

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (date of earliest event reported)  
October 9, 1997

XEROX CORPORATION  
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation)	1-4471 (Commission File Number)	16-0468020 (IRS Employer Identification No.)
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800 Long Ridge Road  
P. O. Box 1600  
Stamford, Connecticut 06904-1600  
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code:  
(203) 968-3000

This document consists of 75 pages.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

Exhibit 1(c) --Form of Selling Agency Agreement  
Exhibit 4(l) --Form of Medium-Term Note

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,  
Registrant has duly authorized this report to be signed on its behalf by the  
undersigned duly authorized.

XEROX CORPORATION

/s/ MARTIN S. WAGNER  
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By: MARTIN S. WAGNER  
Assistant Secretary

Dated: October 9, 1997

Xerox Corporation  
Xerox Overseas Holdings PLC  
Rank Xerox Capital (Europe) plc

\$2,250,000,000 Medium-Term Notes, Series E  
Due Nine Months or More from Date of Issue

Selling Agency Agreement

October [ ],

1997

New York, New

York

Goldman, Sachs & Co.  
85 Broad Street  
New York, N.Y. 10004

Lehman Brothers Inc.  
3 World Financial Center  
New York, N.Y. 10285

Merrill Lynch & Co.  
Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
World Financial Center  
North Tower  
New York, N.Y. 10281-1310

J.P. Morgan Securities Inc.  
60 Wall Street  
New York, N.Y. 10260

Morgan Stanley & Co. Incorporated  
1585 Broadway  
New York, NY 10036

Salomon Brothers Inc  
Seven World Trade Center  
New York, N.Y. 10048

Dear Sirs:

Each of Xerox Corporation, a New York corporation ("Xerox"), Xerox Overseas Holdings PLC, a public limited company organized under the laws of England and Wales ("Xerox Overseas"), and Rank Xerox Capital (Europe) plc, a public limited company organized under the laws of England and Wales ("Xerox Capital", and together with Xerox Overseas, the "Subsidiary Issuers", and collectively with Xerox and Xerox Overseas, the Issuers and each an "Issuer"), confirms its agreement with each of you with respect to the issue and sale of its Medium-Term Notes, Series E, Due Nine Months or More from Date of Issue (the "Notes"). The aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of Notes which Xerox may issue and sell at any time shall not exceed U.S.\$2,250,000,000, less the aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of all Notes of all Issuers issued and sold immediately prior thereto; and the aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of Notes which any Subsidiary Issuer may issue and sell at any time shall not exceed U.S.\$2,000,000,000, less the aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of all Notes of all Issuers issued and sold immediately prior thereto, plus the aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of all Notes of Xerox issued and sold immediately prior thereto up to U.S.\$250,000,000. All Notes of the Subsidiary Issuers will be fully and unconditionally guaranteed (the "Guarantees") as to payment of principal and any premium or interest by Xerox, and all references herein to the "Guarantor" shall only refer to Xerox acting in such capacity and only be applicable with respect to Notes of any Subsidiary Issuer (or particular series thereof which are sold pursuant to the terms of this Agreement). All Notes and any Guarantees thereof will be issued under an indenture dated as of October [ ], 1997 (as the same may be amended or supplemented from time to time, the "Indenture"), among the Issuers, the Guarantor and Citibank, N.A., as trustee (the "Trustee"). Unless otherwise specified in the applicable pricing supplement, the Notes will be issued in minimum denominations of

U.S. \$1,000 and any amount in excess thereof that is an integral multiple thereof (or in such other denominations in such other currencies as shall be provided in a supplement to the Prospectus referred to below), will be issued only in fully registered form and will have the annual interest rates, maturities and, if appropriate, other terms set forth in a supplement to the Prospectus referred to below. The Notes will be issued, and the terms thereof established, in accordance with the Indenture and the Medium-Term Notes Administrative Procedures attached hereto as Exhibit A (the "Procedures") (unless a Terms Agreement (as defined in Section 2(b)) modifies or otherwise supersedes such Procedures with respect to Notes issued pursuant to such Terms Agreement). The Procedures may only be amended by written agreement of the Issuers, the Guarantor and you after notice to, and with the approval of, the Trustee. For the purposes of this Agreement, the term "Company" shall refer to the relevant Issuer offering the Notes, the term "Agent" shall refer to any of you acting solely in the capacity as agent for the relevant Issuer pursuant to Section 2(a) and not as principal (collectively, the "Agents"), the term the "Purchaser" shall refer to one of you acting solely as principal pursuant to Section 2(b) and not as agent, and the term "you" shall refer to you collectively whether at any time any of you is acting in both such capacities or in either such capacity.

1. Representations and Warranties. Each of the Company and the Guarantor represents and warrants to, and agrees with, you as set forth below in this Section 1. Certain terms used in this Section 1 are defined in paragraph (d) hereof.

(a) Each of the Company and the Guarantor meets the requirements for use of Form S-3 under the Securities Act of 1933 (the "Act") and has filed with the Securities and Exchange Commission (the "Commission") a registration statement on such Form (File Number: 333-13179), ("Registration Statement No. 333-13179") including a basic prospectus, which has become effective, for the registration under the Act of U.S. \$1,015,000,000 aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of debt securities and has filed with the Commission a registration statement on such Form S-3 (File Numbers: 333-34333, 333-34333-01 and 333-34333-02) (collectively, "Registration Statement No. 333-34333"), including a basic prospectus, which has been filed with the Commission and has become effective, for the registration under the Act of U.S. \$2,000,000,000 aggregate principal amount (or the equivalent thereof in one or more foreign currencies or units consisting of multiple currencies) of debt securities (such debt securities, together with the debt securities registered pursuant to Registration Statement No. 333-13179, the "Securities"), constituting \$2,250,000,000 aggregate principal amount of the Notes. Such registration statements, as amended at the date of this Agreement (the "Registration Statements"), meet the requirements set forth in Rule 415(a)(1)(ix) or (x) under the Act and comply in all other material respects with said Rule. Each of the Company and the Guarantor has included in such registration statements, or has filed or will file with the Commission pursuant to the applicable paragraph of Rule 424(b) under the Act, a supplement to the form of prospectus included in such registration statements relating to the Notes and the plan of distribution thereof (the "Prospectus Supplement"). In connection with the sale of Notes, the Company and the Guarantor propose to file with the Commission pursuant to the applicable paragraph of Rule 424(b) under the Act further supplements to the Prospectus Supplement specifying the interest rates, maturity dates and, if appropriate, other terms of the Notes sold pursuant hereto or the offering thereof.

(b) As of the Execution Time, on each applicable Effective Date, when any supplement to the Prospectus is filed with the Commission, as of the date of any Terms Agreement (as defined by Section 2(b)), at the date of acceptance by the Company of an offer to purchase any Notes and at the date of delivery by the Company of any Notes sold hereunder (a "Closing Date"), (i) the Registration Statements, as amended as of any such time, and the Prospectus, as supplemented as of any such time, and the Indenture will comply in all material respects with the applicable requirements of the Act, the Trust Indenture Act of 1939 (the "Trust Indenture Act") and the Securities Exchange Act of 1934 (the "Exchange Act") and the respective rules thereunder; (ii) the Registration Statements, as amended as of any such time, did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and (iii) the Prospectus, as supplemented as of any such time, will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company and the Guarantor make no representations or warranties as to (i) that part of the Registration Statements which shall constitute the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of the Trustee or (ii) the information contained in or omitted

from the Registration Statements or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company or the Guarantor by any of you specifically for use in connection with the preparation of the Registration Statements or the Prospectus (or any supplement thereto).

(c) As of the time any Notes are issued and sold hereunder, the Indenture will constitute a legal, valid and binding instrument enforceable against the Company, and if applicable, the Guarantor in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity); such Notes will have been duly authorized, executed, authenticated and, when paid for by the purchasers thereof, will constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture; and any Guarantees relating to such Notes will have been duly authorized, executed and delivered and, when such Notes are issued and delivered against payment therefor by the purchasers thereof, will constitute legal, valid and binding obligations of the Guarantor entitled to the benefits of the Indenture.

(d) The terms which follow, when used in this Agreement, shall have the meanings indicated. The term "the Effective Date" shall mean each date that each Registration Statement and any post-effective amendment or amendments thereto became or become effective. "Execution Time" shall mean the date and time that this Agreement is executed and delivered by the parties hereto. "Basic Prospectus" shall mean the form of basic prospectus relating to the Securities contained in Registration Statement No. 333-34333 at the Effective Date, which basic prospectus is a combined prospectus relating to both Registration Statements. "Prospectus" shall mean the Basic Prospectus as supplemented by the Prospectus Supplement and any applicable Pricing Supplement. "Registration Statement" shall mean each registration statement referred to in paragraph (a) above, including incorporated documents, exhibits and financial statements, as amended at the Execution Time. "Registration Statements" shall mean both Registration Statements. "Rule 415" and "Rule 424" refer to such rules under the Act. Any reference herein to the Registration Statements, the Basic Prospectus, the Prospectus Supplement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 which were filed under the Exchange Act on or before the Effective Date of the Registration Statements or the issue date of the Basic Prospectus, the Prospectus Supplement or the Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statements, the Basic Prospectus, the Prospectus Supplement or the Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the Effective Date of the Registration Statements or the issue date of the Basic Prospectus, the Prospectus Supplement or the Prospectus, as the case may be, deemed to be incorporated therein by reference.

2. Appointment of Agents; Solicitation by the Agents of Offers to Purchase; Sales of Notes to a Purchaser.

(a) Subject to the terms and conditions set forth herein, each of the Issuers and Guarantor hereby authorizes each of the Agents to act as its agent to solicit offers for the purchase of all or part of the Notes from each such Issuer.

On the basis of the representations and warranties, and subject to the terms and conditions set forth herein, each of the Agents agrees, as agent of the each of the Issuers and Guarantor, to use its reasonable best efforts to solicit offers to purchase the Notes from each such Issuer upon the terms and conditions set forth in the Prospectus (and any supplement thereto) and in the Procedures.

Each of the Issuers and Guarantor reserves the right, in its sole discretion, to instruct the Agents to suspend at any time, for any period of time or permanently, the solicitation of offers to purchase Notes of such Issuer. Upon receipt of such instructions, the Agents will forthwith suspend solicitation of offers to purchase Notes from such Issuer until such time as such Issuer or the Guarantor has advised them that such solicitation may be resumed.

Each of the Company and the Guarantor agrees to pay each Agent a commission, on the Closing Date with respect to each sale of Notes by the Company as a result of a solicitation made by such Agent, in an amount equal to that percentage specified in Schedule I hereto of the aggregate principal amount of the Notes sold by the Company. Such commission shall be payable as specified in the Procedures.

Subject to the provisions of this Section and to the Procedures,

offers for the purchase of Notes may be solicited by an Agent as agent for any Issuer or the Guarantor at such time and in such amounts as such Agent deems advisable. Any Issuer and the Guarantor may from time to time offer Notes and any Guarantees relating thereto for sale otherwise than through an Agent. None of the Issuers and the Guarantor shall appoint any agent to solicit offers to purchase Notes or any Guarantees relating thereto without entering into an agreement with such agent which is substantially similar to this Agreement and, in the case of an appointment of any agent to solicit offers to purchase Notes or any Guarantees relating thereto for the duration of this Agreement, without giving each of the Agents prompt notice thereof.

(b) Subject to the terms and conditions stated herein, whenever the Company and one of you determine that the Company shall sell Notes directly to you as principal, each such sale of Notes shall be made in accordance with the terms of this Agreement and a supplemental agreement relating to such sale among the Company, the Guarantor and the Purchaser. Each such supplemental agreement (which may be an oral or written agreement) is herein referred to as a "Terms Agreement". The Purchaser's commitment to purchase Notes of the Company pursuant to any Terms Agreement shall be deemed to have been made on the basis of the representations and warranties of the Company and the Guarantor herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement (i) shall describe (whether orally or in writing) the Notes to be purchased by the Purchaser pursuant thereto, specify the principal amount of such Notes, the price to be paid to the Company for such Notes, the rate at which interest will be paid on the Notes, the Closing Date for such Notes, the place of delivery of the Notes and payment therefor and the method of payment, and (ii) may also describe (whether orally or in writing) any requirements for the delivery of opinions of counsel, certificates from Xerox or its officers, or a letter from the Company's independent public accountants, as described in Section 6(b), the period of time referred to in Section 4(m) (if applicable), and any other terms and conditions.

Delivery of the certificates for Notes of the Company sold to the Purchaser pursuant to a Terms Agreement shall be made not later than the Closing Date agreed to in such Terms Agreement, against payment of funds to the Company in the net amount due to the Company for such Notes, by the method and in the form set forth in the Procedures unless otherwise agreed to among the Company, the Guarantor and the Purchaser in such Terms Agreement.

Unless otherwise agreed to among the Company, the Guarantor and the Purchaser in a Terms Agreement, any Note of the Company sold to a Purchaser (i) shall be purchased by such Purchaser at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to an agency sale of a Note of identical maturity and (ii) may be resold by such Purchaser at varying prices from time to time or if set forth in the applicable Terms Agreement and Pricing Supplement, at a fixed public offering price. In connection with any resale of Notes purchased, a Purchaser may use a selling or dealer group and may reallow to any broker or dealer any portion of the discount or commission payable pursuant hereto.

3. Offering and Sale of Notes. Each Agent, the Company and the Guarantor agree to perform the respective duties and obligations specifically provided to be performed by them in the Procedures, and each Agent shall comply with the United Kingdom selling restrictions set forth on Schedule II attached hereto.

4. Agreements. Each of the Company and the Guarantor agrees with you that:

(a) Prior to the termination of the offering of the Notes of the Company (including by way of resale by a Purchaser thereof), it will not file any amendment of the Registration Statements or supplement to the Prospectus (except for (i) periodic and current reports and other documents filed under the Exchange Act, (ii) a supplement relating to any offering of Notes providing solely for the specification of or a change in the maturity dates, interest rates, issuance prices or other similar terms of any Notes or (iii) a supplement relating to an offering of Securities other than the Notes) unless it has furnished to each of you a copy for your review prior to filing and given each of you a reasonable opportunity to comment on any such proposed amendment or supplement. Subject to the foregoing sentence, Each of the Company and the Guarantor will cause each supplement to the Prospectus to be filed with the Commission pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to you of such filing. Each of the Company and the Guarantor will promptly advise each of you (i) when the Prospectus, and any supplement thereto, shall have been filed with the Commission pursuant to Rule 424(b), (ii) when any amendment of the Registration Statements shall have been filed or become effective (except, in the case of clauses (i) and (ii) of this sentence, for (x) periodic and current reports and other

documents filed under the Exchange Act, (y) a supplement relating to any offering of Notes of the Company providing solely for the specification of or a change in the maturity dates, interest rates, issuance prices or other similar terms of any such Notes, in respect of which you shall not be acting as Agent or Purchaser or (z) a supplement relating to an offering of Securities other than the Notes of any of the Issuers), (iii) of any request by the Commission for any amendment of the Registration Statements or supplement to the Prospectus or for any additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statements or the institution or threatening of any proceeding for that purpose and (v) of the receipt by it of any notification with respect to the suspension of the qualification of the Notes of the Company for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. Each of the Company and the Guarantor will use its reasonable best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof.

(b) If, at any time when a prospectus relating to the Notes of the Company is required to be delivered under the Act, any event occurs as a result of which the Prospectus as then supplemented would include any untrue statement of a material fact relating to the Company or the Guarantor or omit to state any material fact necessary to make the statements relating to the Company or the Guarantor therein, in the light of the circumstances under which they were made, not misleading, or if it shall be necessary to amend the Registration Statements or to supplement the Prospectus to comply with the Act or the Exchange Act or the respective rules thereunder, the Company and the Guarantor promptly will (i) notify each of you to suspend solicitation of offers to purchase Notes of the Company (and, if so notified by the Company or the Guarantor, each of you shall forthwith suspend such solicitation and cease using the Prospectus as then supplemented), (ii) prepare and file with the Commission, subject to the first sentence of paragraph (a) of this Section 4, an amendment or supplement which will correct such statement or omission or effect such compliance and (iii) supply any supplemented Prospectus to each of you in such quantities as you may reasonably request. If such amendment or supplement, and any documents, certificates and opinions furnished to each of you pursuant to paragraph (g) of this Section 4 in connection with the preparation or filing of such amendment or supplement are satisfactory in all respects to you, you will, upon the filing of such amendment or supplement with the Commission and upon the effectiveness of an amendment to the Registration Statements, if such an amendment is required, resume your obligation to solicit offers to purchase Notes of the Company hereunder.

(c) Xerox, during the period when a prospectus relating to Notes of any Issuer is required to be delivered under the Act, will file promptly all documents required to be filed with the Commission pursuant to Section 13(a) or 13(c) of the Exchange Act and will furnish to each of you copies of such documents. In addition, on or prior to the date on which Xerox makes any announcement to the general public concerning earnings or concerning any other event which is required to be described, or which Xerox proposes to describe, in a document filed pursuant to the Exchange Act, Xerox will furnish to each of you the information contained or to be contained in such announcement. Xerox also will furnish to each of you copies of all other material press releases or announcements made by Xerox to the general public affecting any of the Notes. Xerox will immediately notify each of you of any downgrading in the rating of its Notes or any of its other debt securities, or any proposal to downgrade the rating of its Notes or any of its other debt securities, by Moody's Investors Service, Inc. and/or Standard & Poor's Corporation, as soon as Xerox learns of any such downgrading or proposal to downgrade.

(d) As soon as practicable, Xerox will make generally available to its security holders and to each of you an earnings statement or statements of Xerox and its subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

(e) Xerox will furnish to each of you and your counsel, without charge, copies of the Registration Statements (including exhibits thereto) and, so long as delivery of a prospectus may be required by the Act, as many copies of the Prospectus and any supplement thereto as you may reasonably request.

(f) The Company and the Guarantor will arrange for the qualification of the Notes for sale under the laws of such jurisdictions as any of you may reasonably designate, will maintain such qualifications in effect so long as required for the distribution of the Notes.

(g) The Company and the Guarantor shall furnish to each of you such information, documents, certificates of directors or officers of such Company and the Guarantor and opinions of counsel for such Company and the Guarantor relating to the business, operations and affairs of such Company

and the Guarantor, the Registration Statements, the Prospectus, and any amendments thereof or supplements thereto, the Indenture, the Notes, this Agreement, the Procedures and the performance by such Company, the Guarantor and you of their and your respective obligations hereunder and thereunder as any of you may from time to time and at any time prior to the termination of this Agreement reasonably request.

(h) Unless otherwise agreed as between the Company and any of you, each of the Company and the Guarantor, jointly and severally, shall, whether or not any sale of the Notes is consummated, (i) pay all expenses incident to the performance of their obligations under this Agreement, including the fees and disbursements of their accountants and counsel, the cost of printing or other production and delivery of the Registration Statements, the Prospectus, all amendments thereof and supplements thereto, the Indenture, this Agreement and all other documents relating to the offering, the cost of preparing, printing, packaging and delivering the Notes, the fees and disbursements, including fees of counsel, incurred in compliance with Section 4(f), the fees and disbursements of the Trustee and the fees of any agency that rates the Notes, (ii) reimburse each of you on a monthly basis for all reasonable out-of-pocket expenses (including without limitation advertising expenses, but only with respect to advertising which has been approved, in advance, by the Company and the Guarantor) incurred by you in connection with this Agreement and (iii) pay the reasonable fees and expenses of your counsel incurred in connection with this Agreement.

(i) Each acceptance by the Company of an offer to purchase Notes of the Company will be deemed to be an affirmation that the representations and warranties of the Company and the Guarantor contained in this Agreement are true and correct at the time of such acceptance, as though made at and as of such time, and a covenant that such representations and warranties will be true and correct at the time of delivery to the purchaser of the Notes relating to such acceptance, as though made at and as of such time (it being understood that for purposes of the foregoing affirmation and covenant such representations and warranties shall relate to the Registration Statements and Prospectus as amended or supplemented at each such time). Each such acceptance by the Company of an offer for the purchase of such Notes shall be deemed to constitute an additional representation, warranty and agreement by the Company and the Guarantor that, as of the settlement date for the sale of such Notes, after giving effect to the issuance of such Notes, of any other Notes to be issued on or prior to such settlement date and of any other Securities to be issued and sold by any of the Issuers on or prior to such settlement date, the aggregate amount of Securities (including any Notes) which have been issued and sold by all of the Issuers will not exceed the amount of Securities registered pursuant to the Registration Statements.

(j) Each time that any Registration Statement or the Prospectus is amended or supplemented (other than by an amendment or supplement (i) relating to any offering of Securities other than the Notes, (ii) providing solely for the specification of or a change in the maturity dates, the interest rates, the issuance prices or other similar terms of any particular Notes sold pursuant hereto or (iii) relating to any filing under the Exchange Act (except quarterly reports on Form 10-Q and annual reports on Form 10-K filed thereunder), unless in the case of clause (iii) above, in the reasonable judgment of any of you, as evidenced by your written notice to the Issuers and the Guarantor, such filing is of such a nature that such a certificate should be delivered), Xerox will deliver or cause to be delivered promptly to each of you a certificate of Xerox, signed by its Chairman of the Board or a Vice President with knowledge of the matters set forth in the certificate and its principal financial or accounting officer, dated the date of the effectiveness of such amendment or the date of the filing of such supplement, in form reasonably satisfactory to you, of the same tenor as the certificate referred to in Section 5(g) but modified to relate to the last day of the fiscal quarter for which financial statements of Xerox were last filed with the Commission and to the Registration Statements and the Prospectus as amended and supplemented to the time of the effectiveness of such amendment or the filing of such supplement.

