

XEROX CORP  
Form S-4/A  
December 15, 2009  
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As filed with the U.S. Securities and Exchange Commission on December 14, 2009

Registration No. 333-162639

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**AMENDMENT NO. 3**  
**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)

**3577**  
(Primary Standard Industrial  
Classification Code Number)

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

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45 Glover Avenue

P.O. Box 4505

Norwalk, Connecticut 06856-4505

(203) 968-3000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Don H. Liu

Senior Vice President, General Counsel and Secretary

Xerox Corporation

45 Glover Avenue

P.O. Box 4505

Norwalk, Connecticut 06856-4505

(203) 968-3000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.**

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY SUBJECT TO COMPLETION DATED DECEMBER 14, 2009**

**Xerox Corporation**

**Affiliated Computer Services, Inc.**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

[ ], 2009

Dear Stockholders:

Xerox Corporation and Affiliated Computer Services, Inc. have entered into a merger agreement pursuant to which Xerox will acquire ACS. In the proposed merger, each outstanding share of ACS Class A common stock will be converted into the right to receive 4.935 shares of Xerox common stock and \$18.60 in cash. Each share of ACS Class B common stock will be converted into the right to receive 4.935 shares of Xerox common stock, \$18.60 in cash and a fraction of a share of a new series of preferred stock to be issued by Xerox and designated as Xerox Corporation Series A Convertible Perpetual Preferred Stock. Upon completion of the merger, Xerox and ACS expect that former ACS stockholders will own approximately 36% of the outstanding shares of Xerox common stock and former Xerox stockholders will own approximately 64% of the outstanding shares of Xerox common stock, based on the number of shares of Xerox common stock issued and outstanding as of September 27, 2009, the date of the execution of the merger agreement.

The board of directors of Xerox has determined that the merger agreement and the merger are advisable and in the best interests of Xerox and its stockholders and has approved the merger agreement and the merger. The board of directors of ACS (other than Mr. Darwin Deason, who was recused from the meeting), acting upon the unanimous recommendation of the strategic transaction committee of the ACS board of directors, has determined that the merger agreement and the merger are advisable and in the best interests of ACS and its stockholders and has approved the merger agreement and the merger.

**THE BOARD OF DIRECTORS OF XEROX UNANIMOUSLY RECOMMENDS THAT XEROX STOCKHOLDERS VOTE FOR THE PROPOSAL TO ISSUE SHARES OF XEROX COMMON STOCK REQUIRED TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT. THE BOARD OF DIRECTORS OF ACS (OTHER THAN MR. DARWIN DEASON, WHO WAS RECUSED FROM THE MEETING), ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE STRATEGIC TRANSACTION COMMITTEE OF THE ACS BOARD OF DIRECTORS, UNANIMOUSLY RECOMMENDS THAT ACS STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT.**

We cannot complete the merger unless the issuance of shares of Xerox common stock required to be issued pursuant to the merger agreement is approved by the affirmative vote of holders of a majority in voting power of the shares of Xerox common stock represented (whether in person or by proxy) at the Xerox special meeting (provided that at least a majority in voting power of the shares of Xerox common stock outstanding are represented in person or by proxy at such meeting or any adjournment or postponement thereof) or any adjournment or postponement thereof and the merger agreement is adopted by the affirmative vote of holders of a majority in voting power of the outstanding shares of ACS Class A common stock and ACS Class B common stock, voting together as a single class, and the affirmative vote of holders of a majority of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), voting as a single, separate class. **We urge you to read carefully the accompanying joint proxy statement/prospectus, which includes important information about Xerox, ACS and the proposed merger. In particular, please see the section entitled Risk Factors beginning on page 27 of the accompanying joint proxy statement/prospectus which contains a description of the risks that you should consider in evaluating the proposed merger.**

Shares of Xerox common stock are listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol XRX. Shares of ACS Class A common stock are listed on the New York Stock Exchange under the symbol ACS. On [ ], 2009, the most recent practicable trading day prior to the printing of the accompanying joint proxy statement/prospectus, the last sales price of Xerox common stock was \$[ ] per share and

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the last sales price of ACS Class A common stock was \$[ ] per share. You should obtain current market quotations for both Xerox common stock and ACS Class A common stock.

On [ ], each company is holding a special meeting of stockholders in order to obtain the stockholder approvals necessary to complete the merger as more fully described in the accompanying joint proxy statement/prospectus. **Whether or not you expect to attend the special meeting in person, we urge you to submit your proxy as promptly as possible. You have a choice of submitting your proxy over the Internet, by telephone or by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. Please refer to the instructions on the enclosed proxy card.**

[ ]

Ursula M. Burns

Chief Executive Officer of Xerox Corporation

[ ]

Lynn R. Blodgett

President and CEO of Affiliated Computer Services, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued in connection with the merger or determined if the accompanying joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The accompanying joint proxy statement/prospectus is dated [ ], 2009, and is first being mailed or otherwise delivered to stockholders of Xerox and stockholders of ACS on or about [ ], 2009.

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**ADDITIONAL INFORMATION**

The accompanying joint proxy statement/prospectus incorporates by reference important business and financial information about Xerox and ACS from documents that are not included in or delivered with the joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Xerox Corporation	Affiliated Computer Services, Inc.
45 Glover Avenue	2828 North Haskell
P.O. Box 4505	Dallas, Texas 75204
Norwalk, Connecticut 06856-4505	Attention: Investor Relations
Attention: Investor Relations	(214) 841-8281
(203) 968-3000	<i>www.acs-inc.com ( Investor Relations tab)</i>
<i>www.xerox.com ( Investor Relations tab)</i>	

In addition, if you have questions about the merger or the special meetings, or if you need to obtain copies of the accompanying joint proxy statement/prospectus, proxy cards, election forms or other documents incorporated by reference in the joint proxy statement/prospectus, you may contact the appropriate contact listed below. You will not be charged for any of the documents you request.

If you are a Xerox stockholder:	If you are an ACS stockholder:
Innisfree M&A Incorporated	MacKenzie Partners Inc.
501 Madison Avenue, 20th Floor	105 Madison Avenue
New York, NY 10022	New York, NY 10016
(877) 456-3442 (toll free)	(800) 322-2885 (toll free)
(212) 750-5833 (banks and brokers collect)	(212) 929-5500 (collect)

E-mail: [acsproxy@mackenziepartners.com](mailto:acsproxy@mackenziepartners.com)

**If you would like to request documents, please do so by [ ], 2009, in order to receive them before the special meetings.**

For a more detailed description of the information incorporated by reference in the accompanying joint proxy statement/prospectus and how you may obtain it, see *Where You Can Find More Information* beginning on page 181 of the accompanying joint proxy statement/prospectus.

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Xerox Corporation

45 Glover Avenue

P.O. Box 4505

Norwalk, CT 06856-4505

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

[ ], 2009

Dear Stockholders:

You are cordially invited to attend a special meeting of stockholders of Xerox Corporation ( Xerox ) to be held on [ ], at [ ], local time, at [ ], unless the special meeting is adjourned or postponed. The purposes of the special meeting are to consider and vote upon the following matters:

1. a proposal to approve the issuance of shares of Xerox common stock required to be issued to Affiliated Computer Services, Inc. ( ACS ) stockholders pursuant to the Agreement and Plan of Merger, dated as of September 27, 2009, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated as of December 13, 2009 (the merger agreement ), among Xerox, Boulder Acquisition Corp. (a wholly-owned subsidiary of Xerox established for the purpose of effecting the merger) and ACS, which provides for the merger of ACS with and into Boulder Acquisition Corp. (the merger ); and

2. a proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies. The accompanying joint proxy statement/prospectus describes the merger agreement and the proposed merger in detail. **THE XEROX BOARD OF DIRECTORS HAS DETERMINED THAT THE MERGER AGREEMENT AND MERGER ARE ADVISABLE AND IN THE BEST INTERESTS OF XEROX AND ITS STOCKHOLDERS AND UNANIMOUSLY RECOMMENDS THAT XEROX STOCKHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE ISSUANCE OF SHARES OF XEROX COMMON STOCK REQUIRED TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT AND FOR THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, INCLUDING TO SOLICIT ADDITIONAL PROXIES.** We cannot complete the merger unless the issuance of shares of Xerox common stock required to be issued pursuant to the merger agreement is approved by the affirmative vote of holders of a majority in voting power of the shares of Xerox common stock represented (whether in person or by proxy) at the Xerox special meeting or any adjournment or postponement thereof (provided that at least a majority in voting power of the shares of Xerox common stock outstanding are represented in person or by proxy at such meeting or any adjournment or postponement thereof).

Stockholders of record of Xerox common stock as of the close of business on December 11, 2009, are entitled to receive notice of the special meeting and to vote at it or at any adjournment or postponement thereof. Stockholders who hold shares in street name may vote through their brokers, banks or other nominees. If you wish to attend the special meeting and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares. A list of stockholders eligible to vote at the special meeting will be available for inspection at the special meeting.

For the Board of Directors,

[ ]

Anne M. Mulcahy

*Chairman of the Board*

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**Your vote is very important. Please return your proxy as soon as possible, whether or not you expect to attend the special meeting in person. You may submit your proxy over the Internet, by telephone or by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. You may revoke your proxy at any time before the special meeting. If you attend the special meeting and vote in person, your proxy will not be used.**



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**AFFILIATED COMPUTER SERVICES, INC.**

**2828 North Haskell Avenue**

**Dallas, Texas 75204**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

[ ], 2009

To the stockholders of Affiliated Computer Services, Inc:

A special meeting of the stockholders of Affiliated Computer Services, Inc. ( ACS ) will be held at [ ] on [ ], at [ ], central standard time, unless the special meeting is adjourned or postponed. At the special meeting, ACS stockholders will be asked to:

consider and act on a proposal to adopt the Agreement and Plan of Merger, dated as of September 27, 2009, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated as of December 13, 2009 (the merger agreement ), among Xerox, Boulder Acquisition Corp. (a wholly-owned subsidiary of Xerox established for the purpose of effecting the merger) and ACS, which provides for the merger of ACS with and into Boulder Acquisition Corp. (the merger ) and pursuant to which ACS stockholders will have the right to receive, for each share of ACS Class A common stock held immediately prior to the merger (i) 4.935 shares of Xerox common stock and (ii) \$18.60 in cash, and for each share of ACS Class B common stock held immediately prior to the merger (i) 4.935 shares of Xerox common stock, (ii) \$18.60 in cash and (iii) a fraction of a share of a new series of preferred stock to be issued by Xerox and designated as Xerox Corporation Series A Convertible Perpetual Preferred Stock; and

approve the adjournment of the ACS special meeting (if necessary or appropriate, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement).

