
Xerox Financial Services Sverige AB	Sweden
Xerox Hellas AEE	Greece
Xerox Holding Deutschland GmbH	Germany
Xerox GmbH	Germany
Xerox Dienstleistungsgesellschaft GmbH	Germany
Xerox Leasing Deutschland GmbH	Germany
Xerox Reprographische Services GmbH	Germany
Xerox Hungary Trading Limited	Hungary
Xerox India Limited	India (7)
Xerox Kazakhstan Limited Liability Partnership	Kazakhstan
Xerox Management Services N.V.	Belgium
Xerox N.V.	Belgium
Xerox Luxembourg SA	Luxembourg (22)
Xerox Oy	Finland
Xerox Financial Services Finland Oy	Finland
Xerox Pensions Limited	United Kingdom
Xerox Polska Sp. z o. o	Poland
Xerox Portugal Equipamentos de Escritorio, Limitada	Portugal (18)
CREDITEX - Aluguer de Equipamentos S.A.	Portugal
Xerox Professional Services Limited	United Kingdom
Xerox Property Services Limited	United Kingdom
Xerox (Romania) Echipmante Si Servici S.A.	Romania
Xerox Serviços e Participações Ltda	Brazil
Xerox Comercio e Industria Ltda	Brazil
Xerox Shared Services Romania SRL	Romania (28)
Xerox Slovenia d.o.o.	Slovenia
Xerox S.p.A.	Italy
Xerox Financial Services Italia S.p.A.	Italy
Xerox Italia Rental Services Srl	Italy
Xerox Italia Services S.p.A.	Italy
Xerox Telebusiness GmbH	Germany
Xerox (Ukraine) Ltd LLC	Ukraine (16)
Xerox S.A.S.	France (19)
Affiliated Computer Services Holdings (France) S.A.S.	France
Impika SAS	France
Xerox Financial Services SAS	France
Xerox Technology Services SAS	France
Xerox XHB Limited	Bermuda
Xerox XIB Limited	Bermuda

XRO Limited	United Kingdom
Nemo (AKS) Limited	United Kingdom
XRI Limited	United Kingdom
RRXH Limited	United Kingdom
RRXO Limited	United Kingdom
RRXIL Limited	United Kingdom
Veenman B.V.	Netherlands
Veenman Financial Services B.V.	Netherlands
Xerox Latinamerican Holdings, Inc.	Delaware
Xerox Lease Receivables I, LLC	Delaware
Xerox Lease Receivables 2012-2 LLC	Delaware
Xerox Lease Receivables 2013-1 LLC	Delaware
Xerox Mexicana, S.A. de C.V.	Mexico (23)
Xerox Overseas, Inc.	Delaware
XC Asia LLC	Delaware
Xerox del Peru, S.A.	Peru (24)
Xerox Realty Corporation	Delaware
Xerox Trade Receivables II LLC	Delaware
Xerox Trinidad Limited	Trinidad (17)
XESystems Foreign Sales Corporation	Barbados
XMPie Inc.	Delaware
Nuvisio Corporation	Delaware
XMPie, Ltd.	Israel

(1) Xerox Corporation owns 90% of the shares of Xerox Argentina; the remaining 10% is owned by Pacific Services and Development Corporation, a wholly-owned subsidiary of Xerox Corporation.
(2) Owned 99.9% by XMEIBL and .1% by several individuals
(3) Owned 96% by Xerox Egypt S.A.E., 3% by Xerox Middle East Investments (Bermuda) Limited and 1% by Egyptian Finance Company S.A.E.
(4) Owned 80.26% by Xerox Canada Inc. and 19.74% by Xerox Canada Finance Inc.
(5) Owned 75% by Xerox Middle East Investments (Bermuda) Limited and 25% by Egyptian Finance Company S.A.E.
(6) [RESERVED]
(7) Xerox Corporation indirectly owns 89. 294% and the remaining 10.706% is owned by Modi Rubber Limited and various other foreign financial institutions (3.705%).
(8) Owned 99.9% by Xerox Corporation and .1% by Pacific Services and Development Corporation, a wholly-owned subsidiary of Xerox Corporation
(9) Xerox International Partners is a California general partnership between FX Global, Inc. (49%) and Xerox International Joint Marketing, Inc. (51%).
(10) [RESERVED]
(11) Owned 49% by Xerox Middle East Investments (Bermuda) Limited; the remaining 51% is owned by a third party - the Estate of the late Hareb Al Otaiba
(12) [RESERVED]
(13) Owned 88.27% by Xerox Canada Inc. and 11.73% by Xerox Corporation.
(14) [RESERVED]
(15) Owned 51% by Xerox Middle East Investments (Bermuda) Limited; the remaining 49% is owned by a third party - the Estate of the late Hareb Al Otaiba
(16) Owned 99% by Xerox Limited; the remaining 1% is owned by Xerox Property Services Limited, another subsidiary of Xerox Limited
(17) Owned 75% by Xerox Corporation; the remaining 25% is owned by an outside third party in Trinidad
(18) Owned 74% by Xerox Limited and 26% by Xerox Property Services Limited, another subsidiary of Xerox Limited.
(19) Remaining shares transferred in Xerox S.A.S. to Xerox Overseas Holdings Limited after share capital reduction exercise
(20) [RESERVED]
(21) [RESERVED]
(22) Owned 99% by Xerox NV and 1% by Xerox Financial Services Belux NV

(23) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation
(24) Owned 95.73% by Xerox Corporation and 4.27% by Pacific Services and Development Corporation
(25) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation (PSDC owns only 1 share)
(26) Owned 99% by Conway Office Products, LLC (limited partner) and 1% by Global Imaging Systems, Inc. (general partner)
(27) [RESERVED]
(28) Owned 95% by Xerox Limited and 5% by Emma Lambert.
(29) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation
(30) Owned 99% by Xerox Capital (Europe) Limited and 1% by Xerox (UK) Limited.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-187663, 333-189290, 333-167922, 333-162639, 333-164766, and 333-160264) of Xerox Corporation of our report dated February 27, 2017, relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
February 27, 2017

CEO CERTIFICATIONS

I, Jeffrey Jacobson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Xerox Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 27, 2017

/S/ JEFFREY JACOBSON

Jeffrey Jacobson
Principal Executive Officer

CFO CERTIFICATIONS

I, William F. Osbourn Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Xerox Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 27, 2017

/S/ WILLIAM F. OSBOURN JR.

William F. Osbourn Jr.
Principal Financial Officer

CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K of Xerox Corporation, a New York corporation (the “Company”), for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jeffrey Jacobson, Chief Executive Officer of the Company, and William F. Osbourn Jr., Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JEFFREY JACOBSON

Jeffrey Jacobson
Chief Executive Officer

February 27, 2017

/S/ WILLIAM F. OSBOURN JR.

William F. Osbourn Jr.
Chief Financial Officer

February 27, 2017

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Xerox Corporation and will be retained by Xerox Corporation and furnished to the Securities and Exchange Commission or its staff upon request.