(k) Each time that any Registration Statement or the Prospectus is amended or supplemented (other than by an amendment or supplement (i) relating to any offering of Securities other than the Notes, (ii) providing solely for the specification of or a change in the maturity dates, the interest rates, the issuance prices or other similar terms of any Notes sold pursuant hereto or (iii) relating to any filing under the Exchange Act (except annual reports on Form 10-K filed thereunder, unless, in the case of clause (iii) above, in the reasonable judgment of any of you, such filing is of such a nature that an opinion of counsel should be furnished), the Company shall furnish or cause to be furnished promptly to each of you a written opinion of counsel of the Issuers and the Guarantor satisfactory to each of you, dated the date of the effectiveness of such amendment or the date of the filing of such supplement, in form reasonably satisfactory to

each of you, of the same tenor as the opinion referred to in Section 5(b) but modified to relate to the Registration Statements and the Prospectus as amended and supplemented to the time of the effectiveness of such amendment or the filing of such supplement or, in lieu of such opinion, counsel last furnishing such an opinion to you may furnish each of you with a letter to the effect that you may rely on such last opinion to the same extent as though it were dated the date of such letter authorizing reliance (except that statements in such last opinion will be deemed to relate to the Registration Statements and the Prospectus as amended and supplemented to the time of the effectiveness of such amendment or the filing of such supplement).

(l) Each time that any Registration Statement or the Prospectus is amended or supplemented (other than an amendment or supplement (i) relating to any offering of Securities other than the Notes, (ii) providing solely for the specification of or a change in the maturity dates, the interest rates or issuance prices or other similar terms of any Notes sold pursuant hereto or (iii) relating to any filing under the Exchange Act (except quarterly reports on Form 10-Q and annual reports on Form 10-K filed thereunder), unless in the case of clause (iii) above, in the reasonable judgment of any of you, as evidenced by your written notice to the Issuers and the Guarantor, such filing is of such a nature that such a letter should be furnished) to include or incorporate amended or supplemental financial information, the Company and the Guarantor shall cause their independent certified public accountants promptly to furnish each of you a letter, dated the date of the effectiveness of such amendment or the date of the filing of such supplement, in form reasonably satisfactory to each of you, of the same tenor and scope as the letter referred to in Section 5(h) with such changes as may be necessary to reflect the amended and supplemental financial information included or incorporated by reference in the Registration Statements and the Prospectus, as amended or supplemented to the date of such letter.

(m) During the period from the date of any Terms Agreement to the Closing Date with respect to such Terms Agreement or such other period as may be agreed to by the Company and the Purchaser thereunder, the Company shall not, without the prior consent of such Purchaser, issue or announce the proposed issuance of any of its debt securities, including Notes of the Company (other than the Notes that are to be sold pursuant to such Terms Agreement), with terms substantially similar to the Notes being purchased pursuant to such Terms Agreement, other than borrowings under its revolving credit agreements and lines of credit and issuances of its commercial paper.

5. Conditions to the Obligations of the Agents. The obligations of each Agent to solicit offers to purchase the Notes of the Company shall be subject to the accuracy, in all material respects, of the representations and warranties on the part of the Company and the Guarantor contained herein as of the Execution Time, on the Effective Date, when any supplement to the Prospectus is filed with the Commission, at the date of acceptance by the Company of an offer to purchase any Notes and as of each Closing Date, to the accuracy, in all material respects, of the statements of the Company and the Guarantor made in any certificates pursuant to the provisions hereof, to the performance by the Company and the Guarantor, in all material respects, of their respective obligations hereunder and to the following additional conditions:

(a) If filing of the Prospectus, or any supplement thereto, is required pursuant to Rule 424(b), the Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424(b); and no stop order suspending the effectiveness of the Registration Statements shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) The Company and the Guarantor shall have furnished to each Agent the opinion of the Vice President and General Counsel or any Associate General Counsel for Xerox, acting as U.S. counsel to the Company and the Guarantor, dated the Execution Time, to the effect that:

(i) Each of Xerox and Xerox Financial Services, Inc. ("Services") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized, with full corporate power and authority to own its properties and conduct its business as described in the Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business, except where the failure to so qualify, individually or in the aggregate, would not have a material adverse effect on the condition (financial or other), earnings, business or properties of Xerox or Services, as the case may be, and its subsidiaries, taken as a whole;



(ii) all the outstanding shares of capital stock of Services have been duly and validly authorized and issued and are fully paid and non-assessable and all of such shares are owned by Xerox, free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interests, claims, liens or encumbrances;

(iii) Xerox' authorized equity capitalization is as set forth in the Prospectus; and the Notes conform to the description thereof contained in the Prospectus (subject to the insertion in the Notes of the maturity dates, the interest rates and other similar terms thereof which will be described in supplements to the Prospectus as contemplated by the last sentence of Section 1(a) of this Agreement);

(iv) the Indenture has been duly authorized, executed and delivered by Xerox, has been duly qualified under the Trust Indenture Act and, assuming due authorization, execution and delivery by the Trustee and the Subsidiary Issuers, constitutes a legal, valid and binding instrument enforceable against each of the Issuers and the Guarantor in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the Notes of Xerox have been duly authorized by Xerox and, such Notes of Xerox and the Notes of the Subsidiary Issuers, assuming due authorization by the Subsidiary Issuers thereof, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the purchasers thereof, will constitute legal, valid and binding obligations of the relevant Issuer entitled to the benefits of the Indenture;

(v) the Guarantees have been duly authorized, executed and delivered by the Guarantor, and constitute valid and legally binding obligations of the Guarantor enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity);

(vi) to the best knowledge of such counsel, there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries, of a character required to be disclosed in the Registration Statements which is not adequately disclosed in the Prospectus, and there is no franchise, contract or other document of a character required to be described in the Registration Statements or Prospectus, or to be filed as an exhibit, which is not described or filed as required; and the statements included or incorporated in the Prospectus describing any legal proceedings or material contracts or agreements relating to the Company fairly summarize such matters in all material respects;

(vii) each Registration Statement has become effective under the Act; any required filing of the Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statements has been issued, no proceedings for that purpose have been instituted or threatened, and the Registration Statements and the Prospectus (other than the financial statements and other financial and statistical information contained therein as to which such counsel need express no opinion) comply as to form in all material respects with the applicable requirements of the Act and the Exchange Act and the respective rules thereunder; and such counsel has no reason to believe that the Registration Statements at their respective Effective Dates or at the Execution Time contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as supplemented, at its date or at the Closing Date includes any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(viii) this Agreement has been duly authorized, executed and delivered by Xerox;

(ix) no consent, approval, authorization or order of any New York or U.S. Federal court or governmental agency or body is required for the consummation of the transactions contemplated herein except such as have been obtained under the Act, the Exchange Act and the Trust Indenture Act and such as may be required pursuant to the undertaking in the last paragraph of Item 17 of the Registration Statements and under the blue sky laws of any jurisdiction in connection with the sale of the Notes as contemplated by this Agreement and such other approvals (specified in such

opinion) as have been obtained;

(x) the execution and delivery of the Indenture by the Issuers (assuming due execution and delivery by the Subsidiary Issuers and the Trustee) and the Guarantor, the execution and delivery of the Guarantees by the Guarantor, the issue and sale of the Notes, and the consummation of all other transactions herein contemplated and the fulfillment of the terms hereof will not conflict with, will not result in a breach of, and will not constitute a default under, the charter or by-laws of Xerox, the terms of any indenture or other agreement or instrument known to such counsel and to which any of the Issuers or the Guarantor, or any of their subsidiaries is a party or bound, or any order or regulation known to such counsel to be generally applicable to any of the Issuers or the Guarantor, or any of their subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the any such Issuer or the Guarantor, or any such subsidiaries; and

(xi) no holders of securities of any of the Issuers or the Guarantor have rights to the registration of such securities under the Registration Statements.

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws of any jurisdiction other than the State of New York or the United States, to the extent deemed proper and specified in such opinion, upon the opinion of other counsel of good standing believed to be reliable and who are satisfactory to counsel for the Agent and (B) as to matters of fact, to the extent deemed proper, on certificates of responsible officers of the relevant Issuers, the Guarantor and public officials. References to the Prospectus in this paragraph (b) include any supplements thereto at the date such opinion is rendered.

(c) The Company shall have furnished to each Agent the opinion of Lovell White Durrant, special United Kingdom counsel to the Subsidiary Issuers, dated the Execution Time, to the effect that:

(i) the Subsidiary Issuers have been duly incorporated and are validly existing as public limited companies under English law;

(ii) no consents, approvals, authorisations, orders, registrations or filings of or with any governmental or other authority in the United Kingdom are required for the creation, issue and delivery by the Subsidiary Issuers or the offering of their Notes on the terms of the Registration Statement or in connection with the performance by the Subsidiary Issuers of their respective obligations under the Indenture and this Agreement (together the "Relevant Agreements") and their Notes;

(iii) the Subsidiary Issuers have corporate power to enter into and to perform their respective obligations under the Relevant Agreements, to issue and to perform their respective obligations under their Notes and to submit to the jurisdiction of any United States or New York State court in the Borough of Manhattan, The City of New York, New York and to appoint Xerox as their respective authorised agents for the purposes and to the extent described in Section 1.13 of the Indenture;

(iv) the Relevant Agreements have been duly authorised, executed by or on behalf of and delivered by each of the Subsidiary Issuers and (assuming the due authorisation, execution and delivery thereof by the other parties thereto) and subject to the Relevant Agreements being in a proper legal form under the laws of the State of New York (by which they are expressed to be governed) and the respective obligations of each of the Subsidiary Issuers thereunder, including, but without limitation, the submission by each of the Subsidiary Issuers to the jurisdiction of any United States or New York State court in the Borough of Manhattan, The City of New York, New York, constituting valid and legally binding obligations enforceable under the laws of the State of New York) constitute valid, and binding obligations of each of the Subsidiary Issuers;

(v) the execution and delivery of the Relevant Agreements by the Subsidiary Issuers has not resulted, and the issue of the Notes of the Subsidiary Issuers in the manner therein contemplated will not result, in (A) any breach or violation of the terms of the Memorandum and Articles of Association of either of the Subsidiary Issuers or (B) any existing laws or regulations of any governmental or regulatory body in the United Kingdom being infringed;

(vi) due payment by the Subsidiary Issuers of the principal and interest (including additional amounts under the terms and conditions of the Notes of the Subsidiary Issuers) on the Notes of the Subsidiary Issuers will not infringe any existing laws or regulations of any governmental or regulatory body in the United Kingdom;

(vii) on the assumption that the Agents have complied with and will comply with the provisions of Section 3 of the Selling Agency Agreement (including Schedule II thereto), no filing or registration of a prospectus is necessary under The Public Offers of Securities Regulations 1995 in connection with the offering or sale of the Notes of the Subsidiary Issuers;

(viii) the statements contained in the Registration Statement under the headings "Description of the Debt Securities and the Guarantees - Limitations Affecting Security Holders", "Xerox Overseas - Enforceability of Certain Civil Liabilities" and "Xerox Capital -Enforceability of Certain Civil Liabilities", insofar as such statements constitute a summary of the legal matters under English law referred to therein, fairly summarise such legal matters as are specifically addressed therein;

(ix) no ad valorem United Kingdom stamp duty or stamp duty reserve tax will be payable in connection with the entering into of any of the Relevant Agreements; and

(x) the express choice of the laws of the State of New York to govern the Relevant Agreements will be recognised and upheld by an English Court, but such choice of law will not displace mandatory rules of law applicable in another jurisdiction with which the relevant transaction is otherwise solely connected or in which any dispute with respect to the Relevant Agreements is being adjudicated. To the extent that such mandatory rules affect any part of the transaction, an English Court is likely to restrict the application of those rules to the relevant part of the transaction and to treat the laws of the State of New York as applicable to the remainder.

In rendering such opinion, such counsel may state that their opinion is limited to matters governed by the laws of England and Wales.

(d) The Company shall have furnished to each Agent the opinion of the Secretary of Rank Xerox Limited, or its successor (or such other Solicitor as shall be reasonably acceptable to the Representatives), dated the date of the Effective Time, to the effect that Rank Xerox Limited has been duly incorporated and is validly existing as a corporation in good standing under the law of the jurisdiction in which it is chartered or organized with full corporate power and authority to conduct its business as described in the Prospectus; and the outstanding share capital of such corporation has been duly authorized or validated and issued and is fully paid and nonassessable.

(e) Each Agent shall have received from Cravath, Swaine & Moore, counsel for the Agents, such opinion or opinions, dated the date hereof, with respect to the issuance and sale of the Notes, the Indenture, the Registration Statements, the Prospectus (together with any supplement thereto) and other related matters as the Agents may reasonably require, and the Issuers and the Guarantor shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) Each Agent also shall have received from Ivins, Phillips & Barker, Chartered, special tax counsel to the Company and the Guarantor, an opinion, dated the date hereof, confirming as their opinion, the statements set forth in the Prospectus under the caption "United States Taxation".

(g) Xerox shall have furnished to each Agent a certificate of Xerox, signed by the Chairman of the Board or a Vice President with knowledge of the matters set forth in the certificate and the principal financial or accounting officer of Xerox, dated the Execution Time, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Prospectus, any supplement to the Prospectus and this Agreement and that:

(i) the representations and warranties of the Company and the Guarantor in this Agreement are true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof and the Company and the Guarantor have in all material respects complied with all the agreements and satisfied all the conditions on their part to be performed or satisfied as a condition to the obligation of the Agents to solicit offers to purchase the Notes;

(ii) no stop order suspending the effectiveness of the Registration Statements has been issued and no proceedings for that purpose have been instituted or, to Xerox' knowledge threatened; and

(iii) since the date of the most recent financial statements included or incorporated by reference in the Prospectus (exclusive of any supplement thereto), there has been no material adverse change in the condition (financial or other), earnings, business or properties of the

Company and its subsidiaries, or the Guarantor and its subsidiaries, in each case, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(h) At the Execution Time, KPMG Peat Marwick LLP shall have furnished to each Agent a letter or letters (which may refer to letters previously delivered to the Agents) dated as of the Execution Time, in form and substance reasonably satisfactory to the Agents, confirming that they are independent certified public accountants with respect to Xerox and its subsidiaries within the meaning of the Act and the Exchange Act and the respective applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the audited financial statements, financial statement schedules and pro forma financial statements, if any, included or incorporated in the Registration Statements and the Prospectus and reported on by them comply in form in all material respects with the applicable accounting requirements of the Act and the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the "Selected Financial Data" included or incorporated in the Registration Statements and the Prospectus, of the latest unaudited consolidated financial statements made available by Xerox and its consolidated subsidiaries (provided that all procedures conducted in connection with reading such latest unaudited financial statements made available for subsidiaries of Xerox organized in jurisdictions outside the United States of America shall be conducted at Xerox' corporate headquarters in Stamford, Connecticut), carrying out certain specified procedures (but not an audit in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, directors and executive committees of Xerox; and inquiries of certain officials of Xerox (provided that all such inquiries with respect to subsidiaries of Xerox organized in jurisdictions outside the United States of America shall be made at Xerox' corporate headquarters in Stamford, Connecticut to the extent that such information is available) who have responsibility for financial and accounting matters of Xerox and its consolidated subsidiaries as to transactions and events subsequent to the date of the most recent financial statements included or incorporated in the Registration Statements and the Prospectus, nothing came to their attention which caused them to believe that:

(1) the amounts in the "Selected Financial Data" included or incorporated in the Registration Statements and the Prospectus, do not agree with the corresponding amounts in the audited financial statements from which such amounts were derived;

(2) any unaudited financial statements included or incorporated in the Registration Statements and the Prospectus do not comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect to financial statements included or incorporated in quarterly reports on Form 10-Q under the Exchange Act; and said unaudited financial statements are not presented (except as permitted by Form 10-Q) in conformity with United States generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included or incorporated in the Registration Statements and the Prospectus;

(3) with respect to the period subsequent to the date of the most recent financial statements incorporated in the Registration Statements and the Prospectus, there were any increases, at a specified date not more than five business days prior to the date of the letter, in the long-term debt of Xerox and its consolidated subsidiaries (except as otherwise described in the Prospectus) or decreases in the total shareholders' equity of Xerox and its consolidated subsidiaries as compared with the amounts shown on the most recent consolidated balance sheet of Xerox included or incorporated in the Registration Statements and the Prospectus, or for the period from the date of the most recent financial statements incorporated in the Registration Statements and the Prospectus to such specified date there were any decreases, as compared with the corresponding period in the preceding fiscal year, in total earned income, or in net income, of Xerox and its consolidated subsidiaries, except in all instances for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by Xerox as to the significance thereof unless said explanation is not deemed necessary by the Agents; and

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an

accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of Xerox) set forth in the Registration Statements and the Prospectus and in each Exhibits 12(a) and 12(b) to the Registration Statements, including the information included or incorporated in Items 1 and 7 of Xerox' Annual Report on Form 10-K, incorporated in the Registration Statements and the Prospectus, and the information included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included or incorporated in Xerox' Quarterly Reports on Form 10-Q, incorporated in the Registration Statements and the Prospectus, agrees with the accounting records of Xerox, excluding any questions of legal interpretation; and

(iv) if unaudited pro forma financial statements are included or incorporated in the Registration Statements and the Prospectus, on the basis of a reading of the unaudited pro forma financial statements, carrying out certain specified procedures, inquiries of certain officials of Xerox who have responsibility for financial and accounting matters, and proving the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the pro forma financial statements, nothing came to their attention which caused them to believe that the pro forma financial statements do not comply in form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X or that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of such statements.

References to the Prospectus in this paragraph (h) include any supplement thereto at the date of the letter.

(i) Prior to the Execution Time, the Company and the Guarantor shall have furnished to each Agent such further information, documents, certificates and opinions of counsel as the Agents may reasonably request.

If any of the conditions specified in this Section 5 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to such Agents and counsel for the Agents, this Agreement and all obligations of any Agent hereunder may be canceled at any time by the Agents. Notice of such cancellation shall be given to the Company and the Guarantor in writing or by telephone or telegraph confirmed in writing.

The documents required to be delivered by this Section 5 shall be delivered at the office of Cravath, Swaine & Moore, counsel for the Agents, at 825 Eighth Avenue, New York, New York, on the date hereof.

6. Conditions to the Obligations of the Purchaser. The obligations of the Purchaser to purchase any Notes will be subject to the accuracy of the representations and warranties on the part of the Company and the Guarantor herein as of the date of the agreement by the Purchaser to purchase such Notes and as of the Closing Date for such Notes, to the performance and observance by the Company and the Guarantor of all covenants and agreements herein contained on its part to be performed and observed including the provisions of Section 5 hereof and to the following additional conditions precedent:

(a) No stop order suspending the effectiveness of the Registration Statements shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) To the extent agreed to in writing between the Company, the Guarantor and the Purchaser in a Terms Agreement, the Purchaser shall have received, appropriately updated, (i) a certificate of Xerox, dated as of the Closing Date, to the effect set forth in Section 5(g) (except that references to the Prospectus shall be to the Prospectus as supplemented as of the date of such Terms Agreement), (ii) the opinion of the Vice President and General Counsel or any Associate General Counsel of Xerox, dated as of the Closing Date, to the effect set forth in Section 5(b), (iii) an opinion of counsel, dated as of the Closing Date, substantially to the effect set forth in Section 5(c), (iv) the opinion of Cravath, Swaine & Moore, counsel for the Purchaser, dated as of the Closing Date, to the effect set forth in Section 5(e), and (v) letter of KPMG Peat Marwick LLP, independent accountants for the Company and the Guarantor, dated as of the Closing Date, to the effect set forth in Section 5(h).

(c) Prior to the Closing Date, the Company and the Guarantor shall have furnished to the Purchaser such further information, certificates and documents as the Purchaser may reasonably request.

If any of the conditions specified in this Section 6 shall not have

been fulfilled in all material respects when and as provided in this Agreement and an applicable Terms Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement or such Terms Agreement and required to be delivered to the Purchaser pursuant to the terms hereof and thereof shall not be in all material respects reasonably satisfactory in form and substance to the Purchaser and its counsel, such Terms Agreement and all obligations of the Purchaser thereunder and with respect to the Notes subject thereto may be canceled at, or at any time prior to, the respective Closing Date by the Purchaser. Notice of such cancellation shall be given to the Company in writing or by telephone or telegraph confirmed in writing.

7. Right of Person Who Agreed to Purchase to Refuse to Purchase. Each of the Company and the Guarantor agrees that any person who has agreed to purchase and pay for any Note, including a Purchaser and any person who purchases pursuant to a solicitation by any of the Agents, shall have the right to refuse to purchase such Note if, at the Closing Date therefor, either (a) any condition set forth in Section 5 or 6, as applicable, shall not be satisfied, (b) subsequent to the agreement to purchase such Note, any change, or any development involving a prospective change, in or affecting the business or properties of the Company and its subsidiaries, or the Guarantor and its subsidiaries, in each case, taken as whole, shall have occurred the effect of which is, in the reasonable judgment of the Purchaser or the Agent which presented the offer to purchase such Note, as applicable, so material and adverse as to make it impractical to proceed with the delivery of such Note on the terms and in the manner contemplated in the Prospectus as amended or supplemented, or (c) any condition set forth in Section 9(b) shall not be satisfied (any judgment to be exercised therein by such Agent).