The accompanying joint proxy statement/prospectus describes the merger agreement and the proposed merger in detail.

Please note that only stockholders of record as of the close of business on December 11, 2009 will be eligible to vote at the special meeting. Stockholders who hold shares in street name may vote through their brokers, banks or other nominees. If you wish to attend the special meeting and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares. Your vote is important. You may submit a proxy over the Internet, by telephone or by mail. In order to complete the merger, the holders of a majority in voting power of the outstanding shares of ACS Class A common stock and ACS Class B common stock, voting together as a single class, and the holders of a majority of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), voting as a single, separate class, in each case, entitled to vote on such proposal at such meeting at which a quorum is present must vote to adopt the merger agreement.

Under Delaware law, holders of record of ACS common stock who do not vote in favor of adoption of the merger agreement and who properly demand appraisal of their shares will have the right to seek appraisal of the fair value of their shares of ACS common stock if the merger is completed. To exercise your appraisal rights, you must strictly follow the procedures prescribed by Delaware law, including, among other things, submitting a written demand for appraisal to ACS before the vote is taken on the merger proposal. These procedures are summarized in the accompanying joint proxy statement/prospectus in the section entitled The Merger Appraisal Rights beginning on page 130 (the text of the applicable provisions of Delaware law is included as Annex G to the accompanying joint proxy statement/prospectus).

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For more information about the transactions contemplated by the merger agreement and the ACS special meeting, please review carefully the accompanying joint proxy statement/prospectus, the annexes thereto and the information incorporated thereto.

**THE ACS BOARD OF DIRECTORS (OTHER THAN MR. DARWIN DEASON, WHO WAS RECUSED FROM THE MEETING), ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE STRATEGIC TRANSACTION COMMITTEE OF THE ACS BOARD OF DIRECTORS, UNANIMOUSLY RECOMMENDS THAT ACS STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT AND FOR THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE ACS SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, INCLUDING TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES TO ADOPT THE MERGER AGREEMENT.**

Very truly yours,

[ ]

Lynn R. Blodgett

*President and CEO*

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meetings. These questions and answers may not address all questions that may be important to you as a stockholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire joint proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 181. All references in this joint proxy statement/prospectus to *Xerox* refer to Xerox Corporation, a New York corporation; all references in this joint proxy statement/prospectus to *ACS* refer to Affiliated Computer Services, Inc., a Delaware corporation; all references in this joint proxy statement/prospectus to *Merger Sub* refer to Boulder Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of Xerox; unless otherwise indicated or as the context requires, all references in this joint proxy statement/prospectus to *we* refer to Xerox and ACS; and all references to the *merger agreement* refer to the Agreement and Plan of Merger, dated September 27, 2009, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated as of December 13, 2009, among Xerox, Merger Sub and ACS, a copy of which is attached as Annex A to this joint proxy statement/prospectus.*

**About the Merger**

**Q: *Why am I receiving this joint proxy statement/prospectus?***

**A:** Xerox and ACS have entered into the merger agreement, pursuant to which ACS will be merged with and into Boulder Acquisition Corp., with Boulder Acquisition Corp. continuing as the surviving corporation in the merger.

Xerox is holding a special meeting of stockholders in order to obtain the stockholder approval necessary to issue shares of Xerox common stock required to be issued pursuant to the merger agreement, as described in this joint proxy statement/prospectus. ACS is holding a special meeting of stockholders in order to obtain the stockholder approval necessary to adopt the merger agreement, as described in this joint proxy statement/prospectus.

We will be unable to complete the merger unless both the Xerox and ACS stockholder approvals are obtained at the respective special meetings.

We have included in this joint proxy statement/prospectus important information about the merger, the merger agreement (a copy of which is attached as Annex A) and the Xerox and ACS special meetings. You should read this information carefully and in its entirety. The enclosed voting materials allow you to vote your shares without attending the applicable special meeting. Your vote is very important and we encourage you to submit your proxy as soon as possible.

**Q: *What will I receive in the merger?***

**A:** If the merger is completed, holders of ACS Class A common stock will receive for each share of ACS Class A common stock held immediately prior to the merger (other than shares owned directly or indirectly by Xerox or ACS (which will be cancelled) and other than those shares with respect to which appraisal rights are properly exercised and not withdrawn, if any, which we collectively refer to in this joint proxy statement/prospectus as the *excluded shares*) (i) 4.935 shares of Xerox common stock and (ii) \$18.60 in cash.

If the merger is completed, holders of ACS Class B common stock (which, together with the ACS Class A common stock, we refer to in this joint proxy statement/prospectus as the *ACS common stock*) will receive for each share of ACS Class B common stock held immediately prior to the merger (other than excluded shares) (i) 4.935 shares of Xerox common stock, (ii) \$18.60 in cash and (iii) a fraction of a share of a new series of preferred stock to be issued by Xerox and designated as Xerox Corporation Series A Convertible Perpetual Preferred Stock, which we refer to in this joint proxy statement/prospectus as the

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**Xerox Convertible Preferred Stock.** As of the date of the execution of the merger agreement, Mr. Darwin Deason, Chairman of the ACS board of directors, whom we refer to in this joint proxy statement/prospectus as Mr. Deason, was the sole holder of ACS Class B common stock. The Xerox Convertible Preferred Stock will rank senior to the Xerox common stock with respect to dividend rights and rights on liquidation, winding-up and dissolution of Xerox. A description of additional terms of the Xerox Convertible Preferred Stock is set forth under the section entitled **Description of Xerox Convertible Preferred Stock** beginning on page 166.

ACS stockholders will not receive any fractional shares of Xerox common stock in the merger. Instead, the total number of shares of Xerox common stock that each ACS stockholder would have been entitled to receive will be rounded down to the nearest whole number, and Xerox will pay cash for the remaining fractional share of Xerox common stock that an ACS stockholder would otherwise have been entitled to receive. The amount of cash payable for such fractional share of Xerox common stock will be determined by multiplying the fraction (after taking into account all shares of ACS common stock that are converted by such ACS stockholder) by the per share closing price of Xerox common stock on the last trading day immediately prior to the completion of the merger.

Xerox stockholders will not receive any merger consideration and will continue to hold their shares of Xerox common stock.

### ***Q: How do I calculate the value of the merger consideration?***

**A:** Because Xerox will issue a fixed number of shares of Xerox common stock in exchange for each share of ACS common stock, the value of the merger consideration that ACS stockholders will receive in the merger for each share of ACS common stock will depend on the price per share of Xerox common stock at the time the merger is completed. That price will not be known at the time of the meeting and may be less than the current price or the price at the time of the meeting.

Based on the closing price of \$9.02 per share of Xerox common stock on the New York Stock Exchange, which we refer to in this joint proxy statement/prospectus as the NYSE, on September 25, 2009, the last trading day before the public announcement of the merger, the merger consideration for ACS Class A common stock represented approximately \$63.11 per share of ACS Class A common stock, a 33.6% premium over the closing price of \$47.25 per share of ACS Class A common stock on the NYSE on September 25, 2009. Based on the closing price of \$[ ] per share of Xerox common stock on the NYSE on [ ], the latest practicable date before the printing of this joint proxy statement/prospectus, the merger consideration for ACS Class A common stock represented approximately \$[ ] per share of ACS Class A common stock. Former ACS stockholders are currently expected to own approximately 36% of the shares of Xerox common stock outstanding immediately after the merger, based on the number of shares of Xerox common stock issued and outstanding as of September 27, 2009, the date of the execution of the merger agreement.

### ***Q: What conditions must be satisfied to complete the merger?***

**A:** Xerox and ACS are not required to complete the merger unless a number of conditions are satisfied or waived. These conditions include receipt of both Xerox and ACS stockholder approvals, expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and the rules and regulations promulgated thereunder, which we refer to in this joint proxy statement/prospectus as the HSR Act (which waiting period expired on November 16, 2009), receipt of other regulatory consents and receipt of legal opinions that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to in this joint proxy statement/prospectus as the Code. In addition, Xerox is not required to complete the merger if the lenders providing Xerox with debt financing in connection with the merger have declined to provide such financing for certain reasons. For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see **The Merger Agreement Conditions to the Merger** beginning on page 151.



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### **Q: *What constitutes a quorum?***

**A:** *Xerox:* Holders of a majority in voting power of the Xerox common stock issued and outstanding and entitled to vote thereat, represented (whether in person or by proxy) at the Xerox special meeting, will constitute a quorum to conduct business at the Xerox special meeting. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the Xerox special meeting will have the power to adjourn the meeting.

*ACS:* Holders of a majority in voting power of the ACS common stock issued and outstanding and entitled to vote thereat, represented (whether in person or by proxy) at the ACS special meeting, will constitute a quorum to conduct business at the ACS special meeting. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the ACS special meeting will have the power to adjourn the meeting.

