

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

POST-EFFECTIVE AMENDMENT NO. 1
ON
FORM S-8
TO
FORM S-4
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

XEROX CORPORATION

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

45 Glover Avenue
Norwalk Connecticut 06856
(Address of principal
executive offices)

16-0468020
(I.R.S. Employer
Identification Number)

Affiliated Computer Services, Inc. Amended and Restated 2007 Equity Incentive Plan
Affiliated Computer Services, Inc. 1997 Stock Incentive Plan
(Full Title of the Plans)

Don H. Liu,
Secretary
Xerox Corporation
45 Glover Avenue
Norwalk Connecticut 06856
(Name and address of agent for service)

(203) 968-3000
(Telephone number, including area code, of agent for service)

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)(2)	Proposed maximum offering price per share (3)	Proposed maximum aggregate offering price (3)	Amount of registration fee (3)
Common Stock, par value \$1.00 per share	96,663,350	N/A	N/A	N/A

- (1) The number of shares registered is based on an estimate of the maximum number of shares of common stock, par value \$1.00 per share, of Xerox ("Xerox Common Stock") issuable under the Affiliated Computer Services, Inc. Amended and Restated 2007 Equity Incentive Plan and the Affiliated Computer Services, Inc. 1997 Stock Incentive Plan.
- (2) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the "Securities Act"), this Registration Statement shall be deemed to cover an indeterminate number of additional shares that may become issuable as a result of stock splits, stock dividends or similar transactions pursuant to the anti-dilution provisions of the Affiliated Computer Services, Inc. Amended and Restated 2007 Equity Incentive Plan and the Affiliated Computer Services, Inc. 1997 Stock Incentive Plan.
- (3) The proposed maximum offering price was calculated and the fee was previously paid in connection with the filing with the U.S. Securities and Exchange Commission (the "Commission") of the Registration Statement on Form S-4 of Xerox (File No. 333-162639) on October 23, 2009.

INTRODUCTORY STATEMENT

Xerox Corporation, a New York corporation (“Xerox,” the “Company” or the “Registrant”), hereby amends its Registration Statement on Form S-4 (Registration No. 333-162639), as amended by Amendments No. 1, 2, 3 and 4, which was declared effective on December 23, 2009 (the “Form S-4”), by filing this Post-Effective Amendment No. 1 on Form S-8 (this “Post-Effective Amendment”). Xerox filed the Form S-4 in connection with the merger (the “Merger”) contemplated by the Agreement and Plan of Merger, dated as of September 27, 2009 and amended as of December 13, 2010 (the “Merger Agreement”), by and among Xerox, Boulder Acquisition Corp. and Affiliated Computer Services, Inc. (“ACS”).

Under the terms of the Merger Agreement, each share of ACS Class A common stock, par value \$0.01 per share, of ACS (“ACS Common Stock”), subject to certain exceptions, was converted into the right to receive 4.935 shares of Xerox Common Stock (the “Stock Consideration”) and \$18.60 in cash (together with the Stock Consideration, the “Merger Consideration”). Pursuant to the terms of the Merger Agreement, at the effective time of the Merger all outstanding options to acquire shares of ACS Common Stock issued pursuant to the terms of the Affiliated Computer Services, Inc. Amended and Restated 2007 Equity Incentive Plan and the Affiliated Computer Services, Inc. 1997 Stock Incentive Plan were converted into corresponding options to acquire Xerox Common Stock based on the option exchange ratio set forth in the Merger Agreement.

Xerox hereby amends the Form S-4 by filing this Post-Effective Amendment relating to 96,663,350 shares of Xerox Common Stock issuable upon the exercise of options granted pursuant to the terms of the Affiliated Computer Services, Inc. Amended and Restated 2007 Equity Incentive Plan and the Affiliated Computer Services, Inc. 1997 Stock Incentive Plan. All such shares were previously registered on the Form S-4 but will be subject to issuance pursuant to this Post-Effective Amendment.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The documents containing the information specified in Part I of this Post-Effective Amendment have been or will be sent or given to participant employees as specified by Rule 428(b)(1) of the Securities Act. These documents and the documents incorporated by reference in this Post-Effective Amendment pursuant to Item 3 of Part II hereof, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The Registrant hereby incorporates by reference in this Registration Statement the following documents and information heretofore filed with the Commission:

- (1) Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Commission on February 13, 2009, and Form 10-K/A for the year ended December 31, 2008 filed with the Commission on March 13, 2009;
- (2) Registrant’s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009, filed with the Commission on April 30, 2009, August 3, 2009 and October 22, 2009, respectively;
- (3) Registrant’s Current Reports on Form 8-K filed with the Commission on April 24, 2009 (Item 1.01 only); May 11, 2009; May 21, 2009; May 28, 2009; June 15, 2009; July 1, 2009; September 28, 2009; September 28, 2009; November 23, 2009; December 1, 2009; December 8, 2009; December 14, 2009; December 14, 2009; January 8, 2010 and February 5, 2010; and

(4) Description of Registrant's Common Stock, contained in Amendment No. 5 to Form 8-A filed with the Commission on February 8, 2000.

In addition, all reports (other than portions of Current Reports on Form 8-K furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, unless otherwise indicated therein) filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which de-registers all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained in any subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

The validity of the securities has been passed upon by Don H. Liu, Esq., General Counsel of Xerox. As of the date of this Registration Statement, Mr. Liu beneficially owns shares of Xerox common stock.

Item 6. Indemnification of Directors and Officers.

The Registrant, a New York corporation, is empowered by Sections 721-726 of the New York Business Corporation Law, subject to the procedures and limitations therein, to indemnify and hold harmless any director or officer or other person from and against any and all claims and demands whatsoever, subject to such standards and restrictions, if any, as are set forth in its Certificate of Incorporation or By-laws.

The Registrant's Certificate of Incorporation does not contain indemnification provisions. Article VIII of the Registrant's By-laws requires the Registrant to indemnify any person made or threatened to be made a party in any civil or criminal action or proceeding, including an action or proceeding by or in the right of the Registrant to procure a judgment in its favor or by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the Registrant served in any capacity at the request of the Registrant, by reason of the fact that he, his testator or intestate is or was a director or officer of the Registrant or serves or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be required with respect to any settlement unless the Registrant shall have given its prior approval thereto.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

See Exhibits Index.

The Registrant hereby undertakes that it will submit the Plans and any amendments thereto to the Internal Revenue Services ("IRS") in a timely manner and will make all changes required by the IRS to qualify the Plans.

Item 9. Undertakings.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities

Act of 1933, as amended (the "Securities Act"); (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; *provided, however*, that clauses (i) and (ii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Norwalk, State of Connecticut, on February 8, 2010.

XEROX CORPORATION

By: _____ /s/ DON H. LIU
 Name: **Don H. Liu**
 Title: **Secretary**

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated below on February 8, 2010.