8. Indemnification and Contribution. (a) Each of the Company and the Guarantor agrees to indemnify and hold harmless each of you and each person who controls each of you within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which you, they or any of you or them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statements for the registration of the Securities as originally filed or in any amendment thereof, or in the Prospectus or any preliminary Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that (i) the Company and the Guarantor will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company or the Guarantor by any of you specifically for use in connection with the preparation thereof, and (ii) such indemnity with respect to the Prospectus or any preliminary Prospectus shall not inure to the benefit of any of you (or any person controlling any of you) from whom the person asserting any such loss, claim, damage or liability purchased the Notes which are the subject thereof if such person did not receive a copy of the Prospectus (or the Prospectus as supplemented) excluding documents incorporated therein by reference at or prior to the confirmation of the sale of such Notes to such person in any case where such delivery is required by the Act and the untrue statement or omission of a material fact contained in the Prospectus or any preliminary Prospectus was corrected in the Prospectus (or the Prospectus as supplemented). This indemnity agreement will be in addition to any liability which the Company and the Guarantor may otherwise have.

(b) Each of you agrees to indemnify and hold harmless each of the Company and the Guarantor, each of their directors, each of their officers who signs the Registration Statements and each person who controls the Company or the Guarantor within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity from the Company and the Guarantor to you, but only with reference to written information relating to such of you furnished to the Company or the Guarantor by such of you specifically for use in the preparation of the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which you may otherwise have. Each of the Company and the Guarantor acknowledges that the statements set forth in the first sentence of the third footnote (but only with respect to information determined by any of you acting as principal) and the first sentence of the last paragraph of the cover page, and the first sentence of the first paragraph, the first

three sentences of the second paragraph, the second sentence of the third paragraph and the third sentence of the fifth paragraph (but, in each case, only with respect to information about you) under the heading "Plan of Distribution", of the Prospectus Supplement constitute the only information furnished in writing by any of you for inclusion in the documents referred to in the foregoing indemnity, and you confirm that such statements are correct. If there is more than one Agent hereunder, each of the Company and the Guarantor acknowledges that such Agent's agreement under this paragraph (b) of this Section 8 is several and not joint.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under paragraph (a) or (b) of this Section 8, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under paragraph (a) or (b) of this Section 8. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel, approved by you in the case of paragraph (a) of this Section 8, representing the indemnified parties under such paragraph (a) who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if clause (i) or (iii) is applicable, such liability shall be only in respect of the counsel referred to in such clause (i) or (iii).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (a) or (b) of this Section 8 is due in accordance with its terms but is for any reason held by a court to be unavailable from the Company or the Guarantor on grounds of policy or otherwise, the Company and each of you shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which the Company and the Guarantor, on the one hand, and any of you, on the other, may be subject in such proportion so that each of you is responsible for that portion represented by the percentage that the aggregate commissions received by such of you pursuant to Section 2 in connection with the Notes from which such losses, claims, damages and liabilities arise (or, in the case of Notes sold pursuant to a Terms Agreement, the aggregate commissions that would have been received by such of you if such commissions had been payable), bears to the aggregate principal amount of such Notes sold and the Company or the Guarantor is responsible for the balance; provided, however, that (y) in no case shall any of you be responsible for any amount in excess of the commissions received by such of you in connection with the Notes from which such losses, claims, damages and liabilities arise (or, in the case of Notes sold pursuant to a Terms Agreement, the aggregate commissions that would have been received by such of you if such commissions had been payable) and (z) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls any of you within the meaning of the Act shall have the same rights to contribution as you and each person who controls the Company or the Guarantor within the meaning of either the Act or the Exchange Act, each officer of each of the Company and the Guarantor who shall have signed the Registration Statements and each

director of each of the Company and the Guarantor shall have the same rights to contribution as the Company and the Guarantor, subject in each case to clauses (y) and (z) of this paragraph (d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph (d) notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (d).

9. Termination. (a) This Agreement will continue in effect until terminated as provided in this Section 9. This Agreement may be terminated by any of the Issuers (but only as to itself) as to any of you or any of you insofar as this Agreement relates to such of you, by giving written notice of such termination to such of you or the Issuers and the Guarantor, as the case may be. This Agreement shall so terminate at the close of business on the first business day following the receipt of such notice by the party to whom such notice is given. In the event of such termination, no party shall have any liability to the other party hereto, except as provided in the fourth paragraph of Section 2(a), Section 4(h), Section 8 and Section 10. The provisions of this Agreement (including without limitation Section 7 hereof) applicable to any purchase of a Note for which an agreement to purchase exists prior to the termination hereof shall survive any termination of this Agreement but in any event shall terminate on the Closing Date for purchase of such Note (except as set forth in Section 10 hereof). If, at the time of termination of this Agreement, any Purchaser shall own any Notes with the intention of selling them, the provisions of Section 4 shall remain in effect until the earlier of (i) the date such Notes are sold by the Purchaser and (ii) the date nine months from the date of termination of this Agreement.

(b) Each Terms Agreement (oral or written) shall be subject to termination in the absolute discretion of the Purchaser, by notice given to the applicable Company and the Guarantor prior to delivery of any payment for Notes to be purchased thereunder, if prior to such time (i) trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange, (ii) a banking moratorium shall have been declared either by Federal or New York State authorities or (iii) there shall have occurred any outbreak or material escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it, in the reasonable judgment of the Purchaser, impracticable to market such Notes on the terms and in the manner contemplated in the Prospectus as amended or supplemented.

10. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Issuers, the Guarantor or their respective officers or directors and of you set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of you or the Issuers, the Guarantor or any of their respective officers, directors or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Notes. The provisions of Sections 4(h) and 8 hereof shall survive the termination or cancelation of this Agreement.

11. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to any of you, will be mailed, delivered, telecopied or telegraphed and confirmed to such of you, at the address specified in Schedule I hereto; or, if sent to Xerox or the Guarantor, will be mailed, delivered, telecopied or telegraphed and confirmed to it at P.O. Box 1600, 800 Long Ridge Road, Stamford, Connecticut 06904-1600, Attention: Manager, Cash Planning and Funding; or, if sent to Xerox Overseas or Xerox Capital, will be mailed, delivered, telecopied or telegraphed and confirmed to it at Parkway, Marlow, Buckinghamshire SL7 1YL, England, Attention: Corporate Secretary, with a copy to the Guarantor as herein provided.

12. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder except as provided in Section 7 hereof.

13. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York, without giving effect to the principles thereof relating to conflicts of law (other than Section 5-1401 of the General Obligations Law of the State of New York, and any successor statute or statutes).



If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company and you.

Very truly yours,

XEROX CORPORATION,  
as an Issuer and the Guarantor

By: \_\_\_\_\_  
Title:

XEROX OVERSEAS HOLDINGS PLC,  
as an Issuer

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

RANK XEROX CAPITAL (EUROPE) PLC,  
as an Issuer

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

The foregoing Agreement is hereby confirmed and accepted as of the date hereof.

\_\_\_\_\_  
(Goldman, Sachs & Co.)

LEHMAN BROTHERS INC.

By: \_\_\_\_\_  
Title:

MERRILL LYNCH, PIERCE, FENNER &  
SMITH INCORPORATED

By: \_\_\_\_\_  
Title:

J.P. MORGAN SECURITIES INC.

By: \_\_\_\_\_  
Title:

MORGAN STANLEY & CO. INCORPORATED

By: \_\_\_\_\_

Title:

SALOMON BROTHERS INC

By: \_\_\_\_\_

Title:

SCHEDULE

I

Commissions:

The Company agrees to pay each Agent, unless otherwise agreed by the Company and such Agent, a commission equal to the following percentage of the principal amount of each Note of the Company sold by such Agent:

Terms	Commission Rate
From 9 months to less than 1 year	.125%
From 1 year to less than 18 months	.150%
From 18 months to less than 2 years	.200%
From 2 years to less than 3 years	.250%
From 3 years to less than 4 years	.350%
From 4 years to less than 5 years	.450%
From 5 years to less than 6 years	.500%
From 6 years to less than 7 years	.550%
From 7 years to less than 10 years	.600%
From 10 years to less than 15 years	.625%
From 15 years to less than 20 years	.700%
From 20 years to and including 30 years	.750%
Over 30 years	To be negotiated at the time of sale

Address for Notice to you:

Notices to Goldman, Sachs & Co. shall be directed to it at 85 Broad Street, New York, New York 10004, Attention of Credit Department.

Notices to Lehman Brothers Inc. shall be directed to them at 3 World Financial Center, 12th Floor, New York, New York 10285, Attention of Mr. John Plaster, Telephone (212) 298-2040, Fax (212) 528-1718.

Notices to Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated shall be directed to it at World Financial Center, North Tower, 10th Floor, New York, New York 10281, Attention of MTN Product Management, Telephone (212) 449-7476, Fax (212) 449-2234.

Notices to J.P. Morgan Securities Inc. shall be directed to it at 60 Wall Street, Third Floor, New York, New York 10260, Attention of MTN Trading Desk, Fax (212) 648-5909.

Notices to Morgan Stanley & Co. Incorporated shall be directed to it at 1585 Broadway, 2nd Floor, New York, New York 10036, Attention of Manager - Continuously Offered Products, Telephone (212) 761-4000, Fax (212) 761-0785, with a copy to 1585 Broadway, 34th Floor, New York, New York 10036, Attention of Peter Cooper - Investment Banking Information Center, Telephone (212) 761-8385, Fax (212) 761-0260.

Notices to Salomon Brothers Inc shall be directed to it at Seven World Trade Center, New York, New York 10048, Attention of the Medium-Term Note Department.

SCHEDULE

II

UNITED KINGDOM SELLING RESTRICTIONS

In connection with any offering of Notes each Agent represents and agrees that (1) it has not offered or sold and, prior to the period of six months from the date of closing of each particular issue of Notes, in respect of such Notes it will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or

agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom, and (3) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is a kind described in Article 11(3) of the Financial Securities Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

EXHIBIT

A

XEROX CORPORATION  
XEROX OVERSEAS HOLDINGS PLC  
RANK XEROX CAPITAL (EUROPE) PLC

Medium-Term Note Administrative Procedures  
(October [ ], 1997)

The Medium-Term Notes, Series E, Due Nine Months or More from Date of Issue (the "Notes") of Xerox Corporation ("Xerox"), Xerox Overseas Holdings PLC ("Xerox Overseas") and Rank Xerox Capital (Europe) plc ("Xerox Capital", and together with Xerox Overseas, the "Subsidiary Issuers", and collectively with Xerox and Xerox Overseas, the Issuers and each an "Issuer"), are to be offered on a continuing basis. Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc, as agents (each an "Agent"), have agreed to solicit purchases of Notes issued in fully registered form. No Agent will be obligated to purchase Notes for its own account, unless otherwise agreed. The Notes are being sold pursuant to a Selling Agency Agreement between the Issuers and the Agents dated the date hereof (the "Agency Agreement"). All Notes of the Subsidiary Issuers will be fully and unconditionally guaranteed (the "Guarantees") as to payment of principal and any premium or interest by Xerox, and all references herein to the "Guarantor" shall only refer to Xerox acting in such capacity and only be applicable with respect to Notes of any Subsidiary Issuer (or particular series thereof which are sold pursuant to the terms of the Agency Agreement). For the purposes hereof and of the Agency Agreement, the term "Company" shall refer to the relevant Issuer offering the Notes. The Notes of Xerox and the Guarantees will rank equally with all other unsecured and unsubordinated debt of Xerox, and the Notes of each Subsidiary Issuer will rank equally with all other unsecured and unsubordinated debt of such Subsidiary Issuer. The Notes and the Guarantees have been registered with the Securities and Exchange Commission (the "Commission"), and will be issued under the Indenture dated as of October [ ], 1997 (as may be amended or supplemented from time to time, the "Indenture"), among the Issuers, the Guarantor and Citibank, N.A., as trustee (the "Trustee").

The Agency Agreement provides that Notes may also be purchased by an Agent acting solely as principal and not as agent. In the event of any such purchase, the functions of both the Agent and the beneficial owner under the administrative procedures set forth below shall be performed by such Agent acting solely as principal, unless otherwise agreed to among the Company, the Guarantor and such Agent acting as principal in the relevant Terms Agreement (as defined in the Agency Agreement).

Each Note will be represented by either a Global Security (as defined hereinafter) delivered to Citibank, N.A. ("Citibank"), as agent for The Depository Trust Company ("DTC"), and recorded in the book-entry system maintained by DTC (a "Book-Entry Note") or a certificate delivered to the Holder thereof or a person designated by such Holder (a "Certificated Note"). Only Notes denominated and payable in U.S. dollars may be issued as Book-Entry Notes. An owner of a Book-Entry Note will not be entitled to receive a certificate representing such Note.

The procedures to be followed during, and the specific terms of, the solicitation of orders of Notes of the Company, and any Guarantees thereof, by the Agents and the sale as a result thereof by the Company are explained below. Administrative and record-keeping responsibilities will be handled for the Company by the Treasury Department of the Company or the Guarantor. Each Issuer and the Guarantor will advise the Agents and the Trustee in writing of those persons handling administrative responsibilities with whom the Agents and the Trustee are to communicate regarding orders to purchase

Notes of such Issuer and any Guarantees thereof and the details of their delivery.

Administrative procedures and specific terms of the offering are explained below. Book-Entry Notes will be issued in accordance with the administrative procedures set forth in Part I hereof, as adjusted in accordance with changes in DTC's operating requirements, and Certificated Notes will be issued in accordance with the administrative procedures set forth in Part II hereof. Unless otherwise defined herein, terms defined in the Indenture and the Notes shall be used herein as therein defined. Notes for which interest is calculated on the basis of a fixed interest rate, which may be zero, are referred to herein as "Fixed Rate Notes". Notes for which interest is calculated on the basis of a floating interest rate are referred to herein as "Floating Rate Notes". To the extent the procedures set forth below conflict with the provisions of the Notes, the Indenture, DTC's operating requirements or the Agency Agreement, the relevant provisions of the Notes, the Indenture, DTC's operating requirements and the Agency Agreement shall control.

## PART I

### Administrative Procedures for Book-Entry Notes

In connection with the qualification of the Book-Entry Notes for eligibility in the book-entry system maintained by DTC, Citibank will perform the custodial, document control and administrative functions described below, in accordance with its respective obligations under a Letter of Representations from the Company and the Trustee to DTC dated on or about the date hereof and a Medium-Term Note Certificate Agreement between Citibank and DTC and its obligations as a participant in DTC, including DTC's Same Day Funds Settlement system ("SDFS"). Only Notes denominated and payable in U.S. dollars may be Book-Entry Notes.

Issuance: On any date of settlement (as defined under "Settlement" - ----- below) for one or more Book-Entry Notes, the Company will issue a single global security in fully registered form without coupons (a "Global Security") representing up to \$200,000,000 principal amount (or such other maximum amount as may from time to time be agreed to by DTC) of all such Book-Entry Notes that have the same Original Issue Date, original issue discount provisions, if any, Interest Payment Dates, Interest Payment Period, redemption provisions, if any, Maturity Date, and, in the case of Fixed Rate Notes, interest rate, or, in the case of Floating Rate Notes, initial interest rate, Base Rate, Index Maturity, Interest Reset Period, Interest Reset Dates, Spread or Spread Multiplier, if any, minimum interest rate, if any, and maximum interest rate, if any (collectively, the "Terms"). Each Global Security will be dated and issued as of the date of its authentication by the Trustee. Each Global Security will bear an Original Issue Date, which will be (i) with respect to an original Global Security (or any portion thereof), the Original Issue Date Specified on such Global Security and (ii) following a consolidation of Global Securities, with respect to the Global Security resulting from such consolidation, the most recent Interest Payment Date to which interest has been paid or duly provided for on the predecessor Global Securities, regardless of the date of authentication of such subsequently issued Global Security. Unless otherwise specified in a Pricing Supplement, Global Securities will be denominated and payable only in U.S. dollars. No Global Security will represent (i) both Fixed Rate and Floating Rate Book-Entry Notes or (ii) any Certificated Note.

Identification: The Issuers have arranged with the CUSIP Service Bureau of - ----- Standard & Poor's Corporation (the "CUSIP Service Bureau") for the reservation of a series of CUSIP numbers, which series consists of approximately 900 CUSIP numbers in the aggregate and relates to Global Securities representing Book-Entry Notes and book-entry medium-term notes issued by the Issuers with other series designations. The Trustee, the Issuers and DTC have obtained from the CUSIP Service Bureau a written list of such reserved CUSIP numbers. The Trustee will assign CUSIP numbers to Global Securities as described below under Settlement Procedure "B". DTC will notify the CUSIP Service Bureau periodically of the CUSIP numbers that have been assigned to Global Securities. The Trustee will notify Xerox at any time when fewer than 100 of the reserved CUSIP numbers remain unassigned to Global Securities, and, if it deems necessary, Xerox will reserve on behalf of itself and the other Issuers additional CUSIP numbers for assignment to Global Securities. Upon obtaining such additional CUSIP numbers, Xerox shall deliver a list of such additional CUSIP numbers to each of the other Issuers, the Trustee and DTC.

Registration: Global Securities will be issued only in fully registered - ----- form without coupons. Each Global Security will be registered in the name of CEDE & Co., as nominee for DTC, on the Security Register for the Notes maintained under the Indenture. The beneficial owner

of a Book-Entry Note (or one or more indirect participants in DTC designated by such owner) will designate one or more participants in DTC (with respect to such Book-Entry Note, the "Participants") to act as agent or agents for such owner in connection with the book-entry system maintained by DTC, and DTC will record in book-entry form, in accordance with instructions provided by such Participants, a credit balance with respect to such beneficial owner in such Book-Entry Note in the account of such Participants. The ownership interest of such beneficial owner (or such participant) in such Book-Entry Note will be recorded through the records of such Participants or through the separate records of such Participants and one or more indirect participants in DTC.

Transfers: Transfers of a Book-Entry Note will be accomplished by book

- ----- entries made by DTC and, in turn, by Participants (and in certain cases, one or more indirect participants in DTC) acting on behalf of beneficial transferors and transferees of such Note.

Exchanges: The Trustee may deliver to DTC and the CUSIP Service Bureau

- ----- at any time a written notice of consolidation (a copy of which shall be attached to the Global Security resulting from such consolidation) specifying (i) the CUSIP numbers of two or more Outstanding Global Securities that represent (A) Fixed Rate Book-Entry Notes having the same Terms and for which interest has been paid to the same date or (B) Floating Rate Book-Entry Notes having the same Terms and for which interest has been paid to the same date, (ii) a date, occurring at least thirty days after such written notice is delivered and at least thirty days before the next Interest Payment Date for such Book-Entry Notes, on which such Global Securities shall be exchanged for a single replacement Global Security and (iii) a new CUSIP number, obtained from the Company or the Guarantor, to be assigned to such replacement Global Security; provided, however, that consolidation of Global Securities of different Issuers shall not be effected. Upon receipt of such a notice, DTC will send to its participants (including the Trustee) a written reorganization notice to the effect that such exchange will occur on such date. Prior to the specified exchange date, the Trustee will deliver to the CUSIP Service Bureau a written notice setting forth such exchange date and such new CUSIP number and stating that, as of such exchange date, the CUSIP numbers of the Global Securities to be exchanged will no longer be valid. On the specified exchange date, the Trustee will exchange such Global Securities for a single Global Security bearing the new CUSIP number and the CUSIP numbers of the exchanged Global Securities will, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. Notwithstanding the foregoing, if the Global Securities to be exchanged exceed \$200,000,000 in aggregate principal amount (or such other maximum amount as may from time to time be agreed to by DTC), one Global Security will be authenticated and issued to represent each \$200,000,000 of principal amount (or such other maximum amount) of the exchanged Global Securities and an additional Global Security will be authenticated and issued to represent any remaining principal amount of such Global Securities (see "Denominations" below).

Maturities: Each Book-Entry Note will mature nine months or more from the date of its issue.

Denominations: Book-Entry Notes will be issued in minimum denominations of

- ----- U.S.\$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. Global Securities will be denominated in principal amounts not in excess of \$200,000,000 (or such other maximum amount as may from time to time be agreed to by DTC). If one or more Book-Entry Notes having an aggregate principal amount in excess of \$200,000,000 (or such other maximum amount) would, but for the preceding sentence, be represented by a single Global Security, then one Global Security will be authenticated and issued to represent each \$200,000,000 principal amount (or such other maximum amount) of such Book-Entry Note or Notes and an additional Global Security will be authenticated and issued to represent any remaining principal amount of such Book-Entry Note or Notes. In such a case, each of the Global Securities representing such Book-Entry Note or Notes shall be assigned the same CUSIP number.

Interest: General. Unless otherwise specified in the applicable

- ----- Pricing Supplement, interest, if any, on each Book-Entry Note will accrue from the original issue date for the first interest period or the last date to which interest has been paid, if any, for each subsequent interest period, on the Global Security representing such Book-Entry Note and will be calculated and paid in the manner described in such Book-Entry Note and in the Prospectus (as defined in the Agency Agreement), as supplemented by the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, each payment of interest on a Book-Entry Note will include interest accrued to but excluding

the Interest Payment Date or to but excluding Maturity (other than a Maturity of a Fixed Rate Book-Entry Note occurring on the 31st day of a month, in which case such payment of interest will include interest accrued to but excluding the 30th day of such month). Interest payable at the Maturity of a Book-Entry Note will be payable to the Person to whom the principal of such Note is payable. Standard & Poor's Corporation will use the information received in the pending deposit message described under Settlement Procedure "C" below in order to include the amount of any interest payable and certain other information regarding the related Global Security in the appropriate (daily or weekly) bond report published by Standard & Poor's Corporation.