### **Q: *What vote is required to approve each proposal?***

**A:** *Proposal to Issue Shares of Xerox Common Stock:* The affirmative vote of holders of a majority in voting power of the shares of Xerox common stock represented (whether in person or by proxy) at the Xerox special meeting or any adjournment or postponement thereof is required to approve the issuance of shares of Xerox common stock required to be issued pursuant to the merger agreement (provided that at least a majority in voting power of the shares of Xerox common stock outstanding are represented (whether in person or by proxy) at such meeting or any adjournment or postponement thereof). **Because the vote required to approve this proposal is based upon the total number of Xerox shares represented at the Xerox special meeting, the abstention from voting by a stockholder will have the same effect as a vote against such proposal.**

*Proposal to Adopt the Merger Agreement:* The affirmative vote of holders of a majority in voting power of the outstanding shares of ACS common stock, voting together as a single class, and the affirmative vote of holders of a majority of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), voting as a single, separate class, are required to adopt the merger agreement. **Because the votes required to approve this proposal are based upon the number of outstanding shares of ACS common stock, the failure to submit a proxy card (or the failure to submit a proxy by telephone or over the Internet or to vote in person at the ACS special meeting) or the abstention from voting by a stockholder will have the same effect as a vote against such proposal.** A broker non-vote will also have the same effect as a vote against such proposal. See The ACS Special Meeting Quorum beginning on page 58.

*Proposal to Adjourn the Xerox Special Meeting:* Assuming a quorum of stockholders is represented (whether in person or by proxy) at the Xerox special meeting, the affirmative vote of holders of a majority of the votes cast in favor of or against such proposal by holders of shares of Xerox common stock is required to adjourn the Xerox special meeting, if necessary or appropriate, including to solicit additional proxies. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the Xerox special meeting will have the power to adjourn the meeting.

*Proposal to Adjourn the ACS Special Meeting:* Assuming a quorum of stockholders is represented (whether in person or by proxy) at the ACS special meeting, the affirmative vote of holders of a majority in voting power of the shares of ACS common stock represented (whether in person or by proxy) at such meeting and entitled to vote thereon and which has actually been voted, is required to adjourn the ACS special meeting, if necessary or appropriate, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the ACS special meeting will have the power to adjourn the meeting.

### **Q: *When do you expect the merger to be completed?***

**A:** Xerox and ACS are working to complete the merger as quickly as possible, and we anticipate that it will be completed in the first calendar quarter of 2010. However, the merger is subject to various regulatory



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approvals and other conditions, and it is possible that factors outside the control of both companies could result in the merger being completed at a later time, or not at all. We expect that the stockholder approvals will be the last closing condition (other than those closing conditions that by their terms are to be satisfied at the closing) to be satisfied and if so, pursuant to the merger agreement, unless Xerox and ACS otherwise agree, the merger would be completed no later than three business days after the stockholder approvals are obtained.

**Q: *What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of ACS Class A common stock?***

**A:** The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of ACS Class A common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration and will recognize gain or loss with respect to any cash received in lieu of fractional shares of Xerox common stock. See *The Merger* Material U.S. Federal Income Tax Consequences beginning on page 127.

**Q: *Are ACS stockholders entitled to appraisal rights?***

**A:** Yes. Under Delaware law, holders of shares of ACS common stock that meet certain requirements will have the right to dissent from the merger and obtain payment in cash for the fair value of their shares of ACS common stock, as determined by the Delaware Chancery Court, rather than the merger consideration. To exercise appraisal rights, ACS stockholders must strictly follow the procedures prescribed by Delaware law. These procedures are summarized under the section entitled *The Merger Appraisal Rights* beginning on page 130. In addition, the text of the applicable appraisal rights provisions of Delaware law is included as Annex G to this joint proxy statement/prospectus.

**Q: *What are the recommendations of the Xerox and ACS boards of directors?***

**A:** Each board of directors has approved the merger agreement and the merger and determined that the merger agreement and the merger are advisable and in the best interests of its stockholders.

**THE XEROX BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT XEROX STOCKHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE ISSUANCE OF SHARES OF XEROX COMMON STOCK REQUIRED TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT.** See *The Merger* Recommendation of the Xerox Board of Directors; Xerox's Reasons for the Merger beginning on page 105.

**THE ACS BOARD OF DIRECTORS (OTHER THAN MR. DEASON, WHO WAS RECUSED FROM THE MEETING), ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE STRATEGIC TRANSACTION COMMITTEE OF THE ACS BOARD OF DIRECTORS, WHICH WE REFER TO IN THIS JOINT PROXY STATEMENT/PROSPECTUS AS THE STRATEGIC TRANSACTION COMMITTEE, UNANIMOUSLY RECOMMENDS THAT ACS STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT.** See *The Merger* Recommendation of the ACS Board of Directors; ACS's Reasons for the Merger beginning on page 75.

**Q: *If the merger is completed, when can I expect to receive the merger consideration for my shares of ACS common stock?***

**A:** *Certificated Shares:* As soon as reasonably practicable after the effective time of the merger and in no event later than three business days after the effective time, Xerox will cause an exchange agent to mail to each holder of certificated shares of ACS common stock a form of letter of transmittal and instructions for use in effecting the exchange of ACS common stock for the merger consideration. After receiving the proper documentation from a holder of ACS common stock, the exchange agent will deliver to such holder the cash, Xerox common stock and, if applicable, Xerox Convertible Preferred Stock to which such holder is



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entitled under the merger agreement. More information on the documentation a holder of ACS common stock is required to deliver to the exchange agent may be found under the section entitled *The Merger Manner and Procedure for Exchanging Shares of ACS Common Stock; No Fractional Shares* beginning on page 125.

*Book-Entry Shares:* Each holder of record of one or more book-entry shares of ACS common stock whose shares were converted into the right to receive the merger consideration will automatically, upon the effective time of the merger, be entitled to receive, and Xerox will cause the exchange agent to deliver to such holder as promptly as practicable after the effective time, the cash, Xerox common stock and, if applicable, Xerox Convertible Preferred Stock to which such holder is entitled under the merger agreement. Holders of book-entry shares will not be required to deliver a certificate or an executed letter of transmittal to the exchange agent to receive the merger consideration.

**Q: *What happens if I sell my shares of ACS common stock before the ACS special meeting?***

**A:** The record date of the ACS special meeting, which we refer to in this joint proxy statement/prospectus as the ACS record date, is earlier than the date of the ACS special meeting and the date that the merger is expected to be completed. If you transfer your shares after the ACS record date but before the ACS special meeting, you will retain your right to vote at the ACS special meeting, but will have transferred the right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares through completion of the merger.

### **About the Special Meeting**

**Q: *When and where will the Xerox and ACS special meetings be held?***

**A: Xerox:** The Xerox special meeting will be held at [ ], on [ ], at [ ], local time.

**ACS:** The ACS special meeting will be held at [ ] on [ ], at [ ], central standard time.

**Q: *Who is entitled to vote at the Xerox and ACS special meetings?***

**A:** Xerox has fixed December 11, 2009 as the record date for the Xerox special meeting, which we refer to in this joint proxy statement/prospectus as the Xerox record date. If you were a Xerox stockholder at the close of business on the Xerox record date, you are entitled to vote on matters that come before the Xerox special meeting. However, a Xerox stockholder may only vote his or her shares if he or she is present in person or is represented by proxy at the Xerox special meeting.

ACS has fixed December 11, 2009 as the ACS record date. If you were an ACS stockholder at the close of business on the ACS record date, you are entitled to vote on matters that come before the ACS special meeting. However, an ACS stockholder may only vote his or her shares if he or she is present in person or is represented by proxy at the ACS special meeting.

**Q: *How many votes do I have?***

**A:** You are entitled to one vote for each Xerox common share that you owned as of the Xerox record date. As of the close of business on the Xerox record date, there were 869,315,707 outstanding shares of Xerox common stock.

You are entitled to one vote for each share of ACS Class A common stock that you owned as of the ACS record date. As of the close of business on the ACS record date, there were 91,332,532 outstanding shares of ACS Class A common stock. The holders of ACS Class B common stock are entitled to ten votes for each share of ACS Class B common stock that such holders owned as of the ACS record date. As of the close of business on the ACS record date, there were 6,599,372 outstanding shares of ACS Class B common stock. As of the date of the execution of the merger agreement, Mr. Deason was the sole holder of ACS Class B common stock. See *The ACS Special Meeting Voting by ACS's Directors*

and Executive Officers beginning on page 58.

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**Q: What if I hold shares in both Xerox and ACS?**

**A:** If you are a stockholder of both Xerox and ACS, you will receive two separate packages of proxy materials. A vote as an ACS stockholder for the proposal to adopt the merger agreement will not constitute a vote as a Xerox stockholder for the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement, or vice versa. **THEREFORE, PLEASE MARK, SIGN, DATE AND RETURN ALL PROXY CARDS THAT YOU RECEIVE, WHETHER FROM XEROX OR ACS, OR SUBMIT A PROXY AS BOTH A XEROX AND ACS STOCKHOLDER OVER THE INTERNET OR BY TELEPHONE.**

**Q: My shares are held in street name by my broker. Will my broker automatically vote my shares for me?**

**A:** No. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. If this is the case, this joint proxy statement/prospectus has been forwarded to you by your brokerage firm, bank or other nominee, or their agent. As the beneficial holder, you have the right to direct your broker, bank or other nominee as to how to vote your shares. If you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is called a broker non-vote.

We believe that under the current rules of the NYSE, (i) broker non-votes will not be counted for purposes of determining the presence or absence of a quorum at the Xerox special meeting or the ACS special meeting and (ii) brokers do not have discretionary authority to vote on either of the Xerox proposals or on either of the ACS proposals. **A broker non-vote will have the same effect as a vote against adoption of the merger agreement but will have no effect on the other proposals.**

**Q: How are my employee plan shares voted?**

**A: Employees of Xerox:** Beneficial owners of shares of Xerox common stock held in their accounts in the Xerox Employee Stock Ownership Plan, which we refer to in this joint proxy statement/prospectus as the ESOP, can instruct State Street Bank and Trust Company, as the ESOP trustee, which we refer to in this joint proxy statement/prospectus as the ESOP Trustee, by telephone, over the Internet or by sending a completed proxy card by mail, how to vote. No matter which method is used, your voting instructions are confidential and will not be disclosed to Xerox. By providing your voting instruction in one of these ways, you instruct the ESOP Trustee to vote the shares allocated to your ESOP account. You also authorize the ESOP Trustee to vote a proportion of the shares of Xerox common stock held in the ESOP trust for which no instructions have been received. To allow sufficient time for voting by the ESOP Trustee, you must provide voting instructions to the trustees no later than [ ], central standard time, on [ ]. For more information about the voting of plan shares by the trustees of the Xerox employee benefit plans, see The Xerox Special Meeting ESOP Voting Instruction beginning on page 54.