	<u>Signature</u>	<u>Title</u>
Name:	_____ * Ursula M. Burns	Chief Executive Officer and Director (Principal Executive Officer)
Name:	_____ * Lawrence A. Zimmerman	Vice Chairman and Chief Financial Officer (Principal Financial Officer)
Name:	_____ * Gary R. Kabureck	Vice President and Chief Accounting Officer (Principal Accounting Officer)
Name:	_____ * Glenn A. Britt	Director
Name:	_____ * Richard J. Harrington	Director
Name:	_____ * William Curt Hunter	Director
Name:	_____ * Robert A. McDonald	Director
Name:	_____ * Anne M. Mulcahy	Director
Name:	_____ * Charles Prince	Director
Name:	_____ * Ann N. Reese	Director
Name:	_____ * Mary Agnes Wilderotter	Director
*By:	_____ /s/ DON H. LIU	
Name:	Don H. Liu	
Title:	Attorney-in-Fact	

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation of Registrant filed with the Department of State of the State of New York on November 7, 2003, as amended by Certificate of Amendment to Certificate of Incorporation filed with the Department of State of the State of New York on August 19, 2004, Certificate of Change filed with the Department of State of the State of New York on October 31, 2007, Certificate of Amendment to Certificate of Incorporation filed with the Department of State of the State of New York on May 29, 2008, Certificate of Amendment to Certificate of Incorporation filed with the Department of State of the State of New York on February 13, 2009 and Certificate of Amendment to Certificate of Incorporation filed with the Department of State of the State of New York on February 3, 2010 (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed with the SEC on February 5, 2010)
3.2	By-Laws of Registrant, as amended through May 21, 2009 (incorporated by reference to Exhibit 3(b) to Registrant's Current Report on Form 8-K filed with the SEC on May 28, 2009)
4.1	Affiliated Computer Services, Inc. Amended and Restated 2007 Equity Incentive Plan*
4.2	Affiliated Computer Services, Inc. 1997 Stock Incentive Plan*
4.3	Amendment No. 1 to Affiliated Computer Services, Inc. 1997 Stock Incentive Plan, dated as of October 28, 2004*
5.1	Opinion of Don H. Liu, Esq., Senior Vice President, General Counsel and Secretary of Xerox Corporation, as to the validity of the shares of Xerox common stock**
23.1	Consent of Don H. Liu, Esq., Senior Vice President, General Counsel and Secretary of Xerox Corporation (included in Exhibit 5.1 hereto)
23.2	Consent of PricewaterhouseCoopers LLP*
24	Powers of Attorney of Directors and Officers of Registrant (previously included on signature page to this Registration Statement)

* Filed herewith

** Previously filed as an exhibit to the Registrant's Registration Statement on Form S-4 to which this Post-Effective Amendment No. 1 relates

AFFILIATED COMPUTER SERVICES, INC.
AMENDED & RESTATED
2007 EQUITY INCENTIVE PLAN

1. *Purposes of the Plan.* The purposes of the Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Non-Employee Directors and Consultants of the Company and its Subsidiaries, and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options (as defined under Section 422 of the Code) or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of the Option. Stock Appreciation Rights may also be granted under the Plan.

2. *Definitions.* As used herein, the following definitions shall apply:

(a) "*Administrator*" means the Board or any of its Committees, acting pursuant to Section 4(a) of the Plan at the time in question.

(b) "*Award*" means any Incentive Stock Option, Nonstatutory Stock Option or Stock Appreciation Right granted under the Plan.

(c) "*Board*" means the Board of Directors of the Company.

(d) "*Cause*" shall have the meaning ascribed to it in Section 11 of the Plan.

(e) "*Code*" means the Internal Revenue Code of 1986, as amended.

(f) "*Committee*" means a committee or committees appointed by the Board in accordance with Section 4(a) of the Plan.

(g) "*Common Stock*" means the Class A Common Stock, \$.01 par value per share, of the Company, provided that if the Company's certificate of incorporation is amended after the date hereof to reclassify any shares of the Company's stock, "Common Stock" shall include any shares reclassified as Class A Common Stock.

(h) "*Company*" means Affiliated Computer Services, Inc., a Delaware corporation.

(i) "*Consultant*" means a member of any advisory board of the Company or any Parent or Subsidiary and any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary to render services and is compensated for such services; provided, however, that the term Consultant shall not include directors who are paid only a director's fee by the Company or any Parent or Subsidiary, unless such director is a member of any advisory board of the Company or any Parent or Subsidiary.

(j) "*Continuous Status as an Employee*" means the absence of any interruption or termination of the employment relationship with the Company or any Parent or Subsidiary.

Continuous Status as an Employee shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator or pursuant to Company policy adopted from time to time; or (iv) transfers between locations of the Company or any Parent or Subsidiary.

(k) “*Employee*” means any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director’s fee by the Company shall not be sufficient to constitute “employment” by the Company. For purposes of any Award granted to a person residing outside of the United States, the Committee may revise the definition of “Employee” as appropriate to conform to the laws of the applicable non-U.S. jurisdiction.

(l) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(m) “*Fair Market Value*” means, in relation to the Common Stock, the closing sale price for such stock on the New York Stock Exchange on the applicable date, as reported in the Wall Street Journal or such other source as the Administrator deems reliable. If there is no trading in the Common Stock on the applicable date, then Fair Market Value of the Common Stock shall mean the closing sale price for such stock on the next preceding date on which there was trading in the Common Stock. If the Common Stock ceases to be traded on the New York Stock Exchange, then the Fair Market Value of the Common Stock shall mean the value determined in good faith by the Administrator based upon reference to other established markets or market systems on which the Common Stock is traded or quoted, or if the Common Stock is not traded on any market or quoted on any market system, then on such valuation method as is deemed appropriate by the Administrator.

(n) “*Grant Agreement*” means a written agreement evidencing the grant of an Award in such form, and containing such terms and conditions, as the Administrator may approve from time to time.

(o) “*Incentive Stock Option*” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) “*Non-Employee Director*” means a director of the Company who is not also an Employee.

(q) “*Nonstatutory Stock Option*” means an Option not intended to qualify as an Incentive Stock Option.

(r) “*Option*” means a stock option granted pursuant to the Plan.

(s) “*Optioned Stock*” means the Common Stock subject to an Option.

(t) “*Optionee*” means an Employee, Non-Employee Director or Consultant who receives an Option.

(u) “*Parent*” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(v) “Participant” means an Employee, Non-Employee Director or Consultant to whom an Award is granted under this Plan.

(w) “Plan” means this Affiliated Computer Services, Inc. Amended & Restated 2007 Equity Incentive Plan, as amended.

(x) “Share” means a share of Common Stock, as adjusted in accordance with Section 14 of the Plan.

(y) “Stock Appreciation Right” means an award of a right to benefit from the appreciation in value of Common Stock granted under Section 10 of the Plan.

(z) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) *Plan Limit.* Subject to adjustment as provided in Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 15,000,000, provided, however, that (i) the aggregate number of Shares that may be issued under Incentive Stock Options may not exceed 2,500,000, and (ii) the aggregate number of Shares that may be issued under the Plan shall be reduced by one Share for each Stock Appreciation Right granted under the Plan. In computing the foregoing limits to the extent any Options or Stock Appreciation Rights expire or become unexercisable for any reason without having been exercised in full, the Common Stock subject to such Options or Stock Appreciation Rights shall again be available for issuance under the Plan.

(b) *Individual Limit.* Subject to adjustment as provided in Section 14 of the Plan, the aggregate number of Shares that may be issued to any individual under the Plan, whether issued under Options or Stock Appreciation Rights, shall not exceed 750,000 Shares in any fiscal year.

4. Administration of the Plan.

(a) Procedure.

(i) *Administration with Respect to Officers and Directors.* With respect to Awards to Employees who are also officers or directors of the Company, the Plan shall be administered by a Committee designated by the Board to administer the Plan, which Committee shall be constituted in such a manner as to permit the Plan to comply with Rule 16b-3 of the Exchange Act with respect to a plan intended to qualify thereunder as a discretionary plan. With respect to Awards to Non-Employee Directors, the Plan shall be administered by the Board in accordance with Rule 16b-3, provided that no Non-Employee Director shall vote on any decision affecting his individual benefits under the Plan. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan.

(ii) *Multiple Administrative Bodies.* If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to directors, non-director officers and Employees who are neither directors nor officers.

(iii) *Administration with Respect to Consultants and Other Employees.* With respect to Awards to Employees or Consultants who are neither directors nor officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of incentive stock option plans, if any, and of Delaware corporate law, the Code and federal securities laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by applicable laws.