Regular Record Dates. Unless otherwise specified in the  
----- applicable Pricing Supplement, the

Regular Record Date with respect to any Interest Payment Date shall be the date fifteen calendar days immediately preceding such Interest Payment Date.

Interest Payment Dates on Fixed Rate Book-Entry Notes.  
-----

Unless otherwise specified pursuant to Settlement Procedure "A" below or in the applicable Pricing Supplement, interest payments on Fixed Rate Book-Entry Notes will be made semiannually on April 15 and October 15 of each year and at Maturity; provided, however, that in the case of a Fixed Rate Book-Entry Note issued between a Regular Record Date and an Interest Payment Date, the first interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date.

Interest Payment Dates on Floating Rate Book-Entry Notes.  
-----

Unless otherwise specified in the applicable Pricing Supplement, interest payments will be made on Floating Rate Book-Entry Notes monthly, quarterly, semi-annually or annually. Unless otherwise agreed upon, interest will be payable, in the case of Floating Rate Book-Entry Notes with a monthly Interest Payment Period, on the third Wednesday of each month; with a quarterly Interest Payment Period, on the third Wednesday of March, June, September and December of each year; with a semi-annual Interest Payment Period on the third Wednesday of the two months specified pursuant to Settlement Procedure "A" below; and with an annual Interest Payment Period, on the third Wednesday of the month specified pursuant to Settlement Procedure "A" below; provided, however, that if an Interest Payment Date for a Floating Rate Book-Entry Note would otherwise be a day that is not a Business Day with respect to such Floating Rate Book-Entry Note, such Interest Payment Date will be the next succeeding Business Day with respect to such Floating Rate Book-Entry Note, except in the case of a Floating Rate Book-Entry Note for which the Base Rate is LIBOR, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day; and provided further, that in the case of a Floating Rate Book-Entry Note issued between a Regular Record Date and an Interest Payment Date, the first interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date.

Notice of Interest Payment and Regular Record Dates.  
-----

On the first Business Day of January, April, July and October of each year, the Trustee will deliver to the relevant Issuers, the Guarantor and DTC a written list of Regular Record Dates and Interest Payment Dates that will occur with respect to Book-Entry Notes during the six-month period beginning on such first Business Day. Promptly after each Interest Determination Date for Floating Rate Book-Entry Notes, the Calculation Agent (initially, Citibank) will notify Standard & Poor's Corporation of the interest rates determined on such Interest Determination Date.

Calculation of Fixed Rate Book-Entry Notes. Interest on Fixed Rate Book-  
-----

Interest: Entry Notes (including interest for partial periods) will  
----- be, unless otherwise specified in the applicable Pricing Supplement, calculated on the basis of a 360-day year of twelve 30-day months.

Floating Rate Book-Entry Notes. Interest rates on Floating  
----- Rate Book Entry Notes will

be determined as set forth in the form of Notes. Interest on Floating Rate Book-Entry Notes, except as otherwise set forth therein and unless otherwise specified in the applicable Pricing Supplement, will be calculated on the basis of actual days elapsed and a year of 360 days, except that in the case of a Floating Rate Book-Entry Note for which the Base Rate is Treasury Rate or CMT Rate, interest will be calculated on the basis of the actual number of days in the year.

Payments of Payment of Interest Only. Promptly after each Regular  
-----

Principal and Record Date, the Trustee will deliver to the relevant

-----  
Interest: Issuers, the Guarantor and DTC a written notice setting  
----- forth, by CUSIP number, the amount of interest to be paid  
on each Global Security on the following Interest Payment Date (other than  
an Interest Payment Date coinciding with Maturity) and the total of such  
amounts. DTC will confirm the amount payable on each Global Security on  
such Interest Payment Date by reference to the appropriate (daily or weekly)  
bond report published by Standard & Poor's Corporation. The Company will  
pay to the Paying Agent (initially, Citibank), the total amount of interest  
due on such Interest Payment Date (other than at Maturity), and the Paying  
Agent will pay such amount to DTC, at the times and in the manner set forth  
below under "Manner of Payment". If any Interest Payment Date for a Book-  
Entry Note is not a Business Day, the payment due on such day shall be made,  
unless otherwise specified in the applicable Pricing Supplement, on the next  
succeeding Business Day, except that in the case of a LIBOR Note, if such  
Business Day is in the next succeeding calendar month, such Interest Payment  
Date shall be the next preceding Business Day and no interest shall accrue  
on such payment for the period from and after such Interest Payment Date.

Payments at Maturity. On or about the first Business Day  
of  
----- each month, the Trustee will deliver  
to the relevant Issuers, the Guarantor and DTC a written list of principal  
and interest to be paid on each Global Security maturing (on a Maturity or  
Redemption Date or otherwise) in the following month. Each of the relevant  
Issuers, the Guarantor and DTC will confirm the amounts of such principal  
and interest payments with respect to each such Global Security on or about  
the fifth Business Day preceding the Maturity of such Global Security. On  
or before Maturity, the Company will pay to the Paying Agent the principal  
amount of such Global Security, together with interest due at such Maturity.  
The Paying Agent will pay such amount to DTC at the times and in the manner  
set forth below under "Manner of Payment". Promptly after payment to DTC of  
the principal and interest due at Maturity of such Global Security, the  
Trustee will cancel such Global Security in accordance with the Indenture  
and so advise the relevant Issuer and the Guarantor.

Manner of Payment. The total amount of any principal and  
----- interest due on Global Securities on  
any Interest Payment Date or at Maturity shall be paid by the Company to the  
Paying Agent in immediately available funds no later than 9:30 a.m. (New  
York City time) on such date. The Company will make such payment on such  
Global Securities by instructing the Paying Agent to withdraw funds from an  
account maintained by the Company at Citibank or by wire transfer to the  
Paying Agent. The Company will confirm any such instructions in writing to  
the Paying Agent. Prior to 10 a.m. (New York City time) on the date of  
Maturity or as soon as possible thereafter, the Paying Agent will pay by  
separate wire transfer (using Fedwire message entry instructions in a form  
previously specified by DTC) to an account at the Federal Reserve Bank of  
New York previously specified by DTC, in immediately available funds each  
payment of principal (together with interest thereon) due on a Global  
Security on such date. On each Interest Payment Date (other than at  
Maturity), interest payments shall be made to DTC, in funds available for  
immediate use by DTC, in accordance with existing arrangements between  
Citibank and DTC. On each such date, DTC will pay, in accordance with its  
SDFS operating procedures then in effect, such amounts in funds available  
for immediate use to the respective Participants in whose names the Book-  
Entry Notes represented by such Global Securities are recorded in the book-  
entry system maintained by DTC. None of the Company (as issuer or as paying  
agent), the Guarantor, the Trustee or the Paying Agent shall have any  
responsibility or liability for the payment by DTC to such Participants of  
the principal of and interest on the Book-Entry Notes.

Withholding Taxes. The amount of any taxes required under  
----- applicable law to be withheld from any  
interest payment on a Book-Entry Note will be determined and withheld by the  
Participant, indirect participant in DTC or other Person responsible for  
forwarding payments and materials directly to the beneficial owner of such  
Note.

Procedure for The Company and the Agents will discuss from time to time  
-----  
Rate Setting the aggregate principal amount of, the issuance price of,  
-----  
and Posting: and the interest rates to be borne by, Book-Entry Notes  
that  
----- may be sold as a result of the solicitation of orders by  
the Agents. If the Company decides to set prices of, and rates borne by,  
any Book-Entry Notes in respect of which the Agents are to solicit orders  
(the setting of such prices and rates to be referred to herein as "posting")  
or if the Company decides to change prices or rates previously posted by it,

it will promptly advise the Agents of the prices and rates to be posted.

Acceptance and Unless otherwise instructed by the Company or the  
Guarantor,  
- - - - -

Rejection of each Agent will advise the Company and the Guarantor  
- - - - -

Orders: promptly by telephone of all orders to purchase Book-Entry  
- - - - - Notes received by such Agent, other than those rejected by  
it in whole or in part in the reasonable exercise of its discretion. Unless  
otherwise agreed by the Company, the Guarantor and the Agents, the Company  
has the right to accept orders to purchase Book-Entry Notes and may reject  
any such orders in whole or in part.

Preparation of If any order to purchase a Book-Entry Note is accepted by  
or  
- - - - -

Pricing on behalf of the Company, the Company will prepare or  
cause  
- - - - -

Supplement: to be prepared a pricing supplement (a "Pricing  
Supplement")  
- - - - - reflecting the terms of such Book-Entry Note and will  
arrange to transmit the same for filing with the Commission in accordance  
with the applicable paragraph of Rule 424(b) under the Act and will supply  
or cause to be supplied a copy thereof (and additional copies if requested)  
to the Agent that solicited the order. Such Agent will cause a Prospectus  
and Pricing Supplement to be delivered to the purchaser of such Book-Entry  
Note.

In each instance that a Pricing Supplement is prepared,  
such Agent will affix the Pricing Supplement to Prospectuses prior to their  
use. Outdated Pricing Supplements (other than those retained for files),  
will be destroyed.

Suspension of Subject to the representations, warranties and covenants  
- - - - -

Solicitation; of the Company and the Guarantor contained in the Agency  
- - - - -

Amendment or Agreement, the Company or the Guarantor may instruct the  
- - - - -

Supplement: Agents to suspend at any time, for any period of time or  
- - - - - permanently, the solicitation of orders to purchase Book-  
Entry Notes of the Company. Upon receipt of such instructions, the Agents  
will forthwith suspend solicitation until such time as the Company or the  
Guarantor has advised them that such solicitation may be resumed.

In the event that at the time the Company or the Guarantor  
suspends solicitation of purchases there shall be any orders outstanding for  
settlement, the Company or the Guarantor will promptly advise the Agents and  
the Trustee whether such orders may be settled and whether copies of the  
Prospectus as in effect at the time of the suspension, together with the  
appropriate Pricing Supplement, may be delivered in connection with the  
settlement of such orders. The Company and the Guarantor will have the sole  
responsibility for such decision and for any arrangements that may be made  
in the event that the Company or the Guarantor determines that such orders  
may not be settled or that copies of such Prospectus may not be so delivered

If any Issuer or the Guarantor decides to amend or  
supplement the Registration Statement (as defined in the Agency Agreement)  
or the Prospectus, it will promptly advise the Agents and furnish the Agents  
with the proposed amendment or supplement and with such certificates and  
opinions as are required, all to the extent required by and in accordance  
with the terms of the Agency Agreement. Subject to the provisions of the  
Agency Agreement, any Issuer and the Guarantor may file with the Commission  
any such supplement to the Prospectus relating to the Notes. Such Issuer  
and the Guarantor will provide the Agents and the Trustee with copies of any  
such supplement, and confirm to the agents that such supplement has been  
filed with the Commission pursuant to the applicable paragraph of Rule  
424(b), to the extent required by and in accordance with the terms of the  
Agency Agreement.

Procedures For When the Company has determined to change the interest  
rates  
- - - - -

Rate Changes: of Book-Entry Notes being offered, it will, or the  
Guarantor  
- - - - -

on behalf of the Company will, promptly advise the Agents,  
and the Agents will forthwith suspend solicitation of orders. The Agents  
will telephone the Company and the Guarantor with recommendations as to the  
changed interest rates. At such time as the Company, or the Guarantor of



behalf of the Company, has advised the Agents of the new interest rates, the Agents may resume solicitation of orders. Until such time only "indications of interest" may be recorded. Within two Business Days after any sale of Book-Entry Notes, the Company will file with the Securities and Exchange Commission a Pricing Supplement to the Prospectus relating to such Book-Entry Notes that reflects the applicable interest rates and other terms and will deliver a copy of such Pricing Supplement to the Agent that solicited the order.

Delivery of            A copy of the Prospectus and a Pricing Supplement  
relating

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Prospectus:           to a Book-Entry Note must accompany or precede the  
earliest

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of any written offer of such Book-Entry Note, confirmation of the purchase of such Book-Entry Note and payment for such Book-Entry Note by its purchaser. If notice of a change in the terms of the Book-Entry Notes is received by any Agent between the time an order for a Book-Entry Notes is placed and the time written confirmation thereof is sent by such Agent to a customer or his agent, such confirmation shall be accompanied by a Prospectus and Pricing Supplement setting forth the terms in effect when the order was placed. Subject to "Suspension of Solicitation; Amendment or Supplement" above, each Agent will deliver a Prospectus and Pricing Supplement as herein described with respect to each Book-Entry Note sold by it. The Company will make such delivery if such Book-Entry Note is sold directly by the Company to a purchaser (other than an Agent).

Confirmation:        For each order to purchase a Book-Entry Note solicited by

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any Agent and accepted by or on behalf of the Company, such Agent will issue a confirmation to the purchaser, with a copy to the Company and the Guarantor, setting forth the details set forth above and delivery and payment instructions.

Settlement:         The receipt by the Company of immediately available funds  
in

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payment for a Book-Entry Note and the authentication by the Trustee and issuance by the Company of the Global Security representing such Book-Entry Note shall constitute "settlement" with respect to such Book-entry Note. All orders accepted by or on behalf of the Company will be settled on the third Business Day following the date of sale of such Book-Entry Note pursuant to the timetable for settlement set forth below, unless at the time of sale the Company and the purchaser expressly agree to settlement on another day which shall be no earlier than the next Business Day following the date of sale.

Settlement           Settlement Procedures with regard to each Book-Entry Note

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Procedures:         sold by the Company through any Agent, as agent, shall be  
as

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follows:

A. Such Agent will advise the Company and the Guarantor by telephone of the following settlement information:

1. Principal amount.

2. Maturity Date.

3. In the case of a Fixed Rate Book-Entry Note, the interest rate or, in the case of a Floating Rate Book-Entry Note, the Base Rate, Initial Interest Rate (if known at such time), Index Maturity, Interest Reset Period, Interest Reset Dates, Spread or Spread Multiplier (if any), minimum interest rate (if any) and maximum interest rate (if any).

4. Interest Payment Dates.

5. Redemption provisions, if any, and/or early repayment provisions, if any.

6. Settlement date.

7. Issue price and net proceeds to the Company.

8. Such Agent's commission, determined as provided in Section 2 of the Agency Agreement.

9. Whether such Book-Entry Note is issued at an original issue discount and, if so, the total amount of OID, the yield to maturity and the initial accrual period OID.

B. The Company will advise the Trustee via the Citi

Treasury Management System ("CTMS") or by telex or facsimile transmission of the information set forth in Settlement Procedure "A" above. The Trustee will assign a CUSIP number to the Global Security representing such Book-Entry Notes and notify the Company and the Guarantor by telex or facsimile transmission of such number. The Company will then notify such Agent by telephone of such CUSIP number as soon as practicable, but in any event prior to the settlement date in respect of such Global Security. Each such communication by the Company to the Trustee shall constitute a representation and warranty by the Company and the Guarantor to the Trustee and the Agents that (i) such Book-Entry Note and any Guarantees relating thereto are then, and at the time of issuance and sale thereof will be, duly authorized for issuance and sale by the Company and the Guarantor, respectively, (ii) such Book-Entry Note, and the Global Security representing such Book-Entry Note, and any Guarantees relating thereto will conform with the terms of the Indenture and (iii) upon authentication and delivery of such Global Security, the aggregate principal amount of all Notes issued under the Indenture will not exceed U.S. \$2,250,000,000 if the Company is Xerox, or U.S.\$2,000,000,000 if the Company is a Subsidiary Issuer, or, in each case, the equivalent thereof in foreign denominated currencies or units consisting of multiple currencies (except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of, other Notes pursuant to Article Three or Section 4.07 or 9.06 of the Indenture).

C. The Trustee will enter a pending deposit message through DTC's Participant Terminal System providing the following settlement information to DTC (which shall route such information to Standard and Poor's Corporation) and such Agent:

1. The information set forth in Settlement Procedure "A".
2. Identification as a Fixed Rate Book-Entry Note or a Floating Rate Book-Entry Note.
3. Initial Interest Payment Date for such Book-Entry Note, number of days by which such date succeeds the related Regular Record Date and amount of interest payable on such Interest Payment Date.
4. The Interest Payment Dates.
5. CUSIP number of the Global Security representing such Book-Entry Note.
6. Whether such Global Security will represent any other Book-Entry Note (to the extent known at such time).

D. To the extent the Company has not already done so, the Company will deliver or cause to be delivered to the Trustee a supply of Global Securities in a form that has been approved by the Company, the Guarantor, the Agents and the Trustee.

E. The Trustee will complete such Book-Entry Note, stamp the appropriate legend, as instructed by DTC, if not already set forth thereon, and authenticate the Global Security representing such Book-Entry Note.

F. DTC will credit such Book-Entry Note to the Trustee's participant account at DTC.

G. The Trustee will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC to (i) debit such Book-Entry Note to the Trustee's participant account and credit such Book-Entry Note to such Agent's participant account and (ii) debit such Agent's settlement account and credit the Trustee's settlement account for an amount equal to the price of such Book-Entry Note less such Agent's commission. The entry of such a deliver order shall constitute a representation and warranty by the Trustee to DTC that (i) the Global Security representing such Book-Entry Note has been issued and authenticated and (ii) the Trustee is holding such Global Security pursuant to the Medium-Term Note Certificate Agreement between Citibank and DTC.

H. Such Agent will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC (i) to debit such Book-Entry Note to such Agent's participant account and credit such Book-Entry Note to the participant accounts of the Participants with respect to such Book-Entry Note and (ii) to debit the settlement accounts of such Participants and credit the settlement account of such Agent for an amount equal to the price of such Book-Entry Note.

I. Transfers of funds in accordance with SDFS deliver

orders described in Settlement Procedures "G" and "H" will be settled in accordance with SDFS operating procedures in effect on the settlement date.

J. The Trustee, upon confirmation of receipt of funds in the appropriate amount from such Agent in accordance with Settlement Procedure "G", will credit to an account of the Company maintained at Citibank (or will transfer such funds as otherwise instructed by the Company).

K. Such Agent will confirm the purchase of such Book-Entry Note to the purchaser either by transmitting to the Participants with respect to such Book-Entry Note a confirmation order or orders through DTC's institutional delivery system or by mailing a written confirmation to such purchaser.

Settlement Procedures Business  
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For orders of Book-Entry Notes solicited by any Agent and accepted by the Company for settlement on the first

Timetable:  
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Day after the sale date, Settlement Procedures "A" through "K" set forth above shall be completed as soon as possible but not later than the respective times (New York City time) set forth below:

Settlement Procedure	Time
A	11:00 A.M. on the sale date
B	12:00 Noon on the sale date
C	2:00 P.M. on the sale date
D	3:00 P.M. on the Business Day before settlement
E	9:00 A.M. on settlement date
F	10:00 A.M. on settlement date
G-H	2:00 P.M. on settlement date
I	4:45 P.M. on settlement date
J-K	5:00 P.M. on settlement date

If a sale is to be settled more than one Business Day after the sale date, Settlement Procedures "A", "B" and "C" shall be completed as soon as practicable but no later than 11:00 A.M. and 12:00 Noon on the first Business Day after the sale date and no later than 2:00 P.M. on the Business Day before the settlement date, respectively. If the initial interest rate for a Floating Rate Book-Entry Note has not been determined at the time that Settlement Procedure "A" is completed, Settlement Procedures "B" and "C" shall be completed as soon as such rate has been determined but no later than 12:00 Noon and 2:00 P.M., respectively, on the Business Day before the settlement date. Settlement Procedure "I" is subject to extension in accordance with any extension of Fedwire closing deadlines and in the other events specified in SDFS operating procedures in effect on the settlement date.

If settlement of a Book-Entry Note is rescheduled or canceled, the Trustee, upon obtaining knowledge thereof, will deliver to DTC, through DTC's Participant Terminal System, a cancellation message to such effect.

Failure to Settle:  
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If the Trustee fails to enter an SDFS deliver order with respect to a Book-Entry Note pursuant to Settlement Procedure "G", the Trustee may deliver to DTC, through DTC's Participant Terminal System, as soon as practicable a withdrawal message instructing DTC to debit such Book-Entry Note to the Trustee's participant account. DTC will process the withdrawal message, provided that the Trustee's participant account contains a principal amount of the Global Security representing such Book-Entry Note that is at least equal to the principal amount to be debited. If a withdrawal message is processed with respect to all the Book-Entry Notes represented by a Global Security, the Trustee will cancel such Global Security in accordance with the Indenture and so advise the Company and the Guarantor, and the Trustee will make appropriate entries in its records. The CUSIP number assigned to such Global Security shall, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. If a withdrawal message is processed with respect to one or more, but not all, of the Book-Entry Notes represented by a Global Security, the Trustee will exchange such Book-Entry Note for two Global Securities, one of which shall represent such Book-Entry Notes and shall be canceled immediately after issuance and the other of which shall represent the other Book-Entry Notes previously represented by the surrendered Global Security and shall bear the CUSIP number of the surrendered Global Security.