**Employees of ACS:** In certain cases, the proxy card, or a proxy submitted by telephone or over the Internet, will also serve as voting instructions to the plan administrator or trustee for shares held on behalf of a participant under certain employee benefit plans, described under the section entitled The ACS Special Meeting How to Vote beginning on page 59. To ensure that all shares are voted, please sign and return every proxy card received or submit a proxy by telephone or over the Internet for each proxy card. If you are a registered stockholder of ACS and/or you own shares of ACS common stock through an ACS employee benefit plan, and the accounts are in the same name, you will receive a proxy card representing your combined directly-owned and plan-owned shares that will serve as voting instructions to the designated ACS proxy, if applicable, and also to the trustees of those plans. To allow sufficient time for voting by the trustees of the plans, participants in ACS employee benefit plans must provide voting instructions to the trustees no later than [ ] on [ ]. For more information about the voting of plan shares by the trustees of the ACS employee benefit plans, see The ACS Special Meeting How to Vote beginning on page 59.

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**Q: *What do I need to do now?***

**A:** Read and consider the information contained in this joint proxy statement/prospectus carefully, and then please vote your shares as soon as possible so that your shares may be represented at your special meeting.

**Q: *How do I vote?***

**A:** If you are entitled to vote at your company's special meeting, you can vote in person by completing a ballot at the special meeting, or you can vote by proxy before the special meeting. Even if you plan to attend your company's special meeting, we encourage you to vote your shares by proxy as soon as possible. After carefully reading and considering the information contained in this joint proxy statement/prospectus, please submit your proxy by telephone or over the Internet in accordance with the instructions set forth on the enclosed proxy card, or mark, sign and date the proxy card, and return it in the enclosed postage-paid envelope as soon as possible so that your shares may be voted at your company's special meeting. For detailed information, see *The Xerox Special Meeting Proxies* beginning on page 54 and *The ACS Special Meeting How to Vote* beginning on page 59. **YOUR VOTE IS VERY IMPORTANT.**

**Q: *Can I change my vote after I have submitted a proxy by telephone or over the Internet or submitted my completed proxy card?***

**A:** Yes. You can change your vote by revoking your proxy at any time before it is voted at the Xerox or ACS special meeting. You can revoke your proxy in one of four ways: (1) submit a proxy again by telephone or over the Internet prior to midnight on the night before the special meeting; (2) sign another proxy card with a later date and return it prior to midnight on the night before the special meeting; (3) attend the applicable special meeting and complete a ballot; or (4) send a written notice of revocation to the secretary of Xerox or ACS, as applicable, so that it is received prior to midnight on the night before the special meeting.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

**Q: *Should ACS or Xerox stockholders send in their share certificates now for the exchange?***

**A:** No. ACS stockholders should keep any share certificates they hold at this time. After the merger is completed, ACS stockholders holding ACS share certificates will receive a letter of transmittal and instructions on how to obtain cash, shares of Xerox common stock and, if applicable, shares of Xerox Convertible Preferred Stock to which they are entitled in exchange for their shares of ACS common stock. Xerox stockholders will continue to hold their shares of Xerox common stock after the merger. Xerox stockholders should keep any Xerox share certificates they hold both now and after the merger is completed.

**Q: *What should stockholders do if they receive more than one set of voting materials for a special meeting?***

**A:** You may receive more than one set of voting materials for a special meeting, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. Please complete, sign, date and return each proxy card and voting instruction card that you receive. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card.



Q: *Who pays for this solicitation?*

A: The expense of filing, printing and mailing this joint proxy statement/prospectus and the accompanying material will be borne equally by Xerox and ACS. In addition, Xerox and ACS have engaged Innisfree M&A Incorporated and MacKenzie Partners Inc., respectively, to assist in the solicitation of proxies for

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their respective special meetings for a fee of approximately \$100,000 (of which \$25,000 is a success fee) and \$50,000, respectively. Each party will bear the costs related to the solicitation of proxies in connection with its special meeting.

**Q: *Who should I call if I have questions about the proxy materials or voting procedures?***

**A:** If you have questions about the merger, or if you need assistance in submitting your proxy or voting your shares or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, you should contact the proxy solicitation agent for the company in which you hold shares. If you are a Xerox stockholder, you should contact Innisfree M&A Incorporated, the proxy solicitation agent for Xerox, by mail at 501 Madison Avenue, 20<sup>th</sup> Floor, New York, NY 10022, by telephone toll free at (877) 456-3442 (banks and brokers may call collect at (212) 750-5833). If you are an ACS stockholder, you should contact MacKenzie Partners Inc., the proxy solicitation agent for ACS, by mail at 105 Madison Avenue, New York, NY 10016, by telephone at (800) 322-2885 (toll free) or (212) 929-5500 (collect), or by e-mail at [acsproxy@mackenziepartners.com](mailto:acsproxy@mackenziepartners.com). If your shares are held in a stock brokerage account or by a bank or other nominee, you should contact your broker, bank or other nominee for additional information.

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**SUMMARY**

The following summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that may be important to you. Accordingly, stockholders are encouraged to carefully read this entire joint proxy statement/prospectus, its annexes and the documents referred to or incorporated by reference in this joint proxy statement/prospectus. Each item in this summary includes a page reference directing you to a more complete description of that item. Please see the section entitled **Where You Can Find More Information** beginning on page 181.

**Information about the Companies (Page 52)**

***Xerox Corporation***

Xerox Corporation is a New York corporation and was founded in 1906. Xerox is a \$17.6 billion technology and services enterprise and a leader in the global document market. Xerox develops, manufactures, markets, services and finances a complete range of document equipment, software, solutions and services. Xerox operates in over 160 countries worldwide. Xerox sells its products and solutions directly to customers through its worldwide sales force and through a network of independent agents, dealers, value-added resellers, systems integrators and on the Web. Xerox's principal executive offices are located at 45 Glover Avenue, Norwalk, Connecticut 06856-4505 and its telephone number is (203) 968-3000.

***Boulder Acquisition Corp.***

Boulder Acquisition Corp. is a Delaware corporation and a direct wholly-owned subsidiary of Xerox. Boulder Acquisition Corp. was organized on September 21, 2009, solely for the purpose of effecting the merger with ACS. It has not carried on any activities other than in connection with the merger. Boulder Acquisition Corp.'s principal executive offices are located at 45 Glover Avenue, Norwalk, Connecticut 06856-4505 and its telephone number is (203) 968-3000.

***Affiliated Computer Services, Inc.***

Affiliated Computer Services, Inc. is a Delaware corporation and was founded in 1988. ACS is a provider of business process outsourcing and information technology services. ACS provides non-core, mission critical services that its clients need to run their day-to-day business. ACS's services are focused on vertical markets and centered on its clients' needs. The services ACS provides enable its clients to concentrate on their core operations, respond to rapidly changing technologies and reduce expenses associated with their business processes and information processing. ACS supports client operations in more than 100 countries. ACS's principal executive offices are located at 2828 North Haskell, Dallas, Texas 75204 and its telephone number is (214) 841-6111.

**The Merger (Page 61)**

On September 27, 2009, Xerox, Boulder Acquisition Corp. and ACS entered into the merger agreement, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated as of December 13, 2009, which is the legal document governing the proposed merger. Subject to the terms and conditions of the merger agreement, ACS will be merged with and into Boulder Acquisition Corp., with Boulder Acquisition Corp. continuing as the surviving corporation. Upon completion of the merger, ACS Class A common stock will no longer be publicly traded.

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### **Merger Consideration (Pages 61 and 137)**

As a result of the merger, each outstanding share of ACS Class A common stock, other than excluded shares, will be converted into the right to receive a combination of (i) 4.935 shares of Xerox common stock and (ii) \$18.60 in cash, without interest, which we collectively refer to in this joint proxy statement/prospectus as the Class A merger consideration. As a result of the merger, each outstanding share of ACS Class B common stock, other than excluded shares, will be converted into the right to receive (i) 4.935 shares of Xerox common stock, (ii) \$18.60 in cash, without interest, and (iii) a fraction of a share of Xerox Convertible Preferred Stock equal to (x) 300,000 divided by (y) the number of shares of ACS Class B common stock issued and outstanding as of the effective time of the merger, which we collectively refer to in this joint proxy statement/prospectus as the Class B merger consideration. The Xerox Convertible Preferred Stock will be issued pursuant to the authority granted to the Xerox board of directors in the certificate of incorporation of Xerox to create out of authorized and unissued shares of cumulative preferred stock a new series of preferred stock that will rank senior to the Xerox common stock with respect to dividend rights and rights on liquidation, winding-up and dissolution of Xerox. A description of the Xerox Convertible Preferred Stock to be issued in connection with the proposed transaction is set forth under the section entitled Description of Xerox Convertible Preferred Stock beginning on page 166.

### **Treatment of ACS Stock Options (Page 138)**

Except for ACS stock options granted in August 2009 which will continue to vest and become exercisable in accordance with their terms without regard to any provisions relating to a change of control, as of the effective time of the merger, each outstanding ACS stock option to acquire shares of ACS common stock will, whether or not exercisable or vested at the effective time, become fully vested and exercisable and be converted into options to purchase Xerox common stock under the same terms and conditions (adjusted for the merger) as are in effect immediately prior to the effective time with respect to such ACS stock option and be exercisable for that number of whole shares of Xerox common stock equal to the product of the number of shares of ACS common stock that were subject to such ACS stock option immediately prior to the effective time of the merger multiplied by the Option Exchange Ratio, rounded down to the nearest whole number of shares of Xerox common stock. For purposes of this joint proxy statement/prospectus, Option Exchange Ratio means the number equal to the sum of (i) 4.935 plus (ii) the number obtained by dividing (1) \$18.60 by (2) the per share closing price of Xerox common stock on the NYSE on the last trading day immediately prior to the date of closing, as such price is reported on the screen entitled Comp/CLOSE/PRICE on Bloomberg. The per share exercise price for the shares of Xerox common stock issuable upon exercise of the assumed ACS stock options will be equal to the quotient determined by dividing the exercise price per share of ACS Class A common stock subject to the ACS stock option, as in effect immediately prior to the effective time of the merger, by the Option Exchange Ratio, rounded up to the nearest whole cent.