(b) *Powers of the Administrator.* Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to the Committee, the Administrator shall have the authority, in its sole discretion:

(i) to determine the Fair Market Value of the Common Stock in accordance with Section 2(m) of the Plan;

(ii) to select the Employees, Non-Employee Directors and Consultants to whom Awards may from time to time be granted under the Plan;

(iii) to determine whether and to what extent Incentive Stock Options, Nonstatutory Stock Options or Stock Appreciation Rights, or any combination thereof, are granted under the Plan;

(iv) to determine the number of Shares to be covered by each Award granted under the Plan;

(v) to approve forms of Grant Agreements for use under the Plan;

(vi) to determine the terms and conditions of any Award granted under the Plan (including, but not limited to, the exercise price and method, form of settlement, vesting period and acceleration of vesting and forfeiture restrictions and waiver of forfeiture restrictions, based in each case on such factors as the Administrator shall in its sole discretion determine), which terms and conditions shall be set forth in a Grant Agreement approved by the Administrator;

(vii) to amend any of the terms and conditions of any Award granted under the Plan and its associated Grant Agreement during the period of 12 months following the date of the grant of such Award; provided, however, that no such amendment shall (a) change the exercise price of such Award, (b) change the number of Shares covered by such Award, (c) change the initial vesting schedule of such Award or (d) change the term of such Award; and

(viii) with respect to any Employee or Consultant who is resident outside the United States, to amend or vary the terms of the Plan in order to conform such terms with the requirements of local law, to take advantage of preferential provisions under local law, or to meet the objectives

of the Plan, establish administrative rules and procedures to facilitate the operation of the Plan in any non-U.S. jurisdiction and establish one or more sub-plans for these purposes.

The Administrator shall not have the authority under the preceding clauses (vi) or (vii) to make any determination or to take any action with respect to an Award that (A) if such determination or action were implemented through an amendment to the Plan, would constitute a “material revision” of the Plan under the Rules of the New York Stock Exchange, or (B) would otherwise require approval of the stockholders of the Company.

(c) *No Repricing Without Stockholder Approval.* Other than in connection with a change provided in Section 14, the exercise price of an Incentive Stock Option, Nonstatutory Stock Option, or Stock Appreciation Right shall not be reduced without stockholder approval. Further, no Incentive Stock Option, Nonstatutory Stock Option, or Stock Appreciation Right shall be cancelled and then replaced with an Incentive Stock Option, Nonstatutory Stock Option, or Stock Appreciation Right that has a lower exercise price. The standard for determining whether any Incentive Stock Option, Nonstatutory Stock Option, or Stock Appreciation Right is cancelled and replaced with an Incentive Stock Option, Nonstatutory Stock Option, or Stock Appreciation Right that has a lower exercise price shall be same standard as that applied under Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123(R)” (as may be amended or modified and any subsequent accounting pronouncement replacing SFAS 123(R))), such that if an Incentive Stock Option, Nonstatutory Stock Option, or Stock Appreciation Right would be considered to have been cancelled and replaced under SFAS 123(R), then such cancellation and replacement shall not be permitted under the Plan.

5. *Eligibility.*

(a) Nonstatutory Stock Options or Stock Appreciation Rights may be granted to Employees, Consultants or Non-Employee Directors. Incentive Stock Options may be granted only to Employees. An Employee, Consultant or Non-Employee Director who has been granted Awards under the Plan may, if such individual is otherwise eligible, be granted additional Awards under the Plan.

(b) Each Option shall be designated in the Grant Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000 (whether due to acceleration of exercisability, miscalculation or error), such excess shall be treated as Nonstatutory Stock Options. In the event that only a portion of the Options granted at the same time can be applied to the \$100,000 limit, the Company shall issue separate share certificates (or book entry shares) for such number of Shares as does not exceed the \$100,000 limit and shall designate such Shares as Incentive Stock Option Shares in its Share transfer records.

(c) For purposes of Section 5(b), Incentive Stock Options shall be taken into account in the order in which they are granted, and the Fair Market Value of Shares shall be determined as of the time the Options with respect to such Shares are granted.

6. *Term of Plan.* Subject to any applicable law, the Plan shall continue in effect until terminated pursuant to Section 17, provided, however, that no Incentive Stock Options or other Awards shall be granted under the Plan following the expiration of 10 years from the date the Plan is adopted, or the date the Plan is approved by the Company's stockholders, whichever is earlier.

7. *Term of Options.* The term of each Option shall be the term stated in the Grant Agreement, provided, however, that no Option granted under the Plan shall be exercisable after the expiration of 10 years from the date such Option is granted or such shorter period as may be provided in the Grant Agreement. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the Incentive Stock Option shall not be exercisable after the expiration of five years from the date such Option is granted or such shorter period as may be provided in the Grant Agreement.

8. *Option Exercise Price and Consideration.*

(a) The per share exercise price for Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board or Committee, but shall be subject to the following:

(i) Except as provided in Section 8(a)(ii), below, each Option shall be granted at an exercise price equal to no less than the Fair Market Value of a share on the date of grant.

(ii) In the case of an Incentive Stock Option granted to an Employee who, at the time the Option is granted, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, each Incentive Stock Option shall be granted at an exercise price equal to no less than 110% of the Fair Market Value of a Share on the date of grant.

(b) The consideration to be paid for Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator at the time of grant (taking into consideration whether the type of consideration authorized may reasonably be expected to benefit the Company) and may consist of any consideration and method of payment for the issuance of Shares permitted by applicable law, including any combination of:

(i) cash;

(ii) check or negotiable instrument;

(iii) promissory note, except as prohibited by the Sarbanes-Oxley Act of 2002;

(iv) other Shares that have a Fair Market Value on the date of payment equal to the aggregate exercise price of the Optioned Stock with respect to which the Option is being exercised, provided, however, that if such Shares (A) were acquired upon exercise of a compensatory stock option, the Optionee has held such Shares for more than six months on the date of surrender, or (B) were not acquired upon exercise of a compensatory stock option, such Shares were not acquired directly or indirectly the Company;

(v) authorization for the Company to retain, from the total number of Shares with respect to which the Option is being exercised, Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares with respect to which the Option is being exercised; or

(vi) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price.

9. *Exercise of Options.*

(a) *Procedure for Exercise; Rights as a Stockholder.* Any Option granted under the Plan shall be exercisable at such times and under such conditions as determined by the Administrator. Such conditions may include performance criteria with respect to the Company or the Optionee.

An Option may not be exercised for a fractional share.

An Option shall be deemed to be exercised when written notice of such exercise has been received by the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate (or book entry shares) evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate (or book entry shares) promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificates (or book entry shares) are issued, except as provided in Section 14 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for exercise under the Option, by the number of Shares with respect to which the Option is exercised.

(b) *Termination of Consultancy or Employment.* In the event of termination of an Optionee's consulting relationship (in the case of a Consultant), Continuous Status as an Employee (in the case of an Employee) or status as a Non-Employee Director of the Company, subject to Section 11 of the Plan:

(i) in the case of Incentive Stock Options, an Optionee may exercise Options that are vested at the date of termination to the extent and subject to the provisions of the Grant Agreement, but in no event later than three months after the date of termination or, if earlier, the expiration date of the Option as set forth in the Grant Agreement; and

(ii) in the case of Nonstatutory Stock Options, an Optionee may exercise Options that are vested at the time of termination to the extent and subject to the provisions of the Grant Agreement, but in no event later than six months after the date of termination or, if earlier, the expiration date of the Option as set forth in the Grant Agreement.

To the extent that an Optionee is not entitled to exercise an Option at the date of termination or does not exercise such Option to the extent so entitled within the time specified in this Section 9(b), the Option shall terminate.

(c) *Disability of Optionee.* Notwithstanding the provisions of Section 9(b), above, in the case of an Incentive Stock Option, in the event of termination of an Optionee's Continuous Status as an Employee as a result of the Optionee's permanent and total disability, as defined in Section 22(e)(3) of the Code, such Option may be exercised only within one year of the date of termination of employment, but in no event later than the expiration date of the Option as set forth in the Grant Agreement, and only to the extent that the Optionee was entitled to exercise the Option at the date of termination of employment. To the extent that an Optionee is not entitled to exercise an Incentive Stock Option at the date of termination of employment or does not exercise such Option to the extent so entitled within the time specified in this Section 9(c), the Option shall terminate.