If the purchase price for any Book-Entry Note is not timely paid to the Participants with respect to such Note by the beneficial purchaser thereof (or a Person, including an indirect participant in DTC, acting on behalf of such purchaser), such Participants and, in turn, such Agent may enter an order through DTC's Participant Terminal System, debiting such Book-Entry Note to such Agent's participant account and crediting such Book-Entry Note to the participant account of the Trustee and shall notify the Trustee, the Company and the Guarantor thereof. Thereafter, (i) the Trustee will immediately notify the Company and the Guarantor of such order and the Company shall immediately transfer to such Agent an amount in immediately available funds equal to the amount credited to the account of the Company pursuant to Settlement Procedure "J" and (ii) the Trustee will deliver the withdrawal message and take the related actions described in the preceding paragraph. If such failure shall have occurred for any reason other than a default by such Agent in the performance of its obligations hereunder or under the Agency Agreement, then the Company will reimburse such Agent or the Trustee on an equitable basis for its loss of the use of the funds during the period when they were credited to the account of the Company.

Notwithstanding the foregoing, upon any failure to settle with respect to a Book-Entry Note, DTC may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to one or more, but not all, of the Book-Entry Notes to have been represented by a Global Security, the Trustee will provide, in accordance with Settlement Procedure "E", for the Authentication and issuance of a Global Security representing the other Book-Entry Notes to have been represented by such Global Security and will make appropriate entries in its records.

Trustee and the  
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Paying Agent  
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Not to Risk  
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Funds:  
payments  
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made by the Trustee or Citibank to the Company, any Agent, DTC or the purchaser shall be made only to the extent that funds are provided to the Trustee or the Paying Agent for such purpose.

Nothing herein shall be deemed to require the Trustee or the Paying Agent to risk or expend its own funds in connection with any payment to the Company, any Agent, DTC or the purchaser, it being understood by all parties that

Authenticity  
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of Signatures:  
the  
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Trustee in respect of the authenticity of the signature of any director, officer, employee or agent of the Company, the Guarantor or the Trustee on any Book-Entry Note or any Guarantees relating thereto.

Neither the Paying Agent nor any Agent will have any obligation or liability to the Company, the Guarantor or the Trustee in respect of the authenticity of the signature of any director, officer, employee or agent of the Company, the Guarantor or the Trustee on any Book-Entry Note or any Guarantees relating thereto.

Statements from  
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the Trustee:  
of  
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Book-Entry Notes Outstanding as of that date and setting forth a brief description of any sales of Book-Entry Notes which the Company has advised Citibank but which have not yet been settled.

Upon request, the Trustee will send to the Company and the Guarantor a statement setting forth the principal amount of Book-Entry Notes Outstanding as of that date and setting forth a brief description of any sales of Book-Entry Notes which the Company has advised Citibank but which have not yet been settled.

## PART II

### Administrative Procedures for Certificated Notes

Unless and until otherwise specified by the Company and the Guarantor, the Trustee will serve as registrar and transfer agent in connection with the Certificated Notes.

Issuance:  
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Each Certificated Note will be dated and issued as of the date of its authentication by the Trustee. Each Certificated Note will bear an Original Issue Date, which will be (i) with respect to an original Certificated Note (or any portion thereof), its original issuance date (which will be the settlement date) and (ii) with respect to any Certificated Note (or portion thereof) issued subsequently upon transfer or exchange of a Certificated Note or in lieu of a destroyed, lost or stolen Certificated Note, the Original Issue Date of the predecessor Certificated Note, regardless of the date of authentication of such subsequently issued Certificated Note.

Registration: Certificated Notes will be issued only in fully registered

form without coupons.

Transfers and A Certificated Note may be presented for transfer or

Exchanges: exchange at the principal corporate trust office in the City

of New York of the Trustee. Certificated Notes will be exchangeable for other Certificated Notes having identical terms but different authorized denominations without service charge. Certificated Notes will not be exchangeable for Book-Entry Notes.

Maturities: Each Certificated Note will mature nine months or more from date of its issue.

Denominations: The denomination of any Certificated Note denominated in U.S. dollars will be a minimum of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. The authorized denominations of Certificated Notes denominated in any other currency will be specified pursuant to "Settlement Procedures" below.

Interest: General. Unless otherwise specified in the applicable Pricing Supplement, interest, if any, on each Certificated Note will accrue from the original issue date for the first interest period or the last date to which interest has been paid, if any, for each subsequent interest period, and will be calculated and paid in the manner described in such Certificated Note and in the Prospectus, as supplemented by the applicable Pricing Supplement. Unless otherwise specified therein, each payment of interest on a Certificated Note will include interest accrued to but excluding the Interest Payment Date or to but excluding Maturity (other than a Maturity of a Fixed Rate Certificated Note occurring on the 31st day of a month, in which case such payment of interest will include interest accrued to but excluding the 30th day of such month).

Regular Record Dates. Unless otherwise specified in the applicable Pricing Supplement, the Regular Record Dates with respect to any Interest Payment Date shall be the date fifteen calendar days immediately preceding such Interest Payment Date.

Fixed Rate Certificated Notes. Unless otherwise specified pursuant to Settlement Procedure "A" below, interest payments on Fixed Rate Certificated Notes will be made semiannually on April 15 and October 15 of each year and at Maturity; provided, however, that in the case of a Fixed Rate Certificated Note issued between a Regular Record Date and an Interest Payment Date, the first interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date.

Floating Rate Certificated Notes. Unless otherwise specified in the applicable Pricing Supplement, interest payments will be made on Floating Rate Certificated Notes monthly, quarterly, semi-annually or annually. Interest will be payable, in the case of Floating Rate Certificated Notes with a monthly Interest Payment Period, on the third Wednesday of each month; with a quarterly Interest Payment Period, on the third Wednesday of March, June, September and December of each year; with a semi-annual Interest Payment Period, on the third Wednesday of the two months specified pursuant to Settlement Procedure "A" below; and with an annual Interest Payment Period, on the third Wednesday of the month specified pursuant to Settlement Procedure "A" below; provided, however, that if an Interest Payment Date for a Floating Rate Certificated Note would otherwise be a day that is not a Business Day with respect to such Floating Rate Certificated Note, such Interest Payment Date will be the next succeeding Business Day with respect to such Floating Rate Certificated Note, except in the case of a Floating Rate Certificated Note for which the Base Rate is LIBOR, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day; and provided further, that in the case of a Floating Rate Certificated Note issued between a Regular Record Date and an Interest Payment Date, the first interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date.

Calculation of Fixed Rate Certificated Note. Interest on Fixed Rate

Interest: Certificated Notes (including interest for partial periods) will be, unless otherwise specified in the applicable Pricing Supplement, calculated on the basis of a 360-day year of twelve 30-day months.

Floating Rate Certificated Notes. Interest rates on Floating Rate Certificated Notes will be determined as set forth in the form of Notes. Interest on Floating Rate Certificated Notes, except as otherwise set forth therein and unless otherwise specified in the applicable Pricing Supplement, will be calculated on the basis of actual days elapsed and a year of 360 days, except that in the case of a Floating Rate Certificated Note for which the Base Rate is Treasury Rate or CMT Rate, interest will be calculated on the basis of the actual number of days in the year.

Payments of Principal and Interest: The Paying Agent will pay the principal amount of each Certificated Note at Maturity upon presentation of such Certificated Note to the Trustee and notification thereof by the Trustee to the Paying Agent if the Trustee is not the Paying Agent. Such payment, together with payment of interest due at Maturity of such Certificated Note, will be made in immediately available funds by the Paying Agent to the Holder of such Certificated Note. Certificated Notes presented to the Trustee at Maturity for payment will be canceled by the Trustee in accordance with the Indenture. All interest payments on a Certificated Note (other than interest due at Maturity) will be made by check drawn on the Paying Agent (or another Person appointed by the Company or the Guarantor) and mailed by the Paying Agent to the Person entitled thereto as provided in such Note and the Indenture; provided, however, that the holder of U.S.\$10,000,000 (or the equivalent thereof in other currencies) or more of Certificated Notes with similar tenor and terms will be entitled to receive payment by wire transfer in U.S. dollars, but only if appropriate instructions have been received in writing by the Paying Agent on or prior to the applicable record date. Following each Regular Record Date and Special Record Date, the Trustee will furnish the Company and the Guarantor with a list of interest payments to be made on the following Interest Payment Date for each Certificated Note and in total for all Certificated Notes. Interest at Maturity will be payable to the Person to whom the payment of principal is payable. The Trustee will provide monthly to the Company and the Guarantor lists of principal and interest, to the extent ascertainable, to be paid on Certificated Notes maturing (on a Maturity or Redemption Date or otherwise) in the next month.

The Paying Agent will be responsible for withholding taxes on interest paid on Certificated Notes as required by applicable law.

If any Interest Payment Date for, or the Maturity of, a Certificated Note is not a Business Day, the Payment due on such day shall be made, unless otherwise specified in the applicable Pricing Supplement, on the next succeeding Business Day and no interest shall accrue on such payment for the period from and after such Interest Payment Date or Maturity, as the case may be.

Procedure for Rate Setting and Posting: The Company, the Guarantor and the Agents will discuss from time to time the aggregate principal amount of, the price of, and the interest rates to be borne by, Notes that may be sold as a result of the solicitation of orders by the Agents. If the Company decides to set prices of, and rates borne by, any Notes in respect of which the Agents are to solicit orders (the setting of such prices and rates to be referred to herein as "posting") or if the Company decides to change prices or rates previously posted by it, it will promptly advise the Agents of the prices and rates to be posted.

Acceptance and Rejection of Orders: Unless otherwise instructed by the Company or the Guarantor, each Agent will advise the Company and the Guarantor promptly by telephone of all orders to purchase Certificated Notes received by such Agent, other than those rejected by it in whole or in part in the reasonable exercise of its discretion. Unless otherwise agreed by the Company, the Guarantor and the Agents, the Company has the sole right to accept orders to purchase Certificated Notes and may reject any such orders in whole or in part.

Preparation of Pricing: If any order to purchase a Certificated Note is accepted by or on behalf of the Company, the Company will prepare or

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Supplement: cause to be prepared a Pricing supplement (a "Pricing  
- - - - - Supplement") reflecting the terms of such Certificated  
Note and will arrange to transmit the same for filing with the Commission in  
accordance with the applicable paragraph of Rule 424(b) under the Act and  
will supply or cause to be supplied a copy thereof (and additional copies if  
requested) to the Agent that solicited the order. Such Agent will cause a  
Prospectus and Pricing Supplement to be delivered to the purchaser of such  
Certificated Note.

In each instance that a Pricing Supplement is prepared,  
such Agent will affix the Pricing Supplement to Prospectuses prior to their  
use. Outdated Pricing Supplements (other than those retained for files),  
will be destroyed.

Suspension of Subject to the representations, warranties and covenants  
of  
- - - - -  
Solicitation; the Company and the Guarantor contained in the Agency  
- - - - -  
Amendment or Agreement, the Company or the Guarantor may instruct the  
- - - - -  
Supplement: Agents to suspend at any time for any period of time or  
- - - - - permanently, the solicitation of orders to purchase  
Certificated Notes of the Company. Upon receipt of such instructions, the  
Agents will forthwith suspend solicitation until such time as the Company or  
the Guarantor has advised them that such solicitation may be resumed.

In the event that at the time the Company or the Guarantor  
suspends solicitation of purchases there shall be any orders outstanding for  
settlement, the Company or the Guarantor will promptly advise the Agents and  
the Trustee whether such orders may be settled and whether copies of the  
Prospectus as in effect at the time of the suspension, together with the  
appropriate Pricing Supplement, may be delivered in connection with the  
settlement of such orders. The Company and the Guarantor will have the sole  
responsibility for such decision and for any arrangements that may be made  
in the event that the Company or the Guarantor determines that such orders  
may not be settled or that copies of such Prospectus may not be so  
delivered.

If any Issuer or the Guarantor decides to amend or  
supplement the Registration Statement or the Prospectus, it will promptly  
advise the Agents and furnish the Agents with the proposed amendment or  
supplement and with such certificates and opinions as are required, all to  
the extent required by and in accordance with the terms of the Agency  
Agreement. Subject to the provisions of the Agency Agreement, any Issuer  
and the Guarantor may file with the Commission any supplement to the  
Prospectus relating to the Notes. Such Issuer and the Guarantor will provide  
the Agents and the Trustee with copies of any such supplement, and confirm  
to the Agents that such supplement has been filed with the Commission  
pursuant to the applicable paragraph of Rule 424(b).

Procedure for When the Company has determined to change the interest  
rates  
- - - - -  
Rate Changes: of Certificated Notes being offered, it will, or the  
- - - - - Guarantor of behalf of the Company will, promptly advise  
the Agents and the Agents will forthwith suspend solicitation of orders.  
The Agents will telephone the Company and the Guarantor with recommendations  
as to the changed interest rates. At such time as the Company, or the  
Guarantor of behalf of the Company, has advised the Agents of the new  
interest rates, the Agents may resume solicitation of orders. Until such  
time only "indications of interest" may be recorded. Within two business  
days after any sale of Notes, the Company will file with the Securities and  
Exchange Commission a Pricing Supplement to the Prospectus relating to such  
Notes that reflects the applicable interest rates and other terms and will  
deliver copies of such Pricing Supplement to the Agents.

Delivery of A copy of the Prospectus and a Pricing Supplement relating  
- - - - -  
Prospectus: to a Certificated Note must accompany or precede the  
- - - - - earliest of any written offer of such Certificated Note,  
confirmation of the purchase of such Certificated Note and payment for such  
Certificated Note by its purchaser. If notice of a change in the terms of  
the Certificated Notes is received by any Agent between the time an order  
for a Certificated Note is placed and the time written confirmation thereof  
is sent by such Agent to a customer or his agent, such confirmation shall be  
accompanied by a Prospectus and Pricing Supplement setting forth the terms  
in effect when the order was placed. Subject to "Suspension of  
Solicitation; Amendment or Supplement" above, such Agent will deliver a  
Prospectus and Pricing Supplement as herein described with respect to each

Certificated Note sold by it. The Company will make such delivery if such Certificated Note is sold directly by the Company to a purchaser (other than any Agent).

Confirmation: For each order to purchase a Certificated Note solicited by  
- ----- any Agent and accepted by or on behalf of the Company, any Agent will issue a confirmation to the purchaser, with a copy to the Company and the Guarantor, setting forth the details set forth above and delivery and payment instructions.

Settlement: The receipt by the Company of immediately available funds in  
- ----- exchange for an authenticated Certificated Note delivered to the Agent and the Agent's delivery of such Certificated Note against receipt of immediately available funds shall, with respect to such Certificated Note, constitute "settlement". All orders accepted by or on behalf of the Company will be settled on the third Business Day following the date of sale pursuant to the timetable for settlement set forth below, unless at the time of sale the Company and the purchaser expressly agree to settlement on another day which shall be no earlier than the next Business Day following the date of sale.

Settlement Settlement Procedures with regard to each Certificated Note  
- -----

Procedures: sold by the Company through any Agent, as agent, shall be as  
- ----- follows:

A. Such Agent will advise the Company and the Guarantor by telephone of the following settlement information:

1. Name in which such Certificated Note is to be registered ("Registered Owner").
2. Address of the Registered Owner and address for payment of principal and interest.
3. Taxpayer identification number of the Registered Owner (if available).
4. Principal amount.
5. Maturity Date.
6. In the case of a Fixed Rate Certificated Note, the interest rate or, in the case of a Floating Rate Certificated Note, the initial interest rate (if known at such time), Base Rate, Index Maturity, Interest Reset Period, Interest Reset Dates, Spread or Spread Multiplier (if any), minimum interest rate (if any) and maximum interest rate (if any).
7. Interest Payment Dates.
8. Specified Currency and whether the option to elect payment in a Specified Currency applies and if the Specified Currency is not U.S. dollars, the authorized denominations.
9. Redemption provisions, if any, and/or early repayment provisions, if any.
10. Settlement date.
11. Issue price (including currency) and net proceeds to the Company.
12. Such Agent's commission, determined as provided in Section 2 of the Agency Agreement.
13. Whether such Certificated Note is issued at an original issue discount, and, if so, the total amount of OID, the yield to maturity and initial accrual period OID.

B. The Company will advise the Trustee by telex or facsimile transmission of the information set forth in Settlement Procedure "A" above and the name of such Agent. Each such communication by the Company shall constitute a representation and warranty by the Company and the Guarantor to the Trustee and the Agents that (i) such Certificated Note and any Guarantees relating thereto are then, and at the time of issuance and sale thereof will be, duly authorized for issuance and sale by the Company and the Guarantor, respectively, (ii) such Certificated Note and any



Guarantees relating thereto will conform with the terms of the Indenture and (iii) upon authentication and delivery of such Certificated Note, the aggregate principal amount of all Notes issued under the Indenture will not exceed U.S. \$2,250,000,000 if the Company is Xerox, or U.S.\$2,000,000,000 if the Company is a Subsidiary Issuer, or, in each case, the equivalent thereof in foreign denominated currencies or units consisting of multiple currencies (except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Article Three or Section 4.07 or 9.06 of the Indenture).

C. The Company will deliver to the Trustee a pre-printed five-ply packet for such Certificated Note, which packet will contain the following documents in forms that have been approved by the Company, the Guarantor, the Agents and the Trustee:

1. Certificated Note with customer confirmation.
2. Stub One - For the Trustee.
3. Stub Two - For the Agent.
4. Stub Three - For the Company.
5. Stub Four - For the Guarantor (if applicable).

D. The Trustee will complete such Certificated Note and will authenticate and deliver such Certificated Note (with the confirmation) and Stubs One and Two to such Agent, and such Agent will acknowledge receipt of the Note by stamping or otherwise marking Stub One and returning it to the Trustee. Such delivery will be made only against such acknowledgment of receipt. Upon receipt of such Certificated Note, such Agent shall make payment to the account of the Company at Citibank (or to such other bank specified by the Company) in funds available for immediate use, of an amount equal to the price of such Certificated Note less such Agent's commission. In the event that the instructions given by such Agent for payment to the account of the Company are revoked, the Company will as promptly as possible wire transfer to the account of such Agent an amount of immediately available funds equal to the amount of such payment made.

E. Such Agent will deliver such Certificated Note (with the confirmation) to the customer against payment in immediately payable funds. Such Agent will obtain the acknowledgment of receipt of such Certificated Note by retaining Stub Two.

F. The Trustee will send Stub Three to the Company by first-class mail or by first-class airmail, as applicable.

G. In the case of any Certificated Note of any Subsidiary Issuer, the Trustee will send Stub Four to the Guarantor by first-class mail. In the case of any Certificated Note of Xerox, the Trustee shall destroy Stub Four.

Settlement For orders of Certificated Notes solicited by any Agent,  
as  
- - - - -  
Procedures agent, and accepted by the Company, Settlement Procedures  
- - - - -  
Timetable: "A" through "F" set forth above shall be completed on or  
- - - - - before the respective times (New York City time) set forth  
below:

Settlement Procedure	Time
settlement A	2:00 P.M. on the Business Day before
settlement B-C	3:00 P.M. on the Business Day before
D	2:00 P.M. on settlement date
E	3:00 P.M. on settlement date
F	5:00 P.M. on settlement date

Failure to payment If a purchaser fails to accept delivery of and make  
- - - - -

Settle: for any Certificated Note, such Agent will notify the  
- - - - - Company, the Guarantor and the Trustee by telephone and  
return such Certificated Note to the Trustee. Upon receipt of such notice,  
the Company will immediately wire transfer to the account of such Agent an  
amount equal to the amount previously credited to the account of Company in  
respect of such Certificated Note. Such wire transfer will be made on the  
settlement date, if possible, and in any event not later than the Business  
Day following the settlement date. If the failure shall have occurred for  
any reason other than a default by such Agent in the performance of its  
obligations hereunder and under the Agency Agreement, then the Company will

reimburse such Agent, as appropriate, on an equitable basis for its loss of the use of the funds during the period when they were credited to the account of the Company. Immediately upon receipt of the Certificated Note in respect of which such failure occurred, the Trustee will cancel such Certificated Note in accordance with the Indenture and so advise the Company and the Guarantor, and the Trustee will make appropriate entries in its records.

Trustee and the  
- - - - -  
Paying Agent  
- - - - -  
Not to Risk  
- - - - -  
Funds:  
payments  
- - - - -  
Company or the Agent shall be made only to the extent that funds are provided to the Trustee or Citibank for such purpose.

Nothing herein shall be deemed to require the Trustee or the Paying Agent to risk or expend its own funds in connection with any payment to the Company, or any Agent or the purchaser, it being understood by all parties that made by the Trustee or the Paying Agent to either the Company or the Agent shall be made only to the extent that funds are provided to the Trustee or Citibank for such purpose.

Authenticity  
- - - - -  
of Signatures:  
the  
- - - - -  
any director, officer, employee or agent of the Company, the Guarantor or the Trustee on any Certificated Note or any Guarantees relating thereto.

Neither the Paying Agent nor any Agent will have any obligation or liability to the Company, the Guarantor or the Trustee in respect of the authenticity of the signature of any director, officer, employee or agent of the Company, the Guarantor or the Trustee on any Certificated Note or any Guarantees relating thereto.

Statements  
- - - - -  
from the  
of  
- - - - -  
Trustee:  
- - - - -  
Notes which the Company or the Guarantor has advised the Trustee but which have not yet been settled.

Upon request, the Trustee will send to the Company and the Guarantor a statement setting forth the principal amount of Certificated Notes Outstanding as of that date and setting forth a brief description of any sales of Certificated Notes which the Company or the Guarantor has advised the Trustee but which have not yet been settled.