### **Total Xerox Shares to be Issued**

Based on the number of shares of ACS common stock outstanding as of [ ], the latest practicable date before the printing of this joint proxy statement/prospectus, the total number of shares of Xerox common stock and Xerox Convertible Preferred Stock to be issued pursuant to the merger to ACS stockholders (assuming no ACS stock options are exercised between [ ] and the effective time of the merger) will be approximately [ ] and 300,000, respectively.

**Table of Contents****Comparative Per Share Market Price and Dividend Information (Page 25)**

Xerox common stock is listed on the NYSE under the symbol XRX. ACS Class A common stock is listed on the NYSE under the symbol ACS. The following table shows the closing prices of Xerox common stock and ACS Class A common stock as reported on the NYSE on September 25, 2009, the last trading day before the merger agreement was announced, and on [ ], 2009, the last full trading day before the date of this joint proxy statement/prospectus. This table also shows the equivalent value of the merger consideration per share of ACS Class A common stock, which was calculated by adding (i) the cash portion of the merger consideration, or \$18.60, and (ii) the closing price of Xerox common stock as of the specified date multiplied by the exchange ratio of 4.935.

	ACS Class A Common Stock	Xerox Common Stock	Equivalent Value Per Share of ACS Class A Common Stock
September 25, 2009	\$ 47.25	\$ 9.02	\$ 63.11
[ ], 2009	[ ]	[ ]	[ ]

**The market prices of Xerox common stock and ACS Class A common stock will fluctuate prior to the merger. You should obtain current market quotations for the shares.**

Xerox currently pays a quarterly dividend on its common stock and last paid a dividend on October 30, 2009, of \$0.0425 per share. Under the terms of the merger agreement, during the period before the effective time of the merger, Xerox is prohibited from paying any dividends other than its regular quarterly dividends at the current rate, which is not to exceed \$0.0425 per share. On October 15, 2009, the Xerox board of directors declared a quarterly dividend on its common stock, which we refer to in this joint proxy statement/prospectus as the January dividend, in the amount of \$0.0425 per share payable on January 29, 2010 to holders of record on December 31, 2009. If the merger is completed on or before December 31, 2009, holders of ACS common stock whose shares were converted into the right to receive shares of Xerox common stock, as part of the merger consideration, will be entitled to receive the January dividend on such shares of Xerox common stock for which they were also the holder of record on December 31, 2009. If the merger is completed after December 31, 2009, holders of ACS common stock will not be entitled to receive the January dividend on any Xerox common stock which they receive as part of the merger consideration.

ACS currently does not pay a quarterly dividend on its common stock. Under the terms of the merger agreement, during the period before the effective time of the merger, ACS is prohibited from paying any dividends on its common stock.

**ACS Special Meeting (Page 57)*****When and Where***

The ACS special meeting will be held at [ ] on [ ], at [ ], central standard time, unless the special meeting is adjourned or postponed.

***Purposes of the Special Meeting***

At the special meeting, ACS stockholders will be asked to consider and act on a proposal to adopt the merger agreement and approve the adjournment of the ACS special meeting (if necessary or appropriate, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement).

***Record Date; Voting Power***

Holders of ACS common stock as of the close of business on the ACS record date are entitled to vote at the special meeting or any adjournment or postponement thereof. Each outstanding share of ACS Class A common

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stock entitles its holder to cast one vote and each outstanding share of ACS Class B common stock entitles its holder to cast ten votes. As of the ACS record date, there were 91,332,532 shares of ACS Class A common stock, par value \$0.01 per share, outstanding and entitled to vote at the ACS special meeting (of which 2,140,884 shares were held, directly or indirectly, by holders of ACS Class B common stock) and 6,599,372 shares of ACS Class B common stock, par value \$0.01 per share, outstanding and entitled to vote at the ACS special meeting.

### ***Vote Required***

The affirmative vote of holders of a majority in voting power of the outstanding shares of ACS common stock, voting together as a single class, and the affirmative vote of holders of a majority of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), voting as a single, separate class, are required to adopt the merger agreement. Mr. Deason has entered into a voting agreement with Xerox pursuant to which Mr. Deason has agreed, subject to certain exceptions, to vote all of his beneficially owned shares of ACS common stock, or approximately 43.6 % of the total voting power of the outstanding shares of ACS common stock as of September 27, 2009 in favor of the proposal to adopt the merger agreement. Assuming a quorum of stockholders is represented (whether in person or by proxy) at the ACS special meeting, in order to approve the proposal to adjourn the meeting (if necessary or appropriate, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement), holders of a majority in voting power of the shares of ACS common stock represented (whether in person or by proxy) at such meeting and entitled to vote on the proposal and which has actually been voted must vote in favor of the proposal to adjourn the meeting. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the ACS special meeting will have the power to adjourn the meeting. As of the close of business on the ACS record date, directors and executive officers of ACS and their affiliates had the right to vote 2,186,368 shares of ACS Class A common stock and 6,599,372 shares of ACS Class B common stock, or approximately 43.34% of the combined voting power of the outstanding shares of ACS common stock and approximately 0.05% of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), in each case, entitled to vote at the ACS special meeting.

### **Xerox Special Meeting (Page 53)**

#### ***When and Where***

The Xerox special meeting will be held on [ ], beginning at [ ], local time, at [ ].

#### ***Purposes of the Special Meeting***

At the special meeting, Xerox stockholders will be asked to consider and vote upon a proposal to approve the issuance of shares of Xerox common stock required to be issued to ACS stockholders pursuant to the merger agreement. You will also be asked to consider and vote upon a proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies.

#### ***Record Date; Voting Power***

Holders of Xerox common stock as of the close of business on the Xerox record date are entitled to vote at the special meeting or any adjournment or postponement thereof. Each share of Xerox common stock is entitled to one vote. As of the Xerox record date, 869,315,707 shares of Xerox common stock were outstanding.

### ***Vote Required***

Assuming a quorum of stockholders is represented (whether in person or by proxy) at the Xerox special meeting, the affirmative vote of holders of a majority in voting power of the shares of Xerox common stock represented (whether in person or by proxy) at such meeting or any adjournment or postponement thereof is

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required to approve the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement. Assuming a quorum of stockholders is represented (whether in person or by proxy) at the Xerox special meeting, the affirmative vote of holders of a majority of the votes cast in favor of or against such proposal by holders of shares of Xerox common stock is required to approve the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the Xerox special meeting will have the power to adjourn the meeting. As of the close of business on the Xerox record date, directors and executive officers of Xerox and their affiliates had the right to vote 3,252,360 shares of Xerox common stock, or approximately 0.37% of the voting power of the outstanding shares of Xerox common stock.

**Recommendation of the ACS Board of Directors (Page 75)**

On September 27, 2009, the ACS board of directors (other than Mr. Deason, who was recused from the meeting), acting upon the unanimous recommendation of the Strategic Transaction Committee, unanimously:

determined the merger agreement and the merger to be advisable and in the best interests of ACS and its stockholders;

approved the merger agreement and the merger;

directed that the proposal to adopt the merger agreement be submitted to the holders of ACS common stock for their approval in accordance with the terms of the merger agreement; and

resolved to recommend that the stockholders of ACS adopt the merger agreement.

For more information about the Strategic Transaction Committee, see the section entitled "The Merger - Background of the Merger" beginning on page 61.

**THE ACS BOARD OF DIRECTORS (OTHER THAN MR. DEASON, WHO WAS RECUSED FROM THE MEETING), ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE STRATEGIC TRANSACTION COMMITTEE, UNANIMOUSLY RECOMMENDS THAT ACS STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT AND FOR THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, INCLUDING TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES TO ADOPT THE MERGER AGREEMENT.**

**Opinion of Financial Advisor to ACS (Page 79)**

In connection with the merger, the ACS board of directors received an opinion, dated September 27, 2009, from Citigroup Global Markets Inc., which we refer to in this joint proxy statement/prospectus as "Citi," as to the fairness, from a financial point of view, of the Class A merger consideration to be received in the merger by holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates). The full text of Citi's written opinion, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken in rendering its opinion is attached as Annex C to this joint proxy statement/prospectus. The opinion was directed to the ACS board of directors and addresses only the fairness, from a financial point of view, of the Class A merger consideration to be received in the merger by holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates). The opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

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### **Opinion of Financial Advisor to the Strategic Transaction Committee (Page 89)**

In connection with the merger, the Strategic Transaction Committee received an opinion, dated September 27, 2009, from Evercore Group L.L.C., which we refer to in this joint proxy statement/prospectus as Evercore, as to the fairness, from a financial point of view, of the Class A merger consideration to be received in the merger by holders of ACS Class A common stock (other than those holders who also hold shares of ACS Class B common stock) entitled to receive such Class A merger consideration. The full text of Evercore's written opinion, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken in rendering its opinion is attached as Annex D to this joint proxy statement/prospectus. The opinion was directed to the Strategic Transaction Committee and addresses only the fairness, from a financial point of view, of the Class A merger consideration to be received in the merger by holders of ACS Class A common stock (other than those holders who also hold shares of ACS Class B common stock) entitled to receive such Class A merger consideration. The opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

### **Recommendation of the Xerox Board of Directors (Page 105)**

On September 27, 2009, the Xerox board of directors unanimously:

determined the merger agreement and the merger to be advisable and in the best interests of Xerox and its stockholders;

approved the merger agreement and the merger;

directed that the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement be submitted to the holders of Xerox common stock for their approval in accordance with the terms of the merger agreement; and

resolved to recommend that the stockholders of Xerox approve the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement.