(d) *Death of Optionee.* In the event of the death of an Optionee, an Option may be exercised by the estate of the Optionee, or by a person who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of the Optionee, according to its terms, but in no event later than the expiration date of the Option as set forth in the Grant Agreement, and only to the extent that the Optionee was entitled to exercise the Option at the date of death. To the extent that an Optionee is not entitled to exercise an Option at the date of the Optionee's death, such unvested portion of the Option shall terminate.

(e) *Rule 16b-3.* Options granted to Participants subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the broadest exemption from Section 16 of the Exchange Act with respect to Plan transactions.

10. *Stock Appreciation Rights.* The grant of Stock Appreciation Rights under the Plan shall be subject to the following terms and conditions, and Grant Agreements under which Stock Appreciation Rights are granted may contain such additional terms and conditions, which are not inconsistent with the express terms of the Plan, as the Administrator shall deem appropriate.

(a) *Stock Appreciation Rights.* A Stock Appreciation Right is an Award entitling a Participant to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise over the Fair Market Value of the Share on the date of grant of the Stock Appreciation Right, multiplied by the number of Shares with respect to which the Stock Appreciation Right may be exercised. Each Stock Appreciation Right shall be granted with a strike price equal to no less than the Fair Market Value of a share on the date of grant. No right to vote or receive dividends or any other rights as a stockholder shall exist with respect to any Stock Appreciation Right.

(b) *Grant.* A Stock Appreciation Right may be granted separately or in tandem with an Option granted under the Plan, whereby the exercise of the Stock Appreciation Right or Option eliminates the right to exercise the other, provided, however, that in the case of Stock Appreciation Rights granted in tandem with Incentive Stock Options, the Stock Appreciation Rights shall comply with the requirements of Section 422 of the Code and Section 1.422-5(d)(3) of the Income Tax Regulations promulgated thereunder.

(c) *Exercise.* A Stock Appreciation Right shall be exercised by a Participant in accordance with procedures established by the Administrator, except that in no event shall a Stock Appreciation Right be exercisable prior to the first anniversary of the date of grant. Stock Appreciation Rights granted to Participants subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the broadest exemption from Section 16 of the Exchange Act with respect to Plan transactions.

Exercise of a Stock Appreciation Right in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for exercise under the Stock Appreciation Right, by the number of Shares with respect to which the Stock Appreciation Right is exercised.

(d) *Term of Stock Appreciation Right.* The term of each Stock Appreciation Right shall be the term stated in the Grant Agreement, provided, however, that no Stock Appreciation Right granted under the Plan shall be exercisable after the expiration of 10 years from the date such Stock Appreciation Right is granted or such shorter period as may be provided in the Grant Agreement.

11. *Termination for Cause.* If a Participant's employment with the Company or any Subsidiary shall be terminated for Cause, such Participant's right to any further payments, vesting or exercisability with respect to any Award, including any vested Awards, shall terminate in its entirety. "Cause" means termination of Participant's employment for "cause" as defined in any employment or severance agreement the Participant may have with the Company or a Subsidiary or, if no such agreement exists, unless otherwise provided in a particular Grant Agreement, "cause" means (a) conviction or pleading guilty or no contest to any crime (whether or not involving the Company or any of its Subsidiaries) constituting a felony in the jurisdiction involved; (b) engaging in any substantiated act involving moral turpitude; (c) engaging in any act which, in each case, subjects, or if generally known would subject, the Company or any of its Subsidiaries to public ridicule or embarrassment; (d) material violation of the Company's or any of its Subsidiaries' policies, including, without limitation, those relating to sexual harassment or the disclosure or misuse of confidential information; (e) serious neglect or misconduct in the performance of the Participant's duties for the Company or any of its Subsidiaries or willful or repeated failure or refusal to perform such duties; in each case as determined by the Committee, which determination will be final, binding and conclusive. With respect to any Participant residing outside of the United States, the Committee may revise the definition of "Cause" as appropriate to conform to the laws of the applicable non-U.S. jurisdiction.

12. *Non-transferability of Awards.* Awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution and Options may be exercised, during the lifetime of the Optionee, only by the Optionee.

13. *Stock Withholding to Satisfy Withholding Tax Obligations.*

(a) *Cash Remittance.* Whenever a taxable event occurs that imposes a tax withholding obligation on the Company or a Subsidiary as a result of Options or Stock Appreciation Rights being exercised, the Company shall have the right to require the Participant to remit to the

Company, in cash, an amount sufficient to satisfy the federal, state and local withholding tax and social insurance contribution requirements (including withholding requirements of non-U.S. taxing jurisdictions), if any, attributable to such taxable event. In addition, the Company shall have the right to withhold from any cash payments required to be made under the Plan an amount sufficient to satisfy the federal, state and local withholding tax and social insurance contribution requirements (including withholding requirements of non-U.S. taxing jurisdictions), if any, attributable to such payments.

(b) *Share Remittance.* At the election of a Participant, and subject to the approval of the Administrator, the Participant may, in lieu of remitting cash as provided in Section 13(a), tender to the Company a number of Shares, the Fair Market Value of which at the tender date is (i) sufficient to satisfy the federal, state and local withholding tax and social insurance contribution requirements (including withholding requirements of non-U.S. taxing jurisdictions), if any, attributable to such taxable event and (ii) not greater than the minimum withholding tax and social insurance contribution obligations attributable to such taxable event. If the Participant is subject to Rule 16b-3 under the Exchange Act, the election must comply with such Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the broadest exemption from Section 16(b) of the Exchange Act with respect to Plan transactions.

(c) *Share Withholding.* Whenever a taxable event occurs that imposes a tax withholding obligation on the Company or a Subsidiary as a result of Options or Stock Appreciation Rights being exercised, the Administrator, in its sole discretion, shall have the right to withhold a number of Shares, the Fair Market Value of which at the relevant date is (i) sufficient to satisfy the federal, state and local withholding tax and social insurance contribution requirements (including withholding requirements of non-U.S. taxing jurisdictions), if any, attributable to such taxable event and (ii) not greater than the minimum withholding tax and social insurance contribution obligations attributable to such taxable event.

14. *Adjustments upon Changes in Capitalization or Merger.* Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award, the number of shares of Common Stock that have been authorized for issuance under the Plan, as well as the price per share of Common Stock covered by each such outstanding Award, and the limit on the number of shares that may be issued to an individual (as provided in Section 3(b) of the Plan) shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company, provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

In the event of a liquidation, the Administrator shall be authorized (x) to cancel Stock Options or Stock Appreciation Rights and give the Participants who are the holders of such

Awards notice and opportunity to exercise for 30 days prior to such cancellation; or (y) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the Fair Market Value of such Awards on the date of such event, which shall be the excess of the Fair Market Value of Common Stock on such date over the exercise or strike price of such Awards.

15. *Vesting of Awards in Certain Events.* If the Company undergoes a change of control, as defined in the next sentence, then all outstanding Options and Stock Appreciation Rights, whether or not such Options or Stock Appreciation Rights are vested at such time, shall become vested and exercisable, effective the day immediately prior to such change of control. For purposes of the preceding sentence, a change of control shall occur if the Company is merged, consolidated or reorganized into or with another person, entity or group of entities under common control or if a majority of the outstanding capital stock or all or substantially all of the assets of the Company are sold to any other person, entity or group of entities under common control and as a result of such merger, consolidation, reorganization or sale of capital stock or assets, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the surviving person or entity immediately after such transaction are held in the aggregate by a person, entity or group of entities under common control who beneficially owned less than fifty percent (50%) of the combined voting power of the Company prior to such transaction.