EXHIBIT

B

Xerox Corporation  
Xerox Overseas Holdings PLC  
Rank Xerox Capital (Europe) plc  
Medium Term Notes, Series E  
Due Nine Months or More from Date of Issue

TERMS AGREEMENT

[DATE]

Attention :

Subject in all respects to the terms and conditions of the Selling Agency Agreement (the "Agreement") dated October [ ], 1997, among Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated, Salomon Brothers Inc, [insert as appropriate -- Xerox Corporation, Xerox Overseas Holdings PLC, Rank Xerox Capital (Europe) plc] and you, the undersigned agrees to purchase the following Notes of [insert as appropriate -- Xerox Corporation, Xerox Overseas Holdings PLC, Rank Xerox Capital (Europe) plc] (the "Company"):

GENERAL:

Principal Amount:  
Issue Price: % (see below under 'If as Principal' if Agent(s) is(are) acting as Principal)  
Agent's Discount or Commission: ( % of Principal Amount)  
Net proceeds to Company: ( % of Principal Amount)  
Original Issue Date:  
Maturity Date:  
Agent(s):  
Agent's capacity: / / As Agent / / As Principal (see below)  
If as Principal: / / The Note is being offered at varying prices related to prevailing market prices at the time of resale.  
/ / The Note is being offered at a fixed initial public offering price of % of Principal Amount.  
Form of Note: / / Book Entry / / Certificated

Specified Currency (if other than U.S. dollars):  
Authorized Denominations (if other than denominations of U.S.\$1,000 and any integral multiples in excess thereof):

INTEREST

// Floating Rate Note:

Base Rate(s):

// Commercial Paper Rate  
// CD Rate  
// CMT Rate  
// Federal Funds Rate  
// J.J. Kenny Rate  
// Prime Rate  
// Treasury Rate  
// LIBOR: Designated LIBOR Page: // LIBOR-Reuters  
// LIBOR-Telerate  
Index Currency (if other than U.S. dollars)  
// 11th District Cost of Funds Rate  
// Other (see Attachment)

Index Maturity:

Initial Interest Rate:  
Interest Payment Date(s):  
Interest Reset Period:  
Interest Reset Date(s):  
Spread (+/-):  
Spread Multiplier:  
Maximum Interest Rate:  
Minimum Interest Rate:  
Calculation Agent (if other than Citibank, N.A.):  
Other provisions:

// Fixed Rate Note(other than Amortizing Note or Zero-Coupon Note):  
Fixed rate of: % per annum

// Amortizing Note (see Attachment)

// Zero-Coupon Note (see Attachment)

// Discount Note (see below)  
Total Amount of OID:  
Yield to Maturity:  
Initial Accrual Period OID:  
Other provisions:

// Currency Indexed Note (see Attachment)

// Other Indexed Note (see Attachment)

EARLY REDEMPTION AND REPAYMENT; OPTIONAL EXTENSION OF MATURITY DATE AND RESETS; AND PAYMENT CURRENCY

Early redemption at Company's option: // No // Yes (see below)  
Redemption date(s):  
Redemption price(s): % of the principal amount of the Note to be redeemed  
Other provisions:

Early repayment at Holder's option: // No // Yes (see below)  
Repayment date(s):  
Repayment price(s): % of the principal amount of the Note to be repaid  
Other provisions:

Option to extend Maturity Date: // No // Yes (see below and Attachment)  
By: // the Company // the Holder

Option to reset interest rate (if Fixed Rate Note) or Spread and/or Spread Multiplier (if Floating Rate Note): // No // Yes (see Attachment)

Option to receive payment in Specified Currency, other than U.S. dollars (if Currency Indexed Note): // No // Yes (see Attachment)

ATTACHMENT

Purchase Date and Time:

Place for Delivery of Notes and Payment Therefor:

Method of Payment:

[Period during which additional Notes may not be sold pursuant to Section 4(m) of the Agreement:]

[Certificates, opinions and comfort letter delivery requirements pursuant to Section 6(b) of the Agreement:]

[Purchaser]

By: \_\_\_\_\_

Accepted:

[Insert as appropriate --  
XEROX CORPORATION  
XEROX OVERSEAS HOLDINGS PLC  
RANK XEROX CAPITAL (EUROPE) PLC]

By: \_\_\_\_\_  
Title:

[By: \_\_\_\_\_  
Title:]

## [FORM OF FACE OF MEDIUM-TERM NOTE]

## [LEGEND FOR NOTE HELD BY DTC]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

[Applicable only if Notes are issued in -- This is a [shorter term / longer term - SHORTER TERM IF THE NOTE MAY NOT BE REDEEMED UNTIL THE FIRST ANNIVERSARY, AND MUST BE REDEEMED BEFORE THE THIRD ANNIVERSARY, OF THE DATE OF ISSUE; LONGER TERM IF THE NOT MAY NOT BE REDEEMED UNTIL THE THIRD ANNIVERSARY OF THE DATE OF ISSUE] debt security issued in accordance with regulations made under Section 4 of the Banking Act 1987 of the United Kingdom.]

REGISTERED PRINCIPAL AMOUNT:  
No. R- CUSIP

[XEROX CORPORATION]  
[XEROX OVERSEAS HOLDINGS PLC]  
[RANK XEROX CAPITAL (EUROPE) PLC]  
MEDIUM-TERM NOTE, SERIES E  
Due Nine Months or More From Date of Issue

If Applicable, the "Total Amount of OID", "Yield to Maturity" and "Initial Accrual Period OID" (computed under the approximate method) below will be completed solely for the purposes of applying the Federal income tax Original Issue Discount ("OID") Rules.

## GENERAL:

Principal Amount:  
Issue Price: % (see below under 'If as Principal' if Agent(s) is(are) acting as Principal)  
Agent's Discount or Commission: \$ ( % of Principal Amount)  
Net proceeds to Company: \$ ( % of Principal Amount)  
Original Issue Date:  
Maturity Date:  
Agent(s):  
Agent's capacity: / / As Principal (see below) / / As Agent  
If as Principal: / / The Note is being offered at varying prices related to prevailing market prices at the time of resale.  
/ / The Note is being offered at a fixed initial public offering price of % of Principal Amount.  
Form of Note: / / Book Entry / / Certificated  
Specified Currency (if other than U.S. dollars):  
Authorized Denominations (if other than denominations of U.S.\$1,000 and any integral multiples in excess thereof):

## INTEREST

/ / Floating Rate Note:

Base Rate(s):  
/ / Commercial Paper Rate  
/ / CD Rate  
/ / CMT Rate  
/ / Federal Funds Rate  
/ / J.J. Kenny Rate  
/ / Prime Rate  
/ / Treasury Rate  
/ / LIBOR: Designated LIBOR Page: / / LIBOR-Reuters  
/ / LIBOR-Telerate  
Index Currency (if other than U.S. dollars):  
/ / 11th District Cost of Funds Rate  
/ / Other (see Attachment)

Index Maturity:  
Initial Interest Rate:

Interest Payment Date(s):  
Interest Reset Period:  
Interest Reset Date(s):  
Spread (+/-):  
Spread Multiplier:  
Maximum Interest Rate:  
Minimum Interest Rate:  
Calculation Agent (if other than Citibank, N.A.):  
Other provisions:

// Fixed Rate Note (other than Amortizing Note or Zero-Coupon Note):  
Fixed rate of: % per annum

// Amortizing Note (see Attachment)

// Zero-Coupon Note (see Attachment)

// Discount Note (see below)  
Total Amount of OID:  
Yield to Maturity:  
Initial Accrual Period OID:  
Other provisions:

// Currency Indexed Note (see Attachment)

// Other Indexed Note (see Attachment)

EARLY REDEMPTION AND EARLY REPAYMENT; OPTIONAL EXTENSION OF MATURITY DATE  
AND RESETS; AND PAYMENT CURRENCY

Early redemption at Company's option: // No // Yes (see below)  
Redemption date(s):  
Redemption price(s): % of the principal amount of the Note to be  
redeemed  
Other provisions:

Early repayment at Holder's option: // No // Yes (see below)  
Repayment date(s):  
Repayment price(s): % of the principal amount of the Note to be repaid  
Other provisions:

Option to extend Maturity Date: // No // Yes (see below and  
Attachment)  
By: // the Company // the Holder

Option to reset interest rate (if Fixed Rate Note) or Spread and/or Spread  
Multiplier (if Floating Rate Note): // No // Yes (see Attachment)

Option to receive payment in Specified Currency, other than U.S. dollars (if  
Currency Indexed Note): // No // Yes (see Attachment)

ATTACHMENT

SCHEDULE A

// THE FOREGOING TERMS OF THIS NOTE ARE SET FORTH IN THE COMPANY'S PRICING  
SUPPLEMENT NO. DATED TO PROSPECTUS DATED  
AND PROSPECTUS SUPPLEMENT DATED  
ATTACHED AS SCHEDULE A HERETO AND MADE A PART HEREOF.

[XEROX CORPORATION, a corporation duly organized and existing under the  
laws of the state of New York] [XEROX OVERSEAS HOLDINGS PLC, a public  
limited company organized under the laws of England and Wales] [RANK XEROX  
CAPITAL (EUROPE) PLC, a public limited company organized under the laws of  
England and Wales] (herein referred to as the "Company" or the "Issuer"),  
for value received, hereby promises to pay

or registered assigns, the principal sum of

\_\_\_\_\_ at Maturity (as defined below) and to pay interest thereon as described on the reverse hereof.

The principal of (and premium, if any) and interest on this Note are payable by the Company in such coin or currency specified above as at the time of payment shall be legal tender for the payment of public and private debts (the "Specified Currency"). If the Specified Currency is other than U.S. dollars, the Company will arrange to have all such payments converted into U.S. dollars in the manner described in Section 6 on the reverse hereof. Notwithstanding the foregoing, the Holder hereof (as defined in the Indenture referred to on the reverse hereof) may, if so specified on the face hereof and subject to the conditions set forth in Section 6 of the reverse hereof, elect to receive all payments in respect hereof in the Specified Currency shown on the face hereof in the manner described in Section 6 on the reverse hereof. Such election will remain in effect unless and until changed by written notice to the Paying Agent received on or prior to the applicable Regular Record Date or at least fifteen calendar days prior to Maturity, as the case may be. "Maturity" means the date on which the principal of this Note becomes due and payable in accordance with its terms, whether on the Maturity Date shown on the face hereof or by declaration of acceleration, call for redemption, put for repayment, extension of Maturity Date or otherwise.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH IN THIS PLACE.

This Note shall not become valid or obligatory for any purpose unless and until this Note has been authenticated by Citibank, N.A., or its successor, as Trustee under the Indenture referred to on the reverse hereof.

IN WITNESS WHEREOF, the Company has caused this Note to be executed under its corporate seal.

DATED: [XEROX CORPORATION]  
[XEROX OVERSEAS HOLDINGS PLC]  
[RANK XEROX CAPITAL (EUROPE) PLC]

By: \_\_\_\_\_

\_\_\_\_\_  
[Secretary or Assistant Secretary]

#### CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series provided under the within-mentioned Indenture.

Citibank, N.A.,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF REVERSE OF MEDIUM-TERM NOTE]

[XEROX CORPORATION]  
[XEROX OVERSEAS HOLDINGS PLC]  
[RANK XEROX CAPITAL (EUROPE) PLC]  
MEDIUM-TERM NOTE, SERIES E  
Due Nine Months or More From Date of Issue

1. This is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (herein called the "Securities") of a series hereinafter specified, as issued and to be issued under an indenture dated as of October [ ], 1997 (as amended, supplemented or modified from time to time, the "Indenture"), among the Company, [Applicable only if the Company is Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc -- Xerox Corporation, Xerox Overseas Holdings PLC, Rank Xerox Capital (Europe) plc, Xerox Corporation, as Guarantor (in such capacity, the "Guarantor")], and Citibank, N.A., as trustee (the "Trustee",

which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Company, [Applicable only if the Company is Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc -- the Guarantor,] the Trustee and the Holders of the Securities, and the terms upon which the Securities are, and are to be, authenticated and delivered. All capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

[Applicable only if Notes are issued in sterling by Xerox Corporation or Xerox Credit Corporation -- The Company is not an authorised institution or a European authorised institution under the Banking Act 1987 of the United Kingdom. Repayment of the principal and the payment of any interest or premium in connection herewith have not been guaranteed.]

[Applicable only if Notes are issued in sterling by Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc -- The Company is not an authorised institution or a European authorised institution under the Banking Act 1987 of the United Kingdom. Repayment of the principal and the payment of any interest or premium in connection herewith have been guaranteed by the Guarantor, which is not an authorised institution or a European authorised institution under Section 4 of the Banking Act 1987 of the United Kingdom.]

The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Note is one of a series of Securities of the Company designated as its Medium-Term Notes, Series E (herein called the "Notes"), limited in aggregate principal amount of [Applicable only if the Company is Xerox Corporation -- U.S.\$2,250,000,000] [Applicable only if the Company is Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc -- U.S.\$2,000,000,000] or the equivalent thereof in one of more foreign or composite currencies or currency units. The Company may, however, increase the foregoing limit if it determines in the future that it wishes to sell additional Notes of this Series. The U.S. dollar equivalent of Notes denominated in currencies or currency units other than U.S. dollars will be determined by an agent appointed by the Company (the "Exchange Rate Agent"), which shall initially be Citibank, N.A., on the basis of the Market Exchange Rate (as defined in Section 6 hereof) for such currencies or currency units on the applicable trading dates. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest (if any) at different rates, may be payable in different currencies or currency units and may otherwise vary, all as provided herein and in the Indenture.

2(A). Unless otherwise specified on the face hereof, a Regular Record Date for a Floating Rate Note with respect to any Interest Payment Date specified on the face hereof shall be the date, whether or not such date shall be a Business Day (as defined in this Section 2(A) below), which is 15 calendar days immediately preceding such Interest Payment Date. Interest which is payable, and is punctually paid or duly provided for on each Interest Payment Date specified above, will be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such Interest Payment Date, provided, however, that interest payable at Maturity shall be paid to the Person to whom the principal hereof is payable. Notwithstanding the foregoing, if this Note is issued between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, the interest so payable for the period from the Original Issue Date to such Interest Payment Date shall be paid on the next succeeding Interest Payment Date to the Registered Holder hereof on the related Regular Record Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Holder hereof on such Regular Record Date and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than ten calendar days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, as more fully described in said Indenture.

Unless otherwise specified on the face hereof, "Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York and (x)



if the Specified Currency shown on the face hereof is other than U.S. dollars or European Currency Units ("ECUs"), in the Principal Financial Center (as defined below) of the country of such Specified Currency, (y) if the Specified Currency shown on the face hereof is ECUs, in the city of London and Luxembourg City, Luxembourg, and (z) if the Base Rate specified on the face hereof is LIBOR, is also a London Banking Day. "London Banking Day" means any day (i) if the Index Currency (as defined below) is other than ECU, on which dealings in such Index Currency are transacted in the London interbank market or (ii) if the Index Currency is ECU, that is not designated as an ECU Non-Settlement Day by the ECU Banking Association or is otherwise generally regarded in the ECU interbank market as a day on which payments in ECUs shall be made.

In connection with any calculations of the rate of interest in this Note, all percentages will be, unless otherwise specified on the face hereof, rounded, if necessary, to the nearest one one-hundred-thousandth of a percent (with five one-millionths of a percent being rounded upwards), and all currency or currency unit amounts used in or resulting from calculations on the Notes will be rounded to the nearest one one-hundredth of a unit (with five one-thousandths of a unit being rounded upwards).

2(B). If this is a Fixed Rate Note, the Company promises to pay interest on the principal amount shown on the face hereof at the rate per annum shown on the face hereof from the Original Issue Date shown on the face hereof until such principal amount is paid or made available for payment. Unless otherwise provided on the face hereof, the Company will pay interest on a Fixed Rate Note (other than an Amortizing Note (as defined in this Section 2(B) below) or a Note which, in lieu of any interest payment thereon, will be issued at a price less than 100% of the principal amount thereof (each such Note, a "Zero-Coupon Note")) at Maturity and semi-annually in arrears on each April 15 and October 15 (each an "Interest Payment Date"), commencing with the Interest Payment Date specified on the face hereof, and the "Regular Record Dates" with respect to such Fixed Rate Note will be March 31 and September 30 (whether or not a Business Day). Unless otherwise provided on the face hereof, if this is a Fixed Rate Note the payment of both principal of and interest on which is amortized at a level amount over the life of such Note (each such Note, an "Amortizing Note"), the Company will pay principal of and interest on such Note at Maturity and either semi-annually each April 15 and October 15 or quarterly each January 15, April 15, July 15 and October 15, and the "Regular Record Dates" will be March 31 and September 30 (whether or not a Business Day), in the case that the principal of and interest on such Amortizing Note are payable semi-annually, and December 31, March 31, June 30 and September 30 (whether or not a Business Day), in the case that the principal of and interest on such Amortizing Note are payable quarterly. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof.

Unless otherwise specified on the face hereof, each payment of interest on a Fixed Rate Note shall include interest accrued to but excluding the Interest Payment Date or Maturity, as the case may be. Unless otherwise specified on the face hereof, any payment of principal of (and premium, if any) or interest required to be made in respect of a Fixed Rate Note (including an Amortizing Note), other than at Maturity, on a day that is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day, and no additional amounts shall be payable as a result of such delayed payment. Interest will accrue from and including the most recent Interest Payment Date or, if no interest has been paid or duly provided for, from and including the Original Issue Date shown on the face hereof, to, but excluding, the Interest Payment Date. Unless otherwise specified on the face hereof, the amount of such interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

2(C). Unless otherwise specified on the face hereof, if this is a Floating Rate Note, the Company promises to pay interest on the principal amount, until the principal hereof is paid or duly made available for payment, at the rate per annum (a) equal to the Initial Interest Rate shown on the face hereof until the first Interest Reset Date shown on the face hereof following the Original Issue Date specified on the face hereof and (b) thereafter, at a rate or rates (the "Base Rate") determined in accordance with the provisions below under the heading "Determination of CD Rate", "Determination of CMT Rate", "Determination of Commercial Paper Rate", "Determination of Federal Funds Rate", "Determination of J.J. Kenny Rate", "Determination of LIBOR", "Determination of Treasury Rate", "Determination of Prime Rate", "Determination of 11th District Cost of Funds Rate" or "Determination of Other Base Rates" (depending upon whether the Base Rate specified on the face hereof is CD Rate, CMT Rate, Commercial Paper Rate, Federal Funds Rate, J.J. Kenny Rate, LIBOR, Treasury Rate, Prime

Rate, 11th District Cost of Funds Rate or some other Base Rate or formula, respectively), in each case adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, and/or by the multiplication by the Spread Multiplier, if any, specified on the face hereof.

Interest will be calculated daily, weekly, monthly, quarterly, semi-annually, annually or otherwise, as specified on the face hereof under "Interest Reset Period". Unless otherwise provided on the face hereof, Interest will be payable commencing with the first Interest Payment Date specified on the face hereof next succeeding the Original Issue Date, and at Maturity. Unless otherwise provided on the face hereof, the dates on which interest will be payable (each an "Interest Payment Date") will be: (i) in the case of Floating Rate Notes with a daily, weekly or monthly Interest Reset Period, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified on the face hereof; (ii) in the case of Floating Rate Notes with a quarterly Interest Reset Period, the third Wednesday of March, June, September and December of each year; (iii) in the case of Floating Rate Notes with a semi-annual Interest Reset Period, the third Wednesday of the two months specified on the face hereof; and (iv) in the case of Floating Rate Notes with an annual Interest Reset Period, the third Wednesday of the month specified on the face hereof; provided, however, in each case, unless otherwise specified on the face hereof, that if an Interest Payment Date would fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding Business Day, except that if the Base Rate specified on the face hereof is LIBOR and such Business Day is in the next calendar month, such Interest Payment Date shall be the immediately preceding Business Day. Any payment of principal (and premium, if any) and interest required to be made on a Floating Rate Note at Maturity on a day that is not a Business Day shall be made on the next succeeding Business Day with respect to such Floating Rate Note (with the same force and effect as if made at Maturity, and no additional interest shall accrue as a result of any such delayed payment).

Unless otherwise specified on the face hereof, the interest payable on a Floating Rate Note on each Interest Payment Date or at Maturity will include accrued interest from and including the Original Issue Date or from and including the last Interest Payment Date to which interest has been paid to, but excluding, such Interest Payment Date or date of Maturity, as the case may be (each such period, an "Interest Period"). Such accrued interest will be calculated by multiplying the principal amount hereof by an accrued interest factor. The accrued interest factor shall be computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, if the Base Rate specified on the face hereof is CD Rate, Commercial Paper Rate, Federal Funds Rate, J.J. Kenny Rate, LIBOR, Prime Rate or 11th District Cost of Funds Rate, or by the actual number of days in the year, if the Base Rate specified on the face hereof is Treasury Rate or CMT Rate.

Unless otherwise specified on the face hereof, the interest rate in effect on each day will be (a) if such day is an Interest Reset Date, the interest rate with respect to the Interest Determination Date determined as of such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate with respect to the Interest Determination Date determined as of the next preceding Interest Reset Date (or, if none, the Initial Interest Rate), subject in either case to any adjustment by a Spread and/or Spread Multiplier specified on the face hereof; provided, however, that the interest rate in effect from the Original Issue Date to the first Interest Reset Date will be the Initial Interest Rate.