**THE XEROX BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT XEROX STOCKHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE ISSUANCE OF SHARES OF XEROX COMMON STOCK REQUIRED TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT AND FOR THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, INCLUDING TO SOLICIT ADDITIONAL PROXIES.**

### **Opinions of Financial Advisors to Xerox (Page 107)**

In connection with the merger, the Xerox board of directors received separate opinions, each dated September 27, 2009, from Blackstone Advisory Services L.P., which we refer to in this joint proxy statement/prospectus as Blackstone, and J.P. Morgan Securities Inc., which we refer to in this joint proxy statement/prospectus as J.P. Morgan, in each case, as to the fairness to Xerox, from a financial point of view and as of the date of such opinion, of the aggregate consideration to be paid by Xerox to the holders of ACS common stock. The Blackstone opinion and the J.P. Morgan opinion, the full texts of which describe the assumptions made, procedures followed, matters considered and limitations on the review undertaken, are attached as Annexes E and F, respectively, to this joint proxy statement/prospectus. Each opinion was directed to the Xerox board of directors and was limited to the fairness to Xerox, from a financial point of view, of the aggregate consideration to be paid by Xerox in the merger, and neither Blackstone nor J.P. Morgan expressed any opinion as to the fairness of the merger to the holders of any class of securities, creditors or other constituencies of Xerox or as to the underlying decision by Xerox to engage in the merger. Neither opinion constitutes a recommendation to any stockholder as to how such holder should vote with respect to the merger or other matter.



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### **Interests of ACS's Directors and Executive Officers in the Transaction (Page 119)**

Aside from their interests as ACS stockholders, ACS's directors and executive officers have financial interests in the merger that are different from those of other ACS stockholders. The members of the ACS board of directors and the Strategic Transaction Committee were aware of and considered these potential interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the ACS stockholders that the merger agreement be adopted. See *The Merger* *Interests of ACS's Directors and Executive Officers in the Transaction* beginning on page 119 for additional information about these financial interests.

### **Governmental and Regulatory Approvals (Page 126)**

Under the HSR Act, the merger may not be completed until notification and report forms have been filed with the Antitrust Division of the U.S. Department of Justice, which we refer to in this joint proxy statement/prospectus as the DOJ, and the U.S. Federal Trade Commission, which we refer to in this joint proxy statement/prospectus as the FTC, and the applicable waiting period has expired or been terminated. Xerox and ACS filed the required HSR notification and report forms on October 15, 2009, and the HSR waiting period expired on November 16, 2009. The merger is also subject to approval by the governmental authorities in the European Union. Xerox and ACS filed a formal notification of the merger with the European Commission on December 4, 2009. The European Commission will have 25 business days after receipt of such formal notification, which period may be extended by the European Commission in certain circumstances, to issue its decision regarding the merger. Although not a condition to the completion of the merger, the Financial Services Authority, which we refer to in this joint proxy statement/prospectus as the FSA, in the United Kingdom also requires Xerox to receive prior approval for a change in control over two FSA-regulated subsidiaries of ACS. In addition, although not a condition to the completion of the merger, Xerox and ACS made the competition filing required under the laws of Brazil on October 19, 2009 and obtained the related approval on November 25, 2009.

### **Financing (Page 162)**

On September 27, 2009, Xerox entered into a debt commitment letter, which we refer to in this joint proxy statement/prospectus as the debt commitment letter, with JPMorgan Chase Bank, N.A. and J.P. Morgan Securities Inc., pursuant to which, subject to the conditions set forth in the debt commitment letter, JPMorgan Chase Bank, N.A. committed to provide to Xerox unsecured bridge financing of up to \$3.0 billion, the proceeds of which would be used (i) first, to repay or redeem ACS's indebtedness outstanding on the closing date other than its 5.20% senior notes due 2015, 4.70% senior notes due 2010 and capitalized lease obligations and (ii) second, to fund, in part, the cash consideration for the merger and pay certain fees and expenses in connection with the merger. On December 4, 2009, in connection with its financing of the merger, Xerox issued \$1 billion aggregate principal amount of 4.250% Senior Notes due 2015, \$650 million aggregate principal amount of 5.625% Senior Notes due 2019 and \$350 million aggregate principal amount of 6.750% Senior Notes due 2039, which we collectively refer to in this joint proxy statement/prospectus as the Senior Notes, in a public offering. Due to the issuance of the Senior Notes, the \$3.0 billion commitment under the debt commitment letter was automatically reduced in an amount equal to the aggregate net proceeds received by Xerox from such issuance. The commitment was further reduced, at the request of Xerox, for a remaining commitment of \$500 million as of December 4, 2009. For a more complete description of Xerox's debt financing for the merger, see the section entitled *Description of Debt Financing* beginning on page 162.

### **No Solicitation (Page 144)**

Subject to certain exceptions, each of Xerox and ACS has agreed not to solicit, knowingly initiate or knowingly encourage, or knowingly facilitate any takeover proposal from any third party relating to an acquisition, or enter into an agreement relating to an acquisition proposal by a third party. Notwithstanding these

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restrictions, the merger agreement provides that, under specific circumstances, each of Xerox and ACS may furnish information to, and participate in discussions and negotiations with, third parties in response to an unsolicited acquisition proposal that, in the good faith judgment of its board of directors, constitutes or could reasonably be expected to lead to a superior proposal (as defined in the merger agreement). For additional information on the Undertaking agreed to by ACS relating to its non-solicitation obligation under the merger agreement, see the section entitled "The Merger - Litigation Relating to the Merger" beginning on page 134.

### **Restrictions on Recommendation Withdrawal (Page 144)**

The merger agreement generally restricts the ability of each of the Xerox and ACS boards of directors from withdrawing its recommendation that its stockholders adopt the merger agreement or approve the issuance of shares of Xerox common stock required to be issued pursuant to the merger agreement, as applicable. However, each of the Xerox board of directors and the ACS board of directors may withdraw its recommendation in response to (i) an intervening event (as defined in the merger agreement) or (ii) a superior proposal if, in either case, such board of directors concludes in good faith that the failure to take such action would reasonably be expected to be inconsistent with its fiduciary duties after Xerox and ACS have negotiated for three business days to amend the merger agreement in such a manner such that the failure by such board of directors to change its recommendation would no longer reasonably be expected to be inconsistent with its fiduciary duties.

### **Conditions to Completion of the Merger (Page 151)**

Each party's obligation to complete the merger is subject to the satisfaction or waiver of various conditions (other than the conditions set forth in the first bullet below, which may not be waived by either Xerox or ACS) that include the following:

adoption of the merger agreement by the holders of a majority in voting power of the outstanding shares of ACS Class A common stock and ACS Class B common stock, voting together as a single class, and the holders of a majority of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), voting as a single, separate class, and the approval of the issuance of shares of Xerox common stock required to be issued pursuant to the merger agreement by the Xerox stockholders;

approval for listing on the NYSE of shares of Xerox common stock (i) to be issued pursuant to the merger, (ii) to be reserved for issuance upon the exercise of Xerox stock options issued in exchange for ACS stock options and (iii) to be reserved for issuance upon the conversion of Xerox Convertible Preferred Stock;

absence of any injunctions, orders or laws that would prohibit the merger;

receipt of required regulatory approvals;

effectiveness of the registration statement on Form S-4, of which this joint proxy statement/prospectus forms a part;

the receipt by each party of a legal opinion of their respective tax counsel that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code;

the representations and warranties of the other party will be true and correct, subject to certain materiality thresholds;

the other party will have performed in all material respects all of its obligations under the merger agreement; and



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in the case of Xerox, the financing sources not having declined to make the financing (or alternate financing, if applicable) available primarily by reason of the failure of either or both of the following conditions, which we refer to in this joint proxy statement/prospectus as the Specified Financing Conditions :

Xerox shall have received (i) from Standard & Poor's, within one week of the closing date, a reaffirmation of the corporate credit rating of Xerox after giving effect to the merger and the other transactions contemplated by the merger agreement, which shall be BBB- or higher (stable) on the closing date and (ii) from Moody's, within one week of the closing date, a reaffirmation of the corporate family rating of Xerox after giving effect to the merger and the other transactions contemplated by the merger agreement, which shall be Baa3 or higher (stable) on the closing date. In addition, the credit ratings (after giving effect to the merger and the other transactions contemplated by the merger agreement (including any issuance of notes (as defined in the debt commitment letter))), of each issue of notes outstanding on the closing date (for the avoidance of doubt, not including the outstanding 8% trust preferred securities) of Xerox or any of its subsidiaries shall be at least BBB- (stable) from Standard & Poor's and Baa3 (stable) from Moody's on the closing date; or

since June 30, 2009, and subject to specified exceptions, there has not been any event, occurrence, development or state of circumstances or facts or condition that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Xerox or ACS.

### **Closing (Page 137)**

Under the terms of the merger agreement, the closing will occur on a date, which we refer to in this joint proxy statement/prospectus as the closing date, to be specified by the parties, which will be no later than the third business day after the satisfaction or waiver of all conditions to closing (other than those conditions that by their terms are to be satisfied at the closing).

### **Termination of the Merger Agreement (Page 154)**

The merger agreement may be terminated at any time prior to the completion of the merger, whether before or after receipt of the Xerox and ACS stockholder approvals:

by mutual written consent of Xerox, ACS and Boulder Acquisition Corp.; or

by either Xerox or ACS if:

the merger has not been completed on or before June 27, 2010;

a required regulatory approval has been denied and such denial is final and non-appealable or a governmental entity has issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the merger, and such action has become final and non-appealable;

either of the required stockholder approvals has not been obtained at the applicable special meeting;

the other party has breached its respective representations, warranties or covenants under the merger agreement such that the applicable closing conditions would not be satisfied (and such breach is incapable of being cured by June 27, 2010); or

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the other party, prior to obtaining its stockholder approval: (i) adversely modified its recommendation in favor of the merger, (ii) materially breached its obligations regarding non-solicitation of takeover proposals or its obligations regarding a special meeting,

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(iii) approved, recommended or entered into, an agreement with respect to a takeover proposal or (iv) publicly proposed or announced its intention to do any of the actions described in clause (i), (ii) or (iii).