Notwithstanding the foregoing, the following shall not constitute or result in a change of control for purposes of this Section 15:

(a) any transaction that is effected by the Company for the purposes of internal corporate restructuring of the Company and its affiliated companies, which results in any or all of the combined voting power of the voting securities of the Company being held by an entity affiliated with the Company immediately prior to such transaction, or (b) any transaction or series of transactions, which results in the ownership by Darwin Deason, and/or any person, entity or group of entities that he controls, of more than fifty percent (50%) of the combined voting power of the Company.

16. *Time of Granting Options.* The date of grant of an Option shall, for all purposes, be the date on which the Administrator completes all actions required to effectuate the Award under applicable laws. Notice of the determination shall be given to each Employee, Consultant or Non-Employee Director to whom an Option is so granted within a reasonable time after the date of such grant.

17. Amendment and Termination of the Plan.

(a) *Amendment and Termination.* The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the material rights of any Participant under any Award theretofore made, without the Participant's consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act, Section 162(m) or 422 of the Code or any other applicable law or regulation, including the listing requirements of the New York Stock Exchange (or other exchanges or markets on which the Shares are traded), the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) *Effect of Amendment or Termination.* Any adverse amendment or termination of the Plan shall not affect Options or Stock Appreciation Rights already granted under the Plan, and such grants shall remain in full force and effect as if the Plan had not been amended or terminated, unless mutually agreed otherwise between the Participant and the Board, which agreement must be in writing and signed by the Participant and the Company.

18. *Conditions upon Issuance of Shares.* Shares shall not be issued under the Plan unless the issuance of and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, but not limited to, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the issuance of any Shares under the Plan, the Company may require the person acquiring such Shares to represent and warrant at the time of any such issuance that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

19. *Reservation of Shares.* The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

20. *Grant Agreements.* Grants of Options or Stock Appreciation Rights shall be evidenced by written Grant Agreements in such form, and containing such terms and conditions, as the Administrator shall approve from time to time. The Administrator in its sole discretion may utilize different forms, with varying terms and conditions, for awards.

21. *Employment Rights; Existing Plans; Company Policy.*

(a) The Plan shall not confer upon any Employee, Consultant or Non-Employee Director any right with respect to continuation of any employment, consulting or other relationship with the Company or any Parent or Subsidiary. Nor shall the Plan limit in any way the right of the Company or any Parent or Subsidiary to terminate any employment, consulting or other relationship of any Employee, Consultant or Non-Employee Director with the Company or any Parent or Subsidiary.

(b) The adoption of this Plan shall not affect the existence of other compensatory equity programs of the Company, and any such existing plans will remain in full force and effect according to their terms.

(c) The Company reserves the right to adopt and enforce policies relating to transactions in its securities by Employees, Consultants and Non-Employee Directors. All grants made under this Plan, and all transactions in Shares relating to such grants, will be subject to any applicable policy of the Company relating to transactions in its securities, whether such policy is adopted or amended before or after the grant.

22. *Code Section 409A.* The Plan is intended to comply with the requirements of Section 409A of the Code, without triggering the imposition of any tax penalty thereunder. Any terms of the Plan or any Grant Agreement that conflict with such requirements shall be null and void. To the extent necessary or advisable, the Administrator may amend the Plan or any Grant Agreement to delete any conflicting provisions and to add such other provisions as are required to fully comply with the applicable provisions of Section 409A and any other legislative or regulatory requirements applicable to the Plan.

23. *Governing Law.* This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Delaware.

AFFILIATED COMPUTER SERVICES, INC.
1997 STOCK INCENTIVE PLAN

1. PURPOSES OF THE PLAN. The purposes of this Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Non-Employee Directors and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be incentive stock options (as defined under Section 422 of the Code) or non-statutory stock options, as determined by the Administrator at the time of grant of an option. Stock purchase rights, stock appreciation rights, deferred stock, dividend equivalents and restricted stock may also be granted under the Plan. It is intended that certain Performance Based Grants made to "covered employees" (as defined in Code Section 162(m)(3)) will qualify as performance based compensation under Code Section 162(m)(4)(C), and the pertinent provisions of the Plan shall be interpreted accordingly.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "ADMINISTRATOR" means the Board or any of its Committees appointed pursuant to Section 4 of the Plan, acting pursuant to Section 4(a) of the Plan at the time in question.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CODE" means the Internal Revenue Code of 1986, as amended.

(d) "COMMITTEE" means a committee or committees appointed by the Board of Directors in accordance with paragraph (a) of Section 4 of the Plan.

(e) "COMMON STOCK" means the Class A Common Stock of the Company, provided that if the Company's certificate of incorporation is amended after the date hereof to reclassify any shares of the Company's stock, "Common Stock" shall include any shares reclassified as Class A Common Stock or any other class of common stock of the Company.

(f) "COMPANY" means Affiliated Computer Services, Inc., a Delaware corporation.

(g) "CONSULTANT" means a member of any advisory board of the Company or any Parent or Subsidiary and any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary to render services and is compensated for such services; provided that the term Consultant shall not include directors who are paid only a director's fee by the Company, except if such director is a member of any advisory board of the Company or any Parent or Subsidiary.

(h) "CONTINUOUS STATUS AS AN EMPLOYEE" means the absence of any interruption or termination of the employment relationship by the Company or any Subsidiary. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Board, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Subsidiaries or its successor.

(i) "DEFERRED STOCK" means a grant of Shares to be issued at a deferred date pursuant to Section 15(a) below.

(j) "DIVIDEND EQUIVALENT" means a grant of rights described in Section 15(b) below.

(k) "EMPLOYEE" means any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(l) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(m) "FAIR MARKET VALUE" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including, without limitation, the New York Stock Exchange ("NYSE") its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported, as quoted on such system or exchange for the last market trading day prior to the time of determination) as reported in the Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high and low asked prices for the Common Stock; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator based upon the book value of the Company (or such other valuation method as is deemed appropriate by the Administrator).

(n) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(o) "NON-EMPLOYEE DIRECTOR" means a director of the Company who is not an Employee.

(p) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(q) "OPTION" means a stock option granted pursuant to the Plan.

(r) "OPTIONED STOCK" means the Common Stock subject to an Option.

(s) "OPTIONEE" means an Employee or Consultant who receives an Option.

(t) "PARENT" means, for purposes of issuance of Incentive Stock Options under the Plan, a "parent corporation," whether now or hereafter existing, as defined in Section 425(e) of the Code.

(u) "PERFORMANCE BASED GRANT" means an Option or Stock Appreciation Right granted to a "covered employee" (as defined in Code Section 162(m)(3)) that the Administrator designates as a "Performance Based Grant." Provided, that nothing in the Plan shall be construed to prevent the issuance of Options or other rights to such "covered employees" that are not Performance Based Grants if the Administrator so elects.

(v) "PLAN" means this 1997 Stock Plan, as amended.

(w) "RESTRICTED STOCK" means shares of Common Stock acquired pursuant to a grant of Stock Purchase Rights under Section 12 of the Plan or a Restricted Stock Grant pursuant to Section 14 of the Plan.

(x) "SEVERANCE AGREEMENT" means a severance agreement or arrangement between the Company and any executive officer of the Company.

(y) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 17 of the Plan.

(z) "STOCK APPRECIATION RIGHT" means an award of a right to benefit from the appreciation of Common Stock granted pursuant to Section 13 of the Plan.

(aa) "SUBSIDIARY" means, for purposes of issuance of Incentive Stock Options under the Plan, a "subsidiary corporation", whether now or hereafter existing, as defined in Section 425(f) of the Code.