Notwithstanding the foregoing, if this is a Floating Rate Note, the interest rate hereon shall not accrue during any Interest Period at a rate which is greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, shown on the face hereof. In addition, the interest rate hereon shall in no event be higher than the maximum rate, if any, permitted by applicable law, including, without limitation, the law of the State of New York and United States law of general application. The Maximum Interest Rate, if any, and Minimum Interest Rate, if any, specified on the face hereof are, in each case, expressed as a rate per annum on a simple interest basis.

If this is a Floating Rate Note, the interest rate on this Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise (such period being the "Interest Reset Period"), as specified on the face hereof. Unless otherwise specified on the face hereof, the "Interest Reset Dates" will be: (i) if the Interest Reset Period is daily, each Business Day; (ii) if the Interest Reset Period is weekly, Wednesday of each week, except that if the Base Rate specified on the face hereof is the Treasury Rate, Tuesday of each week; (iii) if the Interest Reset Period is

monthly, the third Wednesday of each month; (iv) if the Interest Reset Period is quarterly, the third Wednesday of March, June, September and December of each year; (v) if the Interest Reset Period is semi-annually, the third Wednesday of the two months specified on the face hereof; and (vi) if the Interest Reset Period is annually, the third Wednesday of the month of each year specified on the face hereof; provided, however, that the interest rate in effect from the Original Issue Date to the first Interest Reset Date will be the Initial Interest Rate. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that (a) if the Base Rate specified on the face hereof is LIBOR and such next Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day or (b) if the Base Rate specified on the face hereof is Treasury Rate and the Interest Reset Date falls on a date which is an auction date for Treasury bills (as defined under "Determination of Treasury Rate" below), the Interest Reset Date shall be the following day that is a Business Day.

The interest rate applicable to each Interest Reset Period commencing on the Interest Reset Date with respect to such Interest Reset Period will be the rate determined as of the applicable Interest Determination Date on or prior to the Calculation Date (as defined below). Unless otherwise specified on the face hereof, the Interest Determination Date pertaining to an Interest Reset Date will be (i) if the Base Rate specified on the face hereof is CD Rate, CMT Rate, Commercial Paper Rate, Federal Funds Rate, J.J. Kenny Rate or Prime Rate, the second Business Day next preceding such Interest Reset Date, (ii) if the Base Rate specified on the face hereof is LIBOR, the second London Banking Day next preceding such Interest Reset Date, (iii) if the Base Rate specified on the face hereof is 11th District Cost of Funds Rate, the last working day of the month next preceding the applicable Interest Reset Date on which the FHLB of San Francisco (as defined below) publishes the 11th District Cost of Funds Index (as defined below) and (iv) if the Base Rate specified on the face hereof is Treasury Rate, the day of the week in which such Interest Reset Date falls on which Treasury bills (as defined under "Determination of Treasury Rate" below) of the Index Maturity specified on the face hereof are auctioned. Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any day that would otherwise be an Interest Reset Date for a Floating Rate Note whose Base Rate is the Treasury Rate, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

The Company will calculate, or will from time to time appoint and enter into an agreement with an agent to calculate (the Company or such agent being the "Calculation Agent"), the interest rates on Floating Rate Notes (including this Note if this is a Floating Rate Note). Initially, Citibank, N.A. shall be the Calculation Agent. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing and will confirm in writing such calculation to the Trustee and any Paying Agent promptly after each such determination. Neither the Trustee nor any Paying Agent shall be responsible for any such calculation. At the request of the Holder hereof, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date. All determinations of interest rates by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder hereof. Unless otherwise specified on the face hereof, the "Calculation Date", if applicable, pertaining to an Interest Determination Date shall be the earlier of (i) the tenth calendar day after such Interest Determination Date, or if such day is not a Business Day, the next succeeding Business Day, or (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

Subject to applicable provisions of law and except as specified herein, on each Interest Reset Date the rate of interest hereon, if this is a Floating Rate Note, shall be the rate determined in accordance with the provisions of the applicable heading below, adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, and/or by the multiplication by the Spread Multiplier, if any, specified on the face hereof.

#### Determination of CD Rate -----

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is CD Rate, the interest rate for any Interest Determination Date shall equal (a) the rate on such Interest Determination

Date for negotiable certificates of deposit having the Index Maturity specified on the face hereof (1) as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)" or (2) if such rate is not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 p.m. Quotations for U.S. Government Securities", or any successor publication of the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Certificates of Deposit" or (b) if such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the arithmetic mean as calculated by the Calculation Agent of the secondary market offered rates as of 10:00 a.m., New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity specified on the face hereof in a denomination of U.S. \$5,000,000; provided, however, that if such dealers selected as aforesaid by the Calculation Agent are not quoting such rate as mentioned in this sentence, the interest rate for such Interest Determination Date shall equal the interest rate then in effect hereon on such Interest Determination Date.

CD Rate Notes, like other Notes, are not deposit obligations of a bank and are not insured by the Federal Deposit Insurance Corporation.

#### Determination of CMT Rate

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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is CMT Rate, the interest rate for any Interest Determination Date shall equal the rate displayed on the Designated CMT Telerate Page under the caption "...Treasury Constant Maturities... Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Telerate Page is 7055, the rate on such Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the week, or the month, as specified on the face hereof, ended immediately preceding the week in which the related Interest Determination Date occurs. If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519). If such rate is no longer published, or if not published by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for the Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m. (New York City time) on the Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a "Reference Dealer") in The City of New York selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent cannot obtain three such Treasury Note quotations, the CMT Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m. (New York City time) on the Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity

of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such Interest Determination Date. If two Treasury Notes with an original maturity as described in the second preceding sentence, have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the CMT Rate Note with the shorter remaining term to maturity will be used.

"Designated CMT Telerate Page" means the display on the Dow Jones Telerate Service on the page designated in the applicable Pricing Supplement (or any other pages as may replace such page on that service for the purposes of displaying Treasury Constant Maturities as reported in H.15(519)), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20, or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated. If no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be two years.

Determination of Commercial Paper Rate  
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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Commercial Paper Rate, the interest rate for any Interest Determination Date shall equal (a) the Money Market Yield (as defined below) on such Interest Determination Date of the rate for commercial paper having the Index Maturity specified on the face hereof (1) as published in H.15(519) under the heading "Commercial Paper--Non-financial" or, if unreliable, under such other heading representing commercial paper issued by non-financial entities whose bond rating is "AA", or the equivalent, from a nationally recognized statistical rating organization, or (2) if such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then as published in Composite Quotations under the heading "Commercial Paper", or (b) if such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on such Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper placed for industrial issuers whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency, having the Index Maturity specified on the face hereof; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting offered rates as mentioned in this sentence, the rate of interest for such Interest Determination Date shall equal the interest rate then in effect on such Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the period for which interest is being calculated.

Determination of Federal Funds Rate  
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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Federal Funds Rate, the interest rate for any Interest Determination date shall equal (a) the rate on such Interest Determination Date for Federal Funds (1) as published in H.15(519) under the heading "Federal Funds (Effective)" or (2) if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then as published in Composite Quotations under the heading "Federal Funds/Effective Rate" or (b) if such rate is not published

in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, such rate as shall be calculated by the Calculation Agent which will be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent as of 9:00 a.m., New York City time, on such Interest Determination Date; provided, however, that if the brokers selected as aforesaid by the Calculation Agent are not quoting such rates as mentioned in this sentence, the interest rate for such Interest Determination Date shall equal the interest rate then in effect on such Interest Determination Date.

#### Determination of J.J. Kenny Rate

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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is J.J. Kenny Rate, the interest rate for any Interest Determination Date shall equal the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny information Systems ("Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny fails to make available such Weekly Index prior to the relevant Calculation Date, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly index, the interest on which is (A) variable on a weekly basis, (B) exempt from Federal income taxation under the Code and (C) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any Interest Determination Date shall be 67% of the rate determined if the Treasury Rate had been originally selected as the interest rate for the J.J. Kenny Notes. The Calculation Agent shall calculate the J.J. Kenny Rate in accordance with the foregoing. At the request of a Holder of a Floating Rate Note bearing interest at the J.J. Kenny Rate, the Calculation Agent will provide such holder with the interest rate that will become effective as of the next Interest Reset Date.

#### Determination of LIBOR

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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is LIBOR or the interest rate is to be determined with reference to LIBOR, the interest rate for any Interest Determination Date shall equal the rate determined by the Calculation Agent as follows:

(i) If (a) "LIBOR Reuters" is specified on the face hereof, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity specified on the face hereof, commencing on the second London Banking Day immediately following such Interest Determination Date, that appear on the Designated LIBOR Page specified on the face hereof as of 11:00 A.M., London time, on such Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) "LIBOR Telerate" is specified on the face hereof or if neither LIBOR Reuters nor LIBOR Telerate is specified on the face hereof as the method of calculating LIBOR, the rate for deposits in the Index Currency (as defined below) having the Index Maturity specified on the face hereof, commencing on the second London Banking Day immediately following such Interest Determination Date that appear on the Designated LIBOR Page specified on the face hereof as of 11:00 A.M., London time, on such Interest Determination Date. If fewer than two such offered rates appear (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used), or if no such rate appears, as applicable, LIBOR in respect of the related Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to an Interest Determination Date on which fewer than

two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity specified on the face hereof, commencing on the second London Banking Day immediately following such Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center (as defined below), on such Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity specified on the face hereof and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoted as mentioned in this sentence, LIBOR determined on such Interest Determination Date will be LIBOR in effect on such Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified on the face hereof as the currency for which LIBOR shall be calculated. If no such currency is specified on the face hereof, the Index Currency shall be U.S. dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified on the face hereof, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is specified on the face hereof, or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

"Principal Financial Center" will generally be the capital city of the country of the specified Index Currency, except that with respect to the U.S. dollars, Deutsche marks, Dutch guilders, Italian lire, Swiss francs and ECUs, the Principal Financial Center shall be The City of New York, Frankfurt, Amsterdam, Milan, Zurich and Luxembourg, respectively.

#### Determination of Treasury Rate

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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Treasury Rate, the interest rate for any Interest Determination Date shall equal the rate for the auction held on such Interest Determination Date of direct obligations of the United States ("Treasury bills") having the Index Maturity specified on the face hereof, as published in H.15(519) under the heading "U.S. Government Securities--Treasury bills--auction average (investment)" or, if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the auction average rate (expressed as a bond equivalent, rounded to the nearest one one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury bills having the Index Maturity specified on the face hereof are not published or announced as provided above by 3:00 p.m., New York City time, on such Calculation Date or if no such auction is held on such Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, rounded to the nearest one one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the Index Maturity specified on the face hereof; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting bid rates as mentioned in this sentence, the interest rate for such Interest Determination Date shall equal the interest rate then in effect on such Interest Determination Date.

Determination of Prime Rate

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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Prime Rate, the interest rate for any Interest Determination Date shall equal the rate on such Interest Determination Date as published by the Board of Governors of the Federal Reserve System in H.15(519) under the heading "Bank Prime Loan". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the "Reuters Screen USPRIME1 Page" (as defined below) as such bank's prime rate or base lending rate as in effect for such Interest Determination Date. "Reuters Screen USPRIME1 Page" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (such term to include such other page as may replace the USPRIME1 page on that Service for the purpose of displaying prime rates or base lending rates of major United States banks). If fewer than four such rates but more than one such rate appear on the Reuters Screen USPRIME1 Page for such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent from a list approved by the Company. If fewer than two such rates appear on the Reuters Screen USPRIME1 Page for such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, in each case having total equity capital of at least U.S.\$500,000,000 and being subject to supervision or examination by Federal or state authority, selected by the Calculation Agent from a list approved by the Company to provide such rate or rates; provided, however, that if the banks or trust companies selected as aforesaid by the Calculation Agent from a list approved by the Company are not quoting as mentioned in this sentence, the rate of interest in effect for the applicable period will be the rate of interest in effect on such Interest Determination Date.

Determination of 11th District Cost of Funds Rate

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Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is 11th District Cost of Funds Rate, the interest rate for any Interest Determination Date shall equal the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 a.m., San Francisco time, on such Interest Determination Date. If such rate does not appear on Telerate Page 7058 on any related Interest Determination Date, the 11th District Cost of Funds Rate for such Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the 11th Federal Home Loan Bank District that was most recently announced (the "11th District Cost of Funds Index") by the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such Interest Determination Date, then the 11th District Cost of Funds Rate determined as of such Interest Determination Date will be the 11th District Cost of Funds Rate in effect on such Interest Determination Date.

Determination of Other Base Rates

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If the Base Rate specified on the face hereof is none of the foregoing, the method of calculating such Base Rate for any Interest Determination Date will be as provided on the face hereof.

2(D). If this is a Currency Indexed Note, the principal amount payable at Maturity will be determined by reference to the Denominated Currency and the Indexed Currency shown on the face hereof, or as determined in such other manner as may be specified on the face hereof. Unless otherwise specified on the face hereof, the Holder of a Currency Indexed Note will be entitled to receive a principal amount in respect of such Note (i) exceeding the Face Amount shown on the face hereof if, at Maturity, the rate at which the Denominated Currency can be exchanged for the Indexed Currency is greater than the rate of such exchange designated as the Base Exchange Rate, expressed in units of the Indexed Currency per one unit of the Denominated



Currency, shown on the face hereof (the "Base Exchange Rate"), or (ii) less than such Face Amount if, at Maturity, the rate at which such Denominated Currency can be exchanged for such Indexed Currency is less than such Base Exchange Rate. Unless otherwise specified on the face hereof, the Company will pay principal of a Currency Indexed Note in the Denominated Currency at Maturity in an amount equal to the Face Amount, plus or minus an amount of the Denominated Currency determined by the Exchange Rate Agent by reference to the difference between the Base Exchange Rate and the rate at which the Denominated Currency can be exchanged for the Indexed Currency as determined on the second Exchange Rate Day (as defined in this Section 2(D) below) (such second Exchange Rate Day is hereafter referred to as the "Exchange Rate Date") prior to Maturity by the Exchange Rate Agent based on the indicative quotation, selected by such Exchange Rate Agent at approximately 11:00 a.m. New York City time on such Exchange Rate Date, for the Indexed Currency (spot bid quotation for the Denominated Currency) which will yield the largest number of units of the Indexed Currency per one unit of the Denominated Currency, for an amount of Indexed Currency equal to the Face Amount multiplied by the Base Exchange Rate with the Denominated Currency for settlement at Maturity (such rate of exchange, as so determined and expressed in units of the Indexed Currency per one unit of the Denominated Currency, is hereafter referred to as the "Spot Rate"). Unless otherwise provided on the face hereof, such selection shall be made from among the quotations appearing on the display "page" within the Reuters or Telerate Monitor Foreign Exchange Service, as may be agreed to by the Company and such Exchange Rate Agent (or, if such display "page" is not available or such Indexed Currency or Denominated Currency is a composite currency for which separate current composite currency quotations are not available, such other comparable display or other comparable manner of obtaining quotations as may be agreed to by the Company and such Exchange Rate Agent), used to determine the Spot Rate. The principal amount hereof determined by the Exchange Rate Agent to be payable at Maturity will be payable to the Holder hereof in the manner set forth herein. In the absence of manifest error, the determination by the Exchange Rate Agent of the Spot Rate and the principal amount of Currency Indexed Notes payable at Maturity thereof shall be final and binding on the Company and the Holders of such Currency Indexed Notes. The formula to be used by the Exchange Rate Agent to determine the principal amount of this Currency Indexed Note payable at Maturity is specified on the face hereof. As used herein, "Exchange Rate Day" means any day (a) which is a Business Day in The City of New York and (b) (i) if the Denominated Currency or Indexed Currency is any currency or composite currency other than the U.S. dollar or the ECU, a Business Day in the principal financial center of the country of such Denominated Currency or Indexed Currency or (ii) if the Denominated Currency or Indexed Currency is the ECU, a Business Day with respect to the ECU.

Unless otherwise specified on the face hereof, if this is a Currency Indexed Note, the Company promises to pay interest in the Denominated Currency based on the Face Amount shown on the face hereof and at the rate and times specified on the face hereof.

2(E). If this is an Indexed Note other than a Currency Indexed Note, the principal amount (and premium, if any) hereof payable at Maturity or the interest hereon, or both, may be determined by reference to the price of one or more specified securities or commodities, to one or more securities or commodities exchange indices or other indices or by other similar methods or formulae, all as set forth on the face hereof. The method by which the amount of interest payable and the amount of principal payable at Maturity will be determined is set forth under the heading "Reference Indices or Formulae" on the face hereof. Unless otherwise specified on the face hereof, (a) for the purpose of determining whether Holders of the requisite principal amount of Outstanding Securities under the Indenture have made a demand or given a notice or waiver or taken any other action, the outstanding principal amount hereof will be deemed to be the face amount hereof, and (b) in the event of an acceleration of Maturity of such Note, the principal amount payable to the Holder hereof upon acceleration will be the principal amount determined by reference to the formula by which the principal amount hereof would be determined on the Maturity Date, as if the date of acceleration were the Maturity Date.

3. The Authorized Denominations of Notes denominated in U.S. dollars or, if applicable, the Authorized Denominations of Registered Notes denominated in a Specified Currency other than U.S. dollars, and the Integral Multiples thereof in excess of such Authorized Denominations, are as set forth on the face hereof.

4. Each Note will be issued initially as either a Book-Entry Note or a Certificated Note in fully registered form without coupons. Book-Entry Notes will not be exchangeable for Certificated Notes and will not otherwise be issuable as Certificated Notes.

5. Unless otherwise provided on the face hereof, payments of interest

on this Note and, if this is an Amortizing Note, principal of this Note, in U.S. dollars (in each case, other than interest on this Note or, if this is an Amortizing Note, principal of this Note, payable at Maturity) will be made by check (from an account at a bank outside the United States if such interest or principal is payable in a currency other than U.S. dollars) mailed to the address of the Person entitled thereto as such address shall appear on the Security Register on the applicable Regular Record Date (which, in the case of Global Securities representing Book-Entry Notes, will be a nominee of the Depository or such other depository as may be specified on the face hereof); provided, however, that if this Note is issued between a Regular Record Date and the initial Interest Payment Date relating to such Regular Record Date, interest for the period beginning on the Original Issue Date shown on the face hereof and ending on such initial Interest Payment Date shall be paid on the next succeeding Interest Payment Date to the Registered Holder on the related Regular Record Date; and provided, further, that, if the Holder hereof is the Holder of U.S. \$10,000,000 or more (or the equivalent thereof in a Specified Currency other than U.S. dollars) in aggregate principal amount of Notes of like tenor and terms, such payments will be made by wire transfer of immediately available funds, but only if appropriate wire instructions have been received in writing by the Paying Agent on or prior to the applicable Regular Record Date. Simultaneously with any election by the Holder hereof to receive payments in respect hereof in the Specified Currency (if other than U.S. dollars), such Holder shall provide appropriate wire transfer instructions to the Paying Agent, and all such payments will be made by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States. Unless otherwise provided on the face hereof, the principal hereof and any premium and interest hereon payable at Maturity will be paid to the Holder in immediately available funds (payable to an account maintained by the payee with a bank located outside the United States if payable in a currency other than U.S. dollars) upon surrender of this Note at the Corporate Trust Office of the Paying Agent located in the Borough of Manhattan, The City of New York (or at such other location as may be specified on the face hereof), provided, that this Note is presented to the Paying Agent in time for the Paying Agent to make such payments in funds in accordance with its customary procedures. The Company will pay any administrative costs imposed by banks in connection with making payments in immediately available funds, but any tax, assessment or governmental charge imposed upon payments will be borne by the Holder hereof.

6. The principal hereof and any premium and interest hereon are payable by the Company in the Specified Currency specified on the face hereof. If the Specified Currency shown above is other than U.S. dollars, the Exchange Rate Agent will arrange to convert all payments in respect hereof into U.S. dollars in the manner described below; provided, however, that the Holder hereof may, if so indicated on the face hereof and subject to the conditions set forth in the third and fourth paragraphs and the last sentence of this paragraph of this Section 6, elect to receive all payments in respect hereof in such Specified Currency by delivery of written notice to the Paying Agent in the City of New York, which written request must be received by the Paying Agent on or prior to the applicable record date or at least fifteen calendar days prior to Maturity, as the case may be. Such election will remain in effect unless and until changed by written notice to the Paying Agent in The City of New York, which written notice of any such change must be received by the Paying Agent on or prior to the applicable record date or at least fifteen calendar days prior to Maturity, as the case may be. If the Company determines that such Specified Currency is not available for making payments in respect hereof due to the conditions set forth in the third and fourth paragraphs of this Section 6, then the Holder hereof may not so elect to receive payments in such Specified Currency, and any such outstanding election shall be automatically suspended and payments in respect hereof shall be made in U.S. dollars as described below, until the Company determines that such Specified currency is again available for making such payments.