For additional information on the November Stipulation agreed to by ACS and Xerox relating to the termination of the merger agreement in connection with a superior proposal (as defined in the merger agreement), see the section entitled **The Merger Litigation Relating to the Merger** beginning on page 134.

### **Termination Fees (Page 155)**

The merger agreement contains certain termination rights and provides that ACS must pay Xerox a cash termination fee of \$194 million if (i) the merger agreement is terminated under specified circumstances, including a change in the recommendation of the ACS board of directors or (ii) (A) a third-party takeover proposal for ACS is made known to ACS or its stockholders or publicly announced after the date of the merger agreement, (B) thereafter the merger agreement is terminated under specified circumstances, including a failure to complete the merger on or before June 27, 2010, a failure to obtain the ACS stockholder approval at the ACS special meeting or any adjournment or postponement thereof, a material breach by ACS of a covenant or agreement in the merger agreement, or a material breach by the ACS board of directors of its no shop obligations or its obligation to call a stockholder vote and (C) within 12 months after such termination ACS enters into a definitive agreement with respect to, or consummates, a takeover proposal with a third party.

Xerox must pay ACS a cash termination fee of \$235 million if (i) the merger agreement is terminated under specified circumstances, including a change in the recommendation of the Xerox board of directors or (ii) (A) a third-party takeover proposal for Xerox is made known to Xerox or its stockholders or publicly announced after the date of the merger agreement, (B) thereafter the merger agreement is terminated under specified circumstances, including a failure to complete the merger on or before June 27, 2010, a material breach by Xerox of a covenant or agreement in the merger agreement, or a material breach by the Xerox board of directors of its no shop obligations or its obligation to call a stockholder vote and (C) within 12 months after such termination Xerox enters into a definitive agreement with respect to, or consummates, a takeover proposal with a third party. In the event that the Xerox stockholder approval is not obtained at the Xerox special meeting or any adjournment or postponement thereof, Xerox must pay ACS a fee of \$65 million, and the \$235 million termination fee, if later payable by Xerox to ACS, will be reduced by the amount of any vote down fee previously paid.

Xerox is also obligated to pay ACS a cash termination fee of \$323 million if the merger agreement is terminated because the merger is not completed on or before June 27, 2010 and on such date, all conditions to closing other than (i) the condition relating to Xerox's financing sources not declining to make the financing (or alternative financing, if applicable) available primarily by reason of the failure to satisfy either or both of the Specified Financing Conditions and (ii) the other conditions that, by their nature, cannot be satisfied until closing, but subject to the fulfillment or waiver of those conditions, have been satisfied or waived.

### **Material U.S. Federal Income Tax Consequences (Page 127)**

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of ACS Class A common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration and will recognize gain or loss with respect to any cash received in lieu of fractional shares of Xerox common stock.

### **Appraisal Rights (Page 130)**

Under Delaware law, ACS stockholders of record who do not vote in favor of the merger and properly make a demand for appraisal will be entitled to exercise appraisal rights and obtain payment in cash for the judicially-

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determined fair value of their shares of ACS common stock in connection with the merger if the merger is completed. The relevant provisions of the General Corporation Law of the State of Delaware, which we refer to in this joint proxy statement/prospectus as the "DGCL," are included as Annex G to this joint proxy statement/prospectus.

### **Listing of Xerox Common Stock on the NYSE (Page 134)**

Xerox common stock received by ACS stockholders in the merger will be listed on the NYSE under the symbol "XRX." After completion of the merger, it is expected that Xerox common stock will continue to be traded on the NYSE, but ACS common stock will no longer be listed or traded on the NYSE.

### **Differences Between Rights of Xerox and ACS Stockholders (Page 168)**

As a result of the merger, the holders of ACS Class A common stock will become holders of Xerox common stock. Holders of ACS Class B common stock will become holders of Xerox common stock and Xerox Convertible Preferred Stock. Following the merger, ACS stockholders will have different rights as stockholders of Xerox than as stockholders of ACS due to differences between the laws of the jurisdictions of incorporation and the different provisions of the governing documents of Xerox and ACS. For additional information regarding the different rights as stockholders of Xerox than as stockholders of ACS, see "Comparative Rights of Xerox and ACS Stockholders" beginning on page 168.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF XEROX**

The selected historical financial data of Xerox for each of the years ended December 31, 2008, 2007, 2006, 2005 and 2004 and as of December 31, 2008, 2007, 2006, 2005 and 2004 are derived from Xerox's accounting records and reflect the adoption of ASC Topic 810-10-65, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB 51* ( FAS 160 ) and Emerging Issues Task Force Topic D-98, *Classification and Measurement of Redeemable Securities* ( EITF D-98 ). The selected financial data of Xerox as of and for the nine months ended September 30, 2009 and September 30, 2008 are derived from Xerox's unaudited condensed consolidated financial statements and related notes contained in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which is incorporated by reference in this joint proxy statement/prospectus. The information set forth below is only a summary and is not necessarily indicative of the results of future operations of Xerox or the combined company, and you should read the following information together with Xerox's audited consolidated financial statements, the notes related thereto and the section entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in Xerox's Annual Report on Form 10-K for the year ended December 31, 2008, and Xerox's unaudited condensed consolidated financial statements, the notes related thereto and the section entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in Xerox's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which are incorporated by reference in this joint proxy statement/prospectus. For more information, see the section entitled *Where You Can Find More Information* beginning on page 181.

(in millions, except per share data)	As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,				
	2009	2008	2008	2007(2)	2006	2005	2004
<b>Per Share Data</b>							
Income from continuing operations(3)							
Basic	\$ 0.35	\$ 0.26	\$ 0.26	\$ 1.21	\$ 1.25	\$ 0.91	\$ 0.84
Diluted	0.35	0.25	0.26	1.19	1.22	0.90	0.78
Earnings(3)							
Basic	\$ 0.35	\$ 0.26	\$ 0.26	\$ 1.21	\$ 1.25	\$ 0.96	\$ 0.94
Diluted	0.35	0.25	0.26	1.19	1.22	0.94	0.86
Common stock dividends declared	\$ 0.1275	\$ 0.1275	\$ 0.17	\$ 0.0425			
<b>Share Data</b>							
Weighted average shares outstanding basic	870	891	885	935	944	957	834
Weighted average shares outstanding diluted	875	902	896	953	997	1,045	1,047
<b>Operations</b>							
Revenues	\$ 10,960	\$ 13,238	\$ 17,608	\$ 17,228	\$ 15,895	\$ 15,701	\$ 15,722
Sales	4,651	6,179	8,325	8,192	7,464	7,400	7,259
Service, outsourcing and rentals	5,773	6,446	8,485	8,214	7,591	7,426	7,529
Finance income	536	613	798	822	840	875	934
Income from continuing operations(3)	325	256	265	1,165	1,232	948	784
Income from continuing operations Xerox	305	229	230	1,135	1,210	933	776
Net income(3)	325	256	265	1,165	1,232	993	867
Net Income Xerox	305	229	230	1,135	1,210	978	859
<b>Financial Position</b>							
Working capital	\$ 3,010	\$ 3,152	\$ 2,700	\$ 4,463	\$ 4,056	\$ 4,390	\$ 4,628
Total Assets	21,753	23,625	22,447	23,543	21,709	21,953	24,884



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	As of and for the Nine Months Ended September 30,			As of and for the Year Ended December 31,			
(in millions, except per share data)	2009	2008	2008	2007(2)	2006	2005	2004
<b>Consolidated Capitalization</b>							
Short-term debt and current portion of long-term debt	1,149	1,457	1,610	525	1,485	1,139	3,074
Long-term debt	6,297	6,783	6,774	6,939	5,660	6,139	7,050
Total Debt	7,446	8,240	8,384	7,464	7,145	7,278	10,124
Liabilities to subsidiary trusts issuing preferred securities(1)	649	637	648	632	624	724	717
Series C mandatory convertible preferred stock						889	889
Xerox Stockholders' Equity(3)	6,898	7,502	6,238	8,588	7,080	6,319	6,244
Non-controlling interests	133	118	120	103	108	90	80
<b>Total Consolidated Capitalization</b>	<b>\$ 15,126</b>	<b>\$ 16,497</b>	<b>\$ 15,390</b>	<b>\$ 16,787</b>	<b>\$ 14,957</b>	<b>\$ 15,300</b>	<b>\$ 18,054</b>

**Selected Data and Ratios**

Gross margin	39.6%	39.3%	38.9%	40.3%	40.6%	41.2%	41.6%
Sales gross margin	33.3%	34.3%	33.7%	35.9%	35.7%	36.6%	37.4%
Service, outsourcing and rentals gross margin	42.6%	41.9%	41.9%	42.7%	43.0%	43.3%	43.0%
Finance gross margin	61.9%	61.8%	61.8%	61.6%	63.7%	62.7%	63.1%

(1) For 2005, the amount includes \$98 reported in other current liabilities.

(2) 2007 results include the acquisition of Global Imaging Systems.

(3) Restated for non-controlling interests as required by ASC 810-10-65 (FAS 160 and EITF D-98), which Xerox adopted effective January 1, 2009. The adoption of ASC Topic 810-10-65 (FAS 160 and EITF D-98) did not change basic and diluted earnings per share as previously reported in Xerox's audited financial statements. The adoption of ASC Topic 810-10-65 increased income from continuing operations (Xerox and noncontrolling interests) by including the noncontrolling interests' (previously minority interests') share of operating income from continuing operations of \$35 million, \$30 million, \$22 million, \$15 million and \$8 million for the years ended 2008, 2007, 2006, 2005 and 2004, respectively. The adoption of ASC Topic 810-10-65 also served to increase total equity by \$120 million, \$103 million, \$108 million, \$90 million and \$80 million as of December 31, 2008, 2007, 2006, 2005 and 2004, respectively, as the carrying value amounts due the holders of the noncontrolling interests were reclassified from liabilities into total equity.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF ACS**

The selected historical financial data of ACS for each of the years ended June 30, 2009, 2008 and 2007 and as of June 30, 2009 and 2008 have been derived from ACS's audited consolidated financial statements and related notes contained in its Annual Report on Form 10-K for the year ended June 30, 2009, which is incorporated by reference in this joint proxy statement/prospectus. The selected historical financial data for the years ended June 30, 2006 and 2005 and as of June 30, 2007, 2006 and 2005 have been derived from ACS's audited consolidated financial statements for such years, which have not been incorporated by reference in this joint proxy statement/prospectus. The selected financial data of ACS as of and for the three months ended September 30, 2009 and September 30, 2008 are derived from ACS's unaudited condensed consolidated financial statements and related notes contained in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which is incorporated by reference in this joint proxy statement/prospectus. The information set forth below is only a summary and is not necessarily indicative of the results of future operations of ACS or the combined company, and you should read the following information together with ACS's audited consolidated financial statements, the notes related thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in ACS's Annual Report on

Form 10-K for the year ended June 30, 2009 and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which are incorporated by reference in this joint proxy statement/prospectus. For more information, see the section entitled "Where You Can Find More Information" beginning on page 181.