3. STOCK SUBJECT TO THE PLAN. The maximum aggregate number of Shares which may be optioned, sold, granted, or otherwise issued under the Plan shall initially be 3,675,000, which amount may, at the discretion of the Board, be increased from time to time to a number such that the sum of (a) the number of shares of Common Stock covered by then outstanding options granted pursuant to the Company's 1988 Stock Option Plan and held by current employees and consultants, as defined in such plan, (b) the number of shares of Common Stock covered by their outstanding options granted pursuant to this Plan and held by current Employees, Consultants and Non-Employee Directors, and (c) the number of shares of Common Stock available for issuance pursuant to options to be granted pursuant to this Plan equals 12.8% of the total number of Shares of Common Stock of the Company and shares of any other class of common stock of the Company outstanding from time to time; provided however, subject to adjustment under Section 17 of the Plan, the number of Shares which may be optioned, sold, granted, or otherwise issued under the Plan shall never be less than 3,675,000. The Shares may be authorized, but unissued, or reacquired Common Stock. Notwithstanding the foregoing, subject to adjustment under Section 17 of the Plan, no more than 3,675,000 Shares will be available for the granting of Incentive Stock Options under the Plan.

If an Option should expire or become unexercisable for any reason without having been exercised in full, or other rights to Shares granted under the Plan should lapse or be forfeited, the unpurchased, unissued or forfeited Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. ADMINISTRATION OF THE PLAN.

(a) PROCEDURE.

(i) ADMINISTRATION WITH RESPECT TO DIRECTORS AND OFFICERS. With respect to grants of Options, Stock Purchase Rights and other rights and awards hereunder to Employees who are also officers or directors of the Company, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with Rule 16b-3 promulgated under the Exchange Act or any successor thereto ("Rule 16b-3") with respect to a plan intended to qualify thereunder as a discretionary plan, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted in such a manner as to permit the Plan to comply with Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan. With respect to grants to Non-Employee Directors under the Plan, the Plan shall be administered by the Board in accordance with Rule 16b-3, provided that no Non-Employee Director shall vote on any decision affecting his individual benefits under the Plan. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. Notwithstanding the foregoing, with respect to Performance Based Grants to any "covered employee" (as defined in Code Section 162(m)), the Plan shall be administered by a Committee of the Board comprised solely of two or more outside directors (as defined in Code Section 162(m)(4)(C)). From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan.

(ii) MULTIPLE ADMINISTRATIVE BODIES. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to directors, non-director officers and Employees who are neither directors nor officers.

(iii) ADMINISTRATION WITH RESPECT TO CONSULTANTS AND OTHER EMPLOYEES. With respect to grants of Options or Stock Purchase Rights to Employees or Consultants who are neither directors nor officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of incentive stock option plans, if any, of Delaware corporate and securities laws and of the Code (the "Applicable Laws"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(b) POWERS OF THE ADMINISTRATOR. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(m) of the Plan;

(ii) to select the Consultants, Employees and Non-Employee Directors to whom Options and Stock Purchase Rights may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options, Stock Purchase Rights and other rights, or any combination thereof, are granted hereunder;

(iv) to determine the number of Shares of Common Stock to be covered by each such award granted hereunder; provided, however, that no Optionee who is a "covered employee" as defined in Code Section 162(m)(3) shall receive in any one fiscal year of the Company grants of Options and Stock Appreciation Rights with respect to more than the initial number of shares subject to the Plan, as set forth in Section 3;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Option or other award and/or the Shares of Common Stock relating thereto, based in each case on such factors as the Administrator shall determine, in its sole discretion) which shall be set forth in a written award document or agreement approved by the Administrator;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

(viii) to determine whether, to what extent and under what circumstances Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount, if any, of any deemed earnings on any deferred amount during any deferral period) in accordance with Section 15(a) below;

(ix) to reduce the exercise price of any Option or Stock Appreciation Right to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option or Stock Appreciation Right shall have declined since the date the Option was granted. Any such reduction in exercise price shall be subject to the requirements of section 8(a) below as if a new option were granted, and shall be treated as the granting of additional options for purposes of the share limitation set forth in section 4(b)(iv) above; and

(x) to determine the terms and restrictions applicable to Restricted Stock, Deferred Stock, and Dividend Equivalents.

(c) EFFECT OF COMMITTEE'S DECISION. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. ELIGIBILITY.

(a) Nonstatutory Stock Options, Stock Purchase Rights, Stock Appreciation Rights, Deferred Stock, Dividend Equivalents and Restricted Stock may be granted to Employees, Consultants and Non-Employee Directors. Incentive Stock Options may be granted only to Employees. An Employee, Consultant or Non-Employee Director who has been granted an Option or other awards may, if he is otherwise eligible, be granted an additional Option or Options or other awards.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000 (whether due to acceleration of exercisability, miscalculation or error), such excess Options shall be treated as Nonstatutory Stock Options. In the event that only a portion of the options granted at the same time can be applied to the \$100,000 limit, the Company shall issue separate share certificate(s) for such number of shares as does not exceed the \$100,000 limit, and shall designate such shares as Incentive Stock Options stock in its share transfer records.

(c) For purposes of Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(d) The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his right or the Company's right to terminate his employment or consulting relationship at any time, with or without cause.

6. TERM OF PLAN. Subject to any applicable law, the Plan shall continue in effect until terminated pursuant to Section 19; provided, however, that no grants of Incentive Stock Options shall be made under the Plan following the expiration of ten years from the original effective date of the Plan.

7. TERM OF OPTION. The term of each Option shall be the term stated in the Option Agreement; provided, however, that in the case of an Incentive Stock Option, the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. OPTION EXERCISE PRICE AND CONSIDERATION.

(a) The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all

classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option granted to any person, the per Share exercise price shall be determined by the Administrator.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option either have been owned by the Optionee for more than six months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (5) authorization from the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (6) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price, (7) delivery of an irrevocable subscription agreement for the Shares which irrevocably obligates the Optionee to take and pay for the Shares not more than twelve months after the date of delivery of the subscription agreement, (8) any combination of the foregoing methods of payment, or (9) such other consideration and method of payment for the issuance of Shares to the extent permitted under Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. EXERCISE OF OPTION.

(a) **PROCEDURE FOR EXERCISE: RIGHTS AS A SHAREHOLDER.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) **TERMINATION OF EMPLOYMENT.** In the event of termination of an Optionee's consulting relationship, Continuous Status as an Employee or status as a Non-Employee Director of the Company, such Optionee may, subject to Section 9(g) below, exercise vested Options that are not Incentive Stock Options to the extent and subject to the provisions set out in Optionee's Notice of Grant and Stock Option Agreement. In the case of an Incentive Stock Option, such Option may be exercised only within sixty (60) days (or such other period of time as is determined by the Administrator, with such determination being made at the time of grant of the Option and not exceeding ninety (90) days) after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), and only to the extent that Optionee was entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise an Incentive Stock Option at the date of such termination, or if Optionee does not exercise such Option to the extent so entitled under the Option Agreement within the time specified herein, the Option shall terminate.

(c) **DISABILITY OF OPTIONEE.** Notwithstanding the provisions of Section 9(b) above, in the case of an Incentive Stock Option, in the event of termination of an Optionee's Continuous Status as an Employee as a result of his total and permanent disability (as defined in Section 22(e)(3) of the Code), Optionee may, but only within twelve (12) months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise an Incentive Stock Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise an Incentive Stock Option at the date of termination, or if Optionee does not exercise such Incentive Stock Option to the extent so entitled within the time specified herein, the Incentive Stock Option shall terminate. However, the twelve (12) month limitation set out in this paragraph shall not apply to limit the exercise period set out in the Stock Option Agreement in the case of any Nonstatutory Stock Option.

(d) **DEATH OF OPTIONEE.** In the event of the death of an Optionee, the Option may be exercised, according to its terms, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Option was vested at the date of death. To the extent the Option was unvested at the date of death, such unvested portion of the Option shall terminate.

(e) **RULE 16B-3.** Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(f) **BUYOUT PROVISIONS.** The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

(g) **TERMINATION FOR CAUSE.** Notwithstanding subsections (b), (c) and (d) of this Section 9, any Optionee whose consulting relationship, Continuous Status as an Employee or status as a Non-Employee Director is terminated by the Company for Cause shall forfeit all Options granted under this Plan, whether or not vested. For purposes of this Plan, an Optionee shall be deemed to have been terminated for Cause if the Optionee commits an act of gross negligence or willful misconduct, including, but not limited to, a dereliction of duty or the committing of and conviction for a crime involving breach of fiduciary duty to an employer, a felony or a crime involving moral turpitude.