Unless otherwise specified on the face hereof, if the Specified Currency is other than U.S. dollars, unless the Holder of this Note has elected otherwise, the amount of any U.S. dollar payment to be made in respect hereof will be determined by the Exchange Rate Agent based on the highest firm bid quotation received by such Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date, from three recognized foreign exchange dealers selected by the Exchange Rate Agent and approved by the Company (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer, for settlement on such payment date, of the aggregate amount of the Specified Currency payable on such payment date in respect of all Notes denominated in such Specified Currency on which payments are to be made in U.S. dollars. If three such bid quotations are not available, payments will be made in the Specified Currency which will yield the largest number of U.S. dollars when the Company is receiving U.S. dollars in lieu of the Specified Currency and will require the smallest number of U.S. dollars

when the Company is paying U.S. dollars in lieu of the Specified Currency. Unless otherwise provided on the face hereof, such selection shall be made from among the quotations appearing on the display "page" within the Reuters or Telerate Monitor Foreign Exchange Service, as may be agreed to by the Company and such Exchange Rate Agent (or, if such display "page" is not available or such Specified Currency is a composite currency for which separate current composite currency quotations are not available, such other comparable display or other comparable manner of obtaining quotations as may be agreed to by the Company and such Exchange Rate Agent), used to determine the U.S. dollar equivalent of such Specified Currency. If no such indicative quotations are available, then such payment will be made in such Specified Currency, unless such Specified Currency is unavailable due to the conditions set forth in the third and fourth paragraphs of this Section 6, in which case payment may be made as described in the next paragraph. All currency exchange costs, if any, will be borne by the Company, unless the Holder hereof has made the election specified on the face hereof to receive payments in the Specified Currency. In such case, each electing Holder shall bear its pro-rata portion of currency exchange costs, if any, by deductions from such payments due to such Holder.

Except as set forth below with respect to payments in ECU, if any payment in respect hereof is required to be made in a Specified Currency other than U.S. dollars and such currency is unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control or is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, then such payment shall be made in U.S. dollars. The amount so payable on any date in such Specified Currency shall be converted into U.S. dollars at a rate determined by the Exchange Rate Agent on the basis of the noon buying rate in The City of New York for cable transfer in the Specified Currency as certified for customs purposes by the Federal Reserve Bank of New York (the "Market Exchange Rate") for such Specified Currency on the second Business Day prior to such payment date, or as otherwise indicated on the face hereof. In the event such Market Exchange Rate is not then available, the Company will be entitled to make payments in U.S. dollars (i) if such Specified Currency is not a composite currency, on the basis of the most recently available Market Exchange Rate for such Specified Currency or (ii) if such Specified Currency is a composite currency, in an amount determined by the Exchange Rate Agent to be the sum of the results obtained by multiplying the number of units of each component currency of such composite currency, as of the most recent date on which such composite currency was used, by the Market Exchange Rate for such component currency on the second Business Day prior to such payment date (or, if such Market Exchange Rate is not then available, by the most recently available Market Exchange Rate for such component currency). Any payment under such circumstances in U.S. dollars will not constitute a default or an Event of Default under the Indenture.

If any payment in respect hereof on any date is required to be made in ECU and ECU are unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control or are not used in the European Monetary System, then such payment shall be made in U.S. dollars. The amount of such payment in U.S. dollars shall be converted at a rate determined by the Exchange Rate Agent on the basis of the equivalent of the ECU in U.S. dollars as of the second Business Day prior to the date on which such payment is due. The equivalent of ECU in U.S. dollars as of any date (the "Day of Valuation") shall be determined by the Exchange Rate Agent on the following basis. The component currencies of ECU for these purposes (the "Components") shall be the currency amounts that were components of ECU as of the last date on which ECU was used in the European Monetary System. The equivalent of ECU in U.S. dollars shall be calculated by aggregating the U.S. dollar equivalents of the Components. The U.S. dollar equivalent of each of the Components shall be determined by the Exchange Rate Agent on the basis of the most recently available Market Exchange Rates for such Components or as otherwise indicated on the face hereof. If the official unit of any component currency is altered by way of combination or subdivision, the number of units of that currency as a Component shall be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as Components shall be replaced by an amount in such single currency equal to the sum of the amount of the consolidated component currencies expressed in such single currency. If any component currency is divided into two or more currencies, the amount of that currency as a Component shall be replaced by amounts of such two or more currencies, each of which shall be equal to the amount of the former component currency divided by the number of currencies into which that currency was divided.

From the start of the third stage of European monetary union, if any payment in respect hereof is to be made in ECU, all such amounts will be payable in Euros at the rate then established in accordance with the Treaty establishing the European Community, as amended by the Treaty on European

Union. The preceding paragraph of this Section 6 will not result in payment in a component currency in such circumstances.

All determinations referred to above of the Exchange Rate Agent shall be at its sole discretion (except to the extent expressly provided herein that any determination is subject to approval by the Company) and, in the absence of manifest error, shall be conclusive for all purposes and binding upon the Holders of the Notes and the Trustee, and the Exchange Rate Agent shall have no liability therefor.

7. If so specified on the face hereof, this Note may be redeemed at the option of the Company in whole or from time to time in part on the Redemption Date or Dates shown on the face hereof (which date or dates shall be on or after the Initial Redemption Date and prior to the Maturity Date), upon not less than 30 nor more than 60 days' prior notice given as provided in the Indenture, at the redemption price or prices shown on the face hereof, together with accrued interest, if any, to the Redemption Date. If less than all of the Outstanding Notes of different tenor and terms are to be redeemed, the Company in its sole and absolute discretion shall select the tenor and terms of the Notes to be redeemed. If less than all the Outstanding Notes of like tenor and terms are to be redeemed, the particular Notes to be redeemed shall be selected by the Trustee pro rata or by lot or by such method as the Trustee shall deem fair and appropriate (so long as such method is not prohibited by the rules of any exchange on which such Notes may be then listed).

If so specified on the face hereof, this Note may be repaid at the option of the Holder hereof, in whole or from time to time in part, on the Repayment Date or Dates shown on the face hereof (which date or dates shall be on or after the Initial Repayment Date but prior to the Maturity Date) at the price or prices shown on the face hereof, together with accrued interest, if any, to the Repayment Date. Unless otherwise specified on the face hereof, in order for this Note to be so repaid by the Holder hereof on any Repayment Date, the Trustee or any other Person designated by the Company for such purpose must receive at least 15 but not more than 30 days prior to such Repayment Date, (i) if this Note is a Certificated Note, such Note with the form entitled "Option to Elect Repayment" on the reverse of this Note duly completed or (ii) if this Note is a Book-Entry Note, such notices as are specified on the face hereof. Unless otherwise specified on the face hereof, the repayment option may be exercised by the Holder of this Note for less than the aggregate principal amount hereof then outstanding, provided that the principal amount hereof remaining outstanding after such repayment is an Authorized Denomination or any Integral Multiple in excess thereof. Unless otherwise specified on the face hereof, exercise of the repayment option by the Holder of this Note will be irrevocable.

8. The Company may at any time and from time to time purchase Notes at any price in the open market or otherwise. Notes so purchased by the Company may, at its discretion, be held, resold or surrendered to the Trustee for cancellation.

9. Unless otherwise specified on the face hereof, this Note will not be subject to any sinking fund.

10. If this Note is an Original Issue Discount Security, the amount payable in the event of redemption or acceleration of Maturity, in lieu of the principal amount due at the Stated Maturity hereof, shall be the Amortized Face Amount of this Note as of the Redemption Date or the date of such acceleration. The "Amortized Face Amount" of this Note shall be the amount equal to (a) the Issue Price (as set forth on the face hereof) plus (b) that portion of the difference between the Issue Price and the principal amount hereof that has accrued at the Yield to Maturity (as set forth on the face hereof) (computed in accordance with generally accepted United States bond yield computation principles) at the date as of which the Amortized Face Amount is calculated, but in no event shall the Amortized Face Amount of this Note exceed its stated principal amount.

11. If so specified on the face hereof, the Maturity Date of this Note may be extended at the option of the Company, at such time or times as set forth on the face hereof, for one or more periods (each an "Extension Period") up to but not beyond the date ("Final Maturity Date") specified on the face hereof, by notifying the Trustee at least 50 but not more than 60 days prior to the Maturity Date of this Note in effect immediately prior to the exercise of such option (the "Prior Maturity Date"). Not later than 10 days after receipt of such notice from the Company but in any event not later than 40 days prior to the Prior Maturity Date, the Trustee will mail to the Holder of this Note a notice (the "Extension Notice") relating to such Extension Period, setting forth (i) the election of the Company to extend the Prior Maturity Date, (ii) the new Maturity Date, (iii) in the case of a Fixed Rate Note, the interest rate to be applicable to the Extension Period or, in the case of a Floating Rate Note, the Spread or

Spread Multiplier to be applicable to the Extension Period, and (iv) the provisions, if any, for redemption by the Company or repayment to the Holder, or both, during the Extension Period, including the date or dates on which or the period or periods during which and the price or prices at which such redemption or repayment may occur during the Extension Period. Upon the transmittal by the Trustee of an Extension Notice to the Holder of this Note, the Prior Maturity Date shall be extended automatically, and, except as modified by the Extension Notice and as described in the next paragraph, this Note will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing paragraph, not later than 20 days prior to the Prior Maturity Date of this Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Extension Notice and establish an interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier, in the case of a Floating Rate Note, that is higher than the interest rate, Spread and/or Spread Multiplier, as the case may be, provided for in the Extension Notice, for the Extension Period commencing on such Prior Maturity Date by causing the Trustee to transmit notice of such higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, to the Holder of this Note. Such notice shall be irrevocable. In the event that the Maturity Date hereof is so extended and the Holder hereof shall have not tendered this Note for repayment (or shall have validly revoked any such tender) pursuant to the next paragraph, this Note, if it is a Fixed Rate Note, shall bear such higher interest rate, or if it is a Floating Rate Note, shall bear such higher Spread and/or Spread Multiplier, for the Extension Period.

If the Company elects to extend the Maturity Date of this Note, the Holder hereof will have the option to elect repayment hereof on the immediately Prior Maturity Date at a price equal to the principal amount hereof outstanding on, plus accrued interest (if any) to, such Prior Maturity Date. In order for this Note to be so repaid on such Prior Maturity Date, the Trustee or any other Person designated by the Company for such purpose must receive at least 25 days but not more than 35 days prior to such Prior Maturity Date (i) if this Note is a Certificated Note, such Note with the form entitled "Option to Elect Repayment" on the reverse of this Note duly completed or (ii) if this Note is a Book-Entry Note, such notices as are specified on the face hereof. The repayment option may be exercised by the Holder of this Note for less than the aggregate principal amount hereof then outstanding, provided that the principal amount hereof remaining outstanding after such repayment is an Authorized Denomination or any Integral Multiple in excess hereof. A Holder who has tendered this Note for repayment pursuant to an Extension Notice may, by delivery of written notice by the close of business on the tenth day prior to the applicable Prior Maturity Date to the Trustee, revoke any such tender for repayment.

If so specified on the face hereof, the Maturity Date of this Note may be extended at the option of the Holder of this Note (other than an Amortizing Note) at such time or times as shown on the face hereof for one or more Extension Periods up to but not beyond the Final Maturity Date shown on the face hereof by delivery to the Trustee by the date specified on the face hereof of a written notice of such election (the "Holder's Extension Notice"). Such Holder's Extension Notice shall be irrevocable and shall specify the new Maturity Date. Upon the transmittal by such Holder of such Holder's Extension Notice to the Trustee, the applicable Prior Maturity Date shall be extended automatically, and, except as modified pursuant to this paragraph, such Note will have the same terms as prior to the transmittal of such Holder's Extension Notice.

12. If so specified on the face hereof, the Company may, at its option, reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, on the date or dates (each such date, an "Optional Reset Date"), if any, specified on the face hereof, by notifying the Trustee at least 50 but not more than 60 days prior to an Optional Reset Date with respect to any such Note. Not later than 10 days after receipt of such notice from the Company but in any event not later than 40 days prior to such Optional Reset Date, the Trustee will mail to the Holder of such Note a notice (a "Reset Notice") setting forth (i) the election of the Company to reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, (ii) such new interest rate or such new Spread and/or Spread Multiplier, as the case may be, and (iii) the provisions, if any, for redemption or repayment during the period from such Optional Reset Date to the next Optional Reset Date or, if there is no such next Optional Reset Date, to Maturity of such Note (each such period, a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which, and the price or prices at which, such redemption may occur during such Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to an Optional Reset Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in a Reset Notice and establish an interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, that is higher than the interest rate, Spread and/or Spread Multiplier, as the case may be, provided for in such Reset Notice, for the Subsequent Interest Period commencing on such Optional Reset Date by causing the Trustee to transmit notice, which shall be irrevocable, of such higher interest rate, Spread and/or Spread Multiplier, as the case may be, to the Holder of such Note. All Notes with respect to which the interest rate, Spread and/or Spread Multiplier is reset on an Optional Reset Date and with respect to which the Holder of such Notes have not tendered such Notes for repayment (or validly revoked any such tender pursuant to the next succeeding paragraph) will bear such higher interest rate, Spread and/or Spread Multiplier, as the case may be, whether or not tendered for repayment.

If the Company elects to reset the interest rate or the Spread and/or Spread Multiplier, as the case may be, of this Note, the Holder hereof will have the option to elect repayment hereof on any Optional Reset Date at a price equal to the principal amount hereof outstanding on, plus accrued interest (if any) to, such Optional Reset Date. In order for this Note to be so repaid on an Optional Reset Date, the Trustee or any other Person designated by the Company for such purpose must receive at least 25 days but not more than 35 days prior to such Optional Reset Date (i) if this Note is a Certificated Note, such Note with the form entitled "Option to Elect Repayment" on the reverse of this Note duly completed or (ii) if this Note is a Book-Entry Note, such notices as are specified on the face hereof. The repayment option may be exercised by the Holder of this Note for less than the aggregate principal amount hereof then outstanding, provided that the principal amount hereof remaining outstanding after such repayment is an Authorized Denomination or any Integral Multiple in excess thereof. A Holder who has tendered this Note for repayment pursuant to a Reset Notice may, by delivery of written notice by the close of business on the tenth day prior to the applicable Prior Maturity Date to the Trustee, revoke any such tender for repayment.

13. As provided in the Indenture, and subject to certain limitations therein set forth, this Note is exchangeable for a like aggregate principal amount of different authorized denominations, as requested by the Holder.

14. As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, the City and State of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Security Registrar and the Trustee duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

Unless otherwise provided herein, no service charge shall be made for any such registration of transfer or exchange, but the Company may (unless otherwise provided herein) require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

15. Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

16. If an Event of Default with respect to the Securities of this series shall have occurred and be continuing, the principal of all the Securities of this series may be declared due and payable in this manner and with the effect provided in the Indenture.

17. As provided in the Indenture and subject to certain conditions therein set forth, in case this Note shall at any time become mutilated, destroyed, stolen or lost and this Note or evidence of the loss, theft or destruction hereof (together with such indemnity and such other documents or proof as may be required by the Company, the Trustee and the Security Registrar) shall be delivered to the principal corporate trust office of the Trustee, a new Registered Note of like tenor and principal amount will be issued by the Company in exchange for, or in lieu of, this Note. All expenses and reasonable charges associated with procuring such indemnity and

with the preparation, authentication and delivery of a new Note, and all taxes and other governmental charges that may be imposed in relation therewith, shall be borne by the Holder of this Note.

18. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series under the Indenture to be affected at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series to be so affected. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Outstanding Securities of any series on behalf of the Holders of all the Securities of such series to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon the Note.

Holders of Securities may not enforce their rights pursuant to the Indenture or the Securities except as provided in the Indenture. No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

19. No recourse under or upon any obligation, covenant or agreement of the Indenture, or of this Note, or for any claim based thereon or hereon or otherwise in respect thereof or hereof, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against every such person being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

20. [Applicable only if the Company is Rank Xerox Capital (Europe) plc - - In the event of a default by the Company in the performance of its obligations to pay the principal of, premium, if any, or interest, if any, on this Note, any Holder hereof shall have the right to serve upon the Company a demand and, upon receipt of any such demand from any Holder hereof, the Company shall, if and to the extent that it shall have rights to call for the subscription of further shares under the Original Subscription Agreement or, if it has at such time been executed, the Subscription Agreement, as the case may be, serve upon Rank Xerox Limited or, if the Subscription Agreement shall then have been executed, Xerox Overseas Holdings PLC a written demand for the subscription of additional shares in the share capital of the Company pursuant to and subject to the provisions of the Original Subscription Agreement or the Subscription Agreement, as the case may be.

"Original Subscription Agreement" means the Amended and Restated Subscription Agreement dated as of April 18, 1997 between Rank Xerox Limited and the Company.

"Subscription Agreement" means the proposed Amended and Restated Subscription Agreement expected to be among Rank Xerox Limited, Xerox Overseas Holdings PLC and the Company.]

21. THIS NOTE [Applicable only if the Company is Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc -- AND THE GUARANTEE ENDORSED HEREON] SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, AND ANY SUCCESSOR STATUTE OR STATUTES) [Applicable only if the Company is Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc --; PROVIDED, HOWEVER, THAT ALL MATTERS GOVERNING THE AUTHORIZATION AND EXECUTION OF THIS NOTE BY THE COMPANY SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE JURISDICTION OF ORGANIZATION OF THE COMPANY].

22. [Applicable only if the Company is Xerox Overseas Holdings PLC or Rank Xerox Capital (Europe) plc -- The Company submits for the exclusive benefit of the Holders hereof to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in New York City, the Borough of Manhattan solely for the purpose of any legal action or proceeding brought to enforce rights hereunder. As long as this Note

remains Outstanding (unless all payments are then being made by the Guarantor), the Company shall either have an authorized agent or maintain an office in New York State upon whom process may be served in any such legal action or proceeding. Service of process upon the Company at its office or upon its agent with written notice of such service mailed or delivered to the Company shall to the fullest extent permitted by applicable law be deemed in every respect effective service of process upon the Company in any such legal action or proceeding. The Company hereby appoints Xerox Corporation, Xerox Square, 100 Clinton Avenue South, Rochester, New York, 14644, U.S.A., Attention: General Counsel, as its agent in New York State for such purpose, and Xerox Corporation accepts such appointment. The Company covenants and agrees that service of process in any legal action or proceeding may be made upon it at its office, or upon its agent in New York State. The Company irrevocably waives (and irrevocably agrees not to raise) any objection which it may now have or hereafter acquire to the laying of venue of any such actions or proceedings in any such court referred to in this paragraph and any claim that any such actions or proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any action or proceeding brought in any court referred to in this paragraph shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

[Applicable only if the Company is  
Xerox Overseas Holdings PLC or  
Rank Xerox Capital (Europe) plc]

[FORM OF GUARANTEE]

XEROX CORPORATION, a New York corporation (the "Guarantor", which term includes any successor thereto under the Indenture) has unconditionally guaranteed, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, the due and punctual payment of the principal of and any premium and interest on this Note, when and as the same shall become due and payable, whether at the Stated Maturity, by declaration of acceleration, call for redemption, early repayment or otherwise, in accordance with the terms of this Note and the Indenture.

The obligations of the Guarantor to the Holders hereof and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article Fourteen of the Indenture, and reference is hereby made to such Article and Indenture for the precise terms of the Guarantee.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on this Note upon which this notation of the Guarantee is endorsed shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized signatories.

DATED THE DATE OF THIS NOTE. XEROX CORPORATION, as Guarantor

By: \_\_\_\_\_  
[Chairman, President, Vice  
President or Treasurer]

\_\_\_\_\_  
[Secretary or Assistant Secretary]

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series provided under the within-mentioned Indenture.

Citibank, N.A.,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

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[OPTION TO ELECT REPAYMENT]



The undersigned hereby irrevocably requests and instructs the Company to repay the within or attached Note (or portion thereof specified below) pursuant to its terms at a price equal to the principal amount thereof, together with accrued interest, if any, to the Optional Reset Date or Prior Maturity Date, as applicable, to the undersigned, at

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Print or Typewrite Name, Address and Telephone Number of the Undersigned)

For the within or attached Note to be repaid on any Optional Reset Date or Prior Maturity Date, as applicable, the Company must receive at its office or agency in the Borough of Manhattan, the City and State of New York, or at such additional place or places of which the Company shall from time to time notify the Holder of such Note, at least 25 days but not more than 35 days prior to such Optional Reset Date or Prior Maturity Date, as applicable, (i) such Note with this "Option to Elect Repayment" form duly completed or (ii) a telegram, telex, facsimile transmission or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust company in the United States of America setting forth the name, address and telephone number of the holder of such Note, the principal amount of such Note, the amount of the Note to be repaid, a statement that the option to elect repayment is being made thereby and a guarantee that the Note to be repaid with the form entitled "Option to Elect Repayment" on the reverse of such Note duly completed will be received by the Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter, and such Note and form duly completed are received by the Company by such fifth Business Day; and, provided that, if the Company has revoked the interest rate, Spread and/or Spread Multiplier, as the case may be, and caused the Trustee to transmit a notice of a higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, to Holders of the Notes, either form of notice has not been revoked as provided in such Note.

If less than the entire principal amount of the within attached Note is to be repaid; specify the portion thereof (which shall be an Authorized Denomination (as defined on the face hereof) or an Integral Multiple (as defined on the face hereof) in excess of thereof) which the Holder elects to have repaid: \$ \_\_\_\_\_; and specify the denomination or denominations (which shall be an Authorized Denomination or an Integral Multiple in excess thereof) of the Note or Notes to be issued to the Holder for the portion of the within attached Note not being repaid (in the absence if any such specification, one such Note will be issued for the portion not being repaid): \$ \_\_\_\_\_.

NOTICE: The signature to this Option to Elect Repayment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.

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ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of the within instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM -- as tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship  
and not as tenants in common
- UNIF GIFT MINOR ACT -- \_\_\_\_\_ Custodian

\_\_\_\_\_  
(Cust) (Minor)  
under Uniform Gifts to Minors Act

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