	As of and for the Three Months Ended September 30,			As of and for the Fiscal Year Ended June 30,			
(in thousands, except per share data)	2009	2008	2009	2008	2007	2006	2005
<b>Results of Operations Data:</b>							
Revenues	\$ 1,676,996	\$ 1,604,454	\$ 6,523,164	\$ 6,160,550	\$ 5,772,479	\$ 5,353,661	\$ 4,351,159
Operating income	\$ 130,310	\$ 172,748	\$ 685,943	\$ 645,078	\$ 536,955	\$ 617,284	\$ 647,484
Net income	\$ 68,794	\$ 83,635	\$ 349,943	\$ 329,010	\$ 253,090	\$ 358,806	\$ 409,569
Earnings per share basic	\$ 0.70	\$ 0.86	\$ 3.59	\$ 3.36	\$ 2.53	\$ 2.91	\$ 3.21
Earnings per share diluted	\$ 0.70	\$ 0.85	\$ 3.57	\$ 3.32	\$ 2.49	\$ 2.87	\$ 3.14
Weighted average shares outstanding basic	97,642	97,307	97,510	98,013	100,181	123,197	127,560
Weighted average shares outstanding diluted	98,091	98,091	98,006	98,993	101,572	125,027	130,556
<b>Balance Sheet Data:</b>							
Working capital	\$ 983,977	\$ 1,125,615	\$ 929,105	\$ 1,017,977	\$ 839,662	\$ 704,158	\$ 405,983
Total assets	\$ 6,847,884	\$ 6,445,893	\$ 6,900,973	\$ 6,469,399	\$ 5,982,429	\$ 5,502,437	\$ 4,850,838
Total long-term debt (less current portion)	\$ 2,030,287	\$ 2,323,692	\$ 2,041,529	\$ 2,357,541	\$ 2,342,272	\$ 1,614,032	\$ 750,355
Stockholders' equity	\$ 2,702,449	\$ 2,367,245	\$ 2,622,132	\$ 2,308,374	\$ 2,066,168	\$ 2,456,218	\$ 2,811,712

**Table of Contents****COMPARATIVE PER SHARE DATA**

The following tables set forth certain historical, pro forma and pro forma equivalent per share financial information for Xerox common stock and ACS Class A common stock. The pro forma and pro forma equivalent per share information gives effect to the merger as if the merger had occurred on September 30, 2009, in the case of book value per share data, and January 1, 2008, in the case of net income per share data.

The pro forma per share balance sheet information combines Xerox's September 30, 2009 unaudited consolidated balance sheet with ACS's September 30, 2009 unaudited consolidated balance sheet. The pro forma per share income statement information for the fiscal year ended December 31, 2008 combines Xerox's audited consolidated statement of income for the fiscal year ended December 31, 2008 with ACS's unaudited consolidated statement of income for the four fiscal quarters ended December 31, 2008, which includes the last two reported quarters of ACS's fiscal year ended June 30, 2008 and the first two reported quarters of ACS's fiscal year ended June 30, 2009. The pro forma per share income statement information for the nine months ended September 30, 2009 combines Xerox's unaudited consolidated statement of income for the nine months ended September 30, 2009 with ACS's unaudited consolidated statement of income for the three fiscal quarters ended September 30, 2009, which includes the last two reported quarters of ACS's fiscal year ended June 30, 2009 and the first reported quarter of ACS's fiscal year ending June 30, 2010. The ACS pro forma equivalent per share financial information is calculated by multiplying the unaudited Xerox pro forma combined per share amounts by the exchange ratio (4.935 shares of Xerox common stock for each share of ACS common stock). The exchange ratio does not include the \$18.60 cash portion of the merger consideration.

The following information should be read in conjunction with the audited consolidated financial statements of Xerox and ACS, which are incorporated by reference in this joint proxy statement/prospectus, and the financial information contained in the section entitled "Xerox and ACS Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 32. The unaudited pro forma information below is presented for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company. In addition, the unaudited pro forma information does not purport to indicate balance sheet data or results of operations data as of any future date or for any future period.

	Nine Months Ended September 30, 2009	Year Ended December 31, 2008
<b>XEROX HISTORICAL DATA</b>		
Historical diluted per common share		
Net income per share	\$ 0.35	\$ 0.26
Dividends declared per common share	\$ 0.1275	\$ 0.17
<b>Book value per share</b>	<b>\$ 7.94</b>	<b>\$ 7.21</b>

	Three Months Ended September 30, 2009	Year Ended June 30, 2009
<b>ACS HISTORICAL DATA</b>		
Historical diluted per common share		
Net income per share	\$ 0.70	\$ 3.57
Dividends declared per common share		
<b>Book value per share</b>	<b>\$ 27.68</b>	<b>\$ 26.85</b>

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	Nine Months Ended September 30, 2009	Year Ended December 31, 2008
<b>XEROX PRO FORMA COMBINED DATA</b>		
Unaudited diluted pro forma per common share		
Net income per share	\$ 0.30	\$ 0.24
Dividends declared per common share	\$ 0.1275	\$ 0.17
<b>Book value per share(1)</b>	<b>\$ 8.01</b>	<b>N/A</b>

	Nine Months Ended September 30, 2009	Year Ended December 31, 2008
<b>ACS PRO FORMA EQUIVALENT</b>		
Unaudited diluted pro forma per common share		
Net income per share	\$ 1.48	\$ 1.18
Dividends declared per common share	\$ 0.63	\$ 0.84
<b>Book value per share</b>	<b>\$ 39.53</b>	<b>N/A</b>

- (1) Amount is calculated by dividing Xerox stockholder's equity by common shares outstanding. Pro forma book value per share as of December 31, 2008 is not meaningful as purchase accounting adjustments were calculated as of September 30, 2009.

**Table of Contents****COMPARATIVE PER SHARE MARKET PRICE DATA AND DIVIDEND INFORMATION**

Xerox common stock is listed and traded on the NYSE under the symbol **XRX**. ACS Class A common stock is listed and traded on the NYSE under the symbol **ACS**. The following table sets forth, for the calendar quarters indicated, the high and low closing sales prices per share of Xerox common stock and the high and low closing sales prices of ACS Class A common stock, in each case as reported on the NYSE, as adjusted for all stock splits or stock dividends. In addition, the table also sets forth the quarterly cash dividends per share declared by Xerox and ACS with respect to their common stock. On the Xerox record date (December 11, 2009), there were 869,315,707 shares of Xerox common stock outstanding. On the ACS record date (December 11, 2009), there were 91,332,532 shares of ACS Class A common stock outstanding.

	Xerox Corporation			Affiliated Computer Services, Inc.		
	High	Low	Dividends Declared	High	Low	Dividends Declared
<i>For the quarterly period ended:</i>						
<b>2007</b>						
March 31, 2007	\$ 18.09	\$ 16.53		\$ 59.95	\$ 48.00	N/A
June 30, 2007	\$ 19.40	\$ 17.08		\$ 61.45	\$ 56.72	N/A
September 30, 2007	\$ 19.90	\$ 15.79		\$ 58.09	\$ 47.45	N/A
December 31, 2007	\$ 17.68	\$ 15.82	\$ 0.043	\$ 52.37	\$ 40.39	N/A
<b>2008</b>						
March 31, 2008	\$ 15.82	\$ 13.10	\$ 0.043	\$ 52.77	\$ 41.05	N/A
June 30, 2008	\$ 15.36	\$ 13.28	\$ 0.043	\$ 57.08	\$ 49.95	N/A
September 30, 2008	\$ 14.39	\$ 11.05	\$ 0.043	\$ 53.62	\$ 47.70	N/A
December 31, 2008	\$ 11.30	\$ 5.25	\$ 0.043	\$ 50.61	\$ 35.72	N/A
<b>2009</b>						
March 31, 2009	\$ 9.10	\$ 4.17	\$ 0.043	\$ 48.83	\$ 42.48	N/A
June 30, 2009	\$ 7.25	\$ 4.70	\$ 0.043	\$ 50.83	\$ 43.70	N/A
September 30, 2009	\$ 9.57	\$ 6.05	\$ 0.043	\$ 55.32	\$ 42.98	N/A
December 31, 2009 (through December 11, 2009)	\$ 8.07	\$ 7.25	\$ 0.043	\$ 56.56	\$ 51.64	N/A

The following table presents:

the last reported sale price of a share of ACS Class A common stock, as reported on the NYSE; and

the last reported sale price of a share of Xerox common stock, as reported on the NYSE, in each case, on September 25, 2009, the last full trading day prior to the public announcement of the proposed merger, and on [ ], 2009, the last practicable trading day prior to the date of this joint proxy statement/prospectus. The following table also presents the equivalent value of the merger consideration per share of ACS Class A common stock on those dates:

	ACS Class A Common Stock	Xerox Common Stock	Equivalent Value Per Share of ACS Class A Common Stock(1)
September 25, 2009	\$ 47.25	\$ 9.02	\$ 63.11
[ ], 2009	[ ]	[ ]	[ ]

- (1) Calculated by