(h) **RELOAD OPTIONS.** In the event a person who is an employee of the Company or a Subsidiary shall exercise an Option (the "Original Option") by paying all or a portion of the Exercise Price of the shares of Common Stock subject to the Original Option by tendering to the Company shares of Common Stock owned by such person, an Option to purchase the number of shares of Common Stock used for such purpose by the employee (the "Reload Option") shall be granted to the employee as of

the exercise date; provided that a Reload Option has been granted to such Optionee with respect to such Option, as evidenced in his written option agreement. The Reload Option may be exercised at any time during the term of the Original Option, under such terms and conditions, and subject to such limitations, if any, as may be placed on such exercisability in the Agreement.

10. VESTING OF OPTIONS IN CERTAIN EVENTS.

(a) If the Company undergoes a Change of Control, then all of the outstanding Options held by any Optionee, whether or not such Options are vested at such time, shall become vested and exercisable, effective the day immediately prior to such Change of Control. For purposes of the preceding sentence, a "Change of Control" shall have occurred if the Company is merged, consolidated, or reorganized into or with another person, entity, or group of entities under common control or if a majority of the outstanding capital stock or all or substantially all of the assets of the Company are sold to any other person, entity, or group of entities under common control and as a result of such merger, consolidation, reorganization, or sale of capital stock or assets, more than 51% of the combined voting power of the then outstanding voting securities of the surviving person or entity immediately after such transaction are held in the aggregate by a person, entity or group of entities under common control who beneficially owned less than 51% of the combined voting power of the Company prior to such transaction.

(b) The Administrator shall, with respect to any participant under the Plan who has a Severance Agreement with the Company, and in its discretion may, with respect to any other participant under the Plan, include provisions similar to (a) above in the terms of an award of Stock Purchase Rights, Stock Appreciation Rights, Restricted Stock, Deferred Stock, or Dividend Equivalents hereunder.

11. NON-TRANSFERABILITY OF OPTIONS. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by Will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

Notwithstanding the foregoing, Nonstatutory Options granted hereunder shall, with respect to any Participant under the Plan who has a Severance Agreement with the Company, and may in the discretion of the Administrator, with respect to any other participant, be granted on terms that permit transfer without consideration of such Nonstatutory Options by Optionee to:

- (i) the spouse, children or grandchildren of the Optionee;
- (ii) a trust or Uniform Gifts to Minors Act custodial account for the exclusive benefit of the child(ren) or grandchild(ren) of the Optionee; or
- (iii) a partnership or other entity in which the Optionee's spouse, children and/or grandchildren are the only partners,

and permit the pledge of such Nonstatutory Stock Options by an Optionee to the Company or a third party, as security for indebtedness, provided that (A) the stock option agreement pursuant to which such Nonstatutory Options are granted must be approved by the Administrator, and must, except with respect to agreements with any Participant under the Plan who has a Severance Agreement with the Company, expressly provide for transferability in a manner consistent with this Section, and (B) subsequent transfers of transferred Options shall be prohibited except by will or the laws of descent and distribution. Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of each Agreement and Section 9 hereof the term "Optionee" shall be deemed to refer to the transferee (however, the events of termination of employment specified in Sections 9(b), (c) or (d) hereof shall continue to be applied with respect to the original Optionee). Except as set forth above, Options may not be transferred except by will or the laws of descent and distribution.

12. STOCK PURCHASE RIGHTS.

(a) **RIGHTS TO PURCHASE.** Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid (which price shall be determined by the Administrator), and the time within which such person must accept such offer, which shall in no event exceed thirty (30) days from the date upon which the Administrator made the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Restricted Stock purchase agreement in the form determined by the Administrator. Shares purchased pursuant to the grant of a Stock Purchase Right shall be referred to herein as "Restricted Stock".

(b) **REPURCHASE OPTION.** Unless the Administrator determines otherwise, the Restricted Stock purchase agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Restricted Stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Committee may determine.

(c) **OTHER PROVISIONS.** The Restricted Stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock purchase agreements need not be the same with respect to each purchaser.

(d) **RIGHTS AS A SHAREHOLDER.** Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 16 of the Plan.

13. STOCK APPRECIATION RIGHTS.

The grant of Stock Appreciation Rights under the Plan shall be subject to the following terms and conditions, and shall contain such additional terms and conditions, not inconsistent with the express terms of the Plan, as the Committee shall deem desirable:

(a) **STOCK APPRECIATION RIGHTS.** A Stock Appreciation Right is an Award entitling a Participant to receive an amount equal to (or if the Committee shall determine at the time of grant, less than) the excess of the Fair Market Value of a share of Common Stock on the date of exercise over the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Right, or, in the case of a grant other than a Performance Based Grant, such other price as may be set by the Committee, multiplied by the number of shares of Common Stock with respect to which the Stock Appreciation Right shall have been exercised.

(b) **GRANT.** A Stock Appreciation Right may be granted separately, or in tandem with Options or other rights hereunder, whereby the exercise of one such Award affects the right to exercise the other, subject to limitation under Code Section 422 with respect to Incentive Stock Options.

(c) **EXERCISE.** A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee, except that in no event shall a Stock Appreciation Right be exercisable prior to the first Anniversary Date of the date of grant. The Committee shall establish procedures to provide that, with respect to any Participant subject to Section 16(b) of the Exchange Act who would receive cash in whole or in part upon exercise of the Stock Appreciation Right, such exercise may only occur during an exercise period beginning on the third business day following the Company's public release of quarterly or annual summary statements of sales and earnings and ending on the last day

of the month following the month in which such public release occurred or during such other period as the Administrator may provide. To the extent it is not inconsistent with the preceding sentence, the Committee, in its discretion, may provide that a Stock Appreciation Right shall be automatically exercised on one or more specified dates, or that a Stock Appreciation Right may be exercised during only limited time periods.

(d) **FORM OF PAYMENT.** Payment to the Participant upon exercise of a Stock Appreciation Right may be made (i) in cash, by certified or cashier's check or by money order, (ii) in shares of Common Stock, (iii) in the form of a Deferred Compensation Stock Option, or (iv) any combination of the above, as the Committee shall determine. The Committee may elect to make this determination either at the time the Stock Appreciation Right is granted, or with respect to payments contemplated in clauses (i) and (ii) above, at the time of the exercise.

14. RESTRICTED STOCK.

Restricted Stock Grants may be made to Employees, Non-Employee Directors and Consultants under the Plan. Restricted Stock Grants shall be subject to the following terms and conditions, and may contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable:

(a) **RESTRICTED STOCK GRANTS.** A Restricted Stock Grant is an award of shares of Common Stock transferred to a Participant subject to such terms and conditions as the Administrator deems appropriate, including, without limitation, the requirement that the Participant forfeit such units upon termination of employment for specified reasons within a specified period of time, and restrictions on the sale, assignment, transfer or other disposition of the units as set forth in (c) below. Further, as a condition to the grant of Restricted Stock to any Participant who, at the date of grant has not been employed by the Company and has not performed services for the Company, the Administrator shall require such Participant to pay at least an amount equal to the par value of the shares of Common Stock subject to the Restricted Stock Grant within 30 days of the date of the grant, and failure to pay such amount shall result in an automatic termination of the Restricted Stock Grant.

(b) **GRANT OF AWARDS.** Restricted Stock Grants shall be granted under the Plan in such form and on such terms and conditions as the Administrator may from time to time approve. Subject to the terms of the Plan, the Administrator shall determine the number of Restricted Stock Grants to be granted to a Participant and the Administrator may impose different terms and conditions on any particular Restricted Award made to any Participant. Each Participant receiving a Restricted Stock Grant shall be issued a stock certificate in respect of the shares of Common Stock. The certificate shall be registered in the name of the Participant, shall be accompanied by a stock power duly executed by the Participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to the Award. The certificate evidencing the shares shall be held in custody by the Company until the restrictions imposed thereon shall have lapsed or been removed.

(c) **RESTRICTION PERIOD.** Restricted Awards shall provide that in order for a Participant to vest in the Awards, the Participant must continuously provide services for the Company or its Subsidiaries, subject to relief for specified reasons established by the Administrator in the terms of the grant, such as disability or a Change of Control, for a period commencing on the date of the Award and ending on such later date or dates as the Administrator may designate at the time of the Award, provided that the Administrator determines that such period is adequate to result in a substantial risk of forfeiture under Code Section 83(a) ("Restriction Period"). During the Restriction Period, a Participant may not sell, assign, transfer, pledge, encumber, or otherwise dispose of shares of Common Stock received under a Restricted Stock Grant. The Administrator, in its sole discretion, may provide for the lapse of restrictions in installments during the Restriction Period. Upon expiration of the applicable Restriction Period (or lapse of restrictions during the Restriction Period where the restrictions lapse in installments), the Participant

shall be entitled to receive his or her Restricted Award or the applicable portion thereof, as the case may be.

(d) RIGHTS AS A SHAREHOLDER. Except as provided above, a Participant shall have, with respect to the shares of Common Stock received under a Restricted Stock Grant, all of the rights of a shareholder of the Company, including the right to vote the shares, and the right to receive any cash dividends. Stock dividends issued with respect to the shares covered by a Restricted Stock Grant shall be treated as additional shares under the Restricted Stock Grant and shall be subject to the same restrictions and other terms and conditions that apply to shares under the Restricted Stock Grant with respect to which the dividends are issued.

15. OTHER EQUITY BASED RIGHTS.

(a) DEFERRED STOCK. The Administrator is authorized to grant Deferred Stock to Participants, subject to the following terms and conditions:

(i) AWARD AND RESTRICTIONS. Delivery of Shares will occur upon expiration of the deferral period specified for Deferred Stock by the Administrator (or, if permitted by the Administrator, as elected by the Participant). Prior to delivery of the Deferred Stock, the Participant shall not have any of the rights of a Shareholder and shall have the status of an unsecured creditor having the Company's mere contractual obligation to deliver Shares at a later date. In addition, Deferred Stock shall be subject to such restrictions as the Administrator may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, in installments, or otherwise, as the Administrator shall determine.

(ii) FORFEITURE. Except as otherwise determined by the Administrator, upon termination of employment (as determined under criteria established by the Administrator) during the applicable deferral period or portion thereof (as provided in the Award Agreement evidencing Deferred Stock), all Deferred Stock that is at that time subject to deferral (other than a deferral at the election of the Participant) shall be forfeited; provided, however, that the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will be waived in whole or in part in the event of terminations resulting from specified causes.

(iii) Deferred Stock awards shall be made only if the Administrator determines that any applicable requirements of the Code (pertaining to deferral of taxation), the Employee Retirement Income Security Act of 1974, as amended, Rule 16b-3, and other pertinent statutes, rules and regulations have been complied with, and such awards shall be subject to all additional terms, conditions and restrictions necessary to comply therewith.

(b) DIVIDEND EQUIVALENTS. The Administrator is authorized to grant Dividend Equivalents to Participants. The Administrator may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares or Awards, or otherwise reinvested.

16. STOCK WITHHOLDING TO SATISFY WITHHOLDING TAX OBLIGATIONS. At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option or Stock Purchase Right, which tax liability is subject to tax withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the withholding tax obligation by electing to have the Company withhold from the Shares to be issued upon exercise of the Option, or the Shares to be issued in connection with the Stock Purchase Right, if any, that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by an Optionee to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

- (a) the election must be made on or prior to the applicable Tax Date;
- (b) once made, the election shall be irrevocable as to the particular Shares of the Option or Right as to which the election is made;
- (c) all elections shall be subject to the consent or disapproval of the Administrator;
- (d) if the Optionee is subject to Rule 16b-3, the election must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

In the event the election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option or Stock Purchase Right is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

17. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR MERGER. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

In the event of the proposed dissolution or liquidation of the Company, the Board shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option will terminate immediately prior to the consummation of such proposed action. In the event of a merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation. In the event that such successor corporation does not agree to assume the Option or to substitute an equivalent option, the Board may, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Board makes an Option fully exercisable in lieu of such assumption or substitution in the event of a merger, the Board shall notify the Optionee that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period.

18. TIME OF GRANTING OPTIONS. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee, Consultant or Non-Employee Director to whom an Option is so granted within a reasonable time after the date of such grant.

19. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AMENDMENT AND TERMINATION. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the material rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply [with Rule 16b-3 under the Exchange Act or] with Sections 162(m) or 422 of the Code (or any other applicable law or regulation, including the requirements of the NYSE or other established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) EFFECT OF AMENDMENT OR TERMINATION. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

20. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law. To the extent required under Code Section 162(m)(4)(C), Performance Based Grants made hereunder with respect to any "covered employee" are subject to stockholder approval of material provisions of the Plan.

21. RESERVATION OF SHARES. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

22. AGREEMENTS. Options, Stock Purchase Rights, Stock Appreciation Rights, Deferred Stock, Restricted Stock and Dividend Equivalents shall be evidenced by written agreements or award documents in such form as the Administrator shall approve from time to time.

**Amendment No. 1 to
Affiliated Computer Services, Inc.
1997 Stock Incentive Plan**

This Amendment No. 1 to the Affiliated Computer Services, Inc. 1997 Stock Incentive Plan (the "Plan") is made to be effective as of the 28th day of October, 2004 ("Amendment").

RECITALS:

WHEREAS, the Plan was originally adopted by the Affiliated Computer Services, Inc. (the "Company") Board of Directors on August 5, 1997 and approved by the shareholders of the Company on December 16, 1997; and

WHEREAS, Section 3 of the Plan provides a formula that permits the Company's Board of Directors to periodically increase the number of shares available for issuance pursuant to the Plan; and

WHEREAS, pursuant to the new corporate governance standards of the New York Stock Exchange ("NYSE") contained in Section 303A of the NYSE's Listed Company Manual, any equity compensation plan that contains a formula for automatic increases in the number of shares available is a "formula plan" and each increase in shares available under a "formula plan" will be considered a material revision requiring shareholder approval unless the plan has a term of not more than ten years; and

WHEREAS, Section 303A.08 states that an amendment to limit a current plan to a term of no more than 10 years, whether made prior to or after the effective date of the listing standard, would not be a "material revision" requiring shareholder approval; and

WHEREAS, the Board of Directors has on this date approved an amendment to the Plan such that the Plan will terminate no later than December 1, 2007.

NOW, THEREFORE, in consideration of the foregoing, the Company hereby amends the Plan as follows:

Section 1. Amendment to Section 6 of the Plan. Section 6 is hereby replaced in its entirety with the following:

"6. TERM OF PLAN. Subject to any applicable law and the provisions of Section 19 hereof, the Plan shall terminate no later than December 1, 2007."

Section 2. No Effect on Consistent Terms. All terms of the Plan not inconsistent with this Amendment shall remain in place and in full force and effect and shall be unaffected by this Amendment.

IN WITNESS WHEREOF, the undersigned has duly executed this Amendment as of the date first written above.

AFFILIATED COMPUTER SERVICES, INC.

By: /s/ WAYNE R. LEWIS

Name: Wayne R. Lewis

Title: Senior Vice President & Assistant Secretary

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 13, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2008 Annual Report to Shareholders, which is incorporated by reference in Xerox Corporation's Annual Report on Form 10-K for the year ended December 31, 2008. We also consent to the incorporation by reference of our report dated February 13, 2009 relating to the financial statement schedule, which appears in such Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, CT
February 5, 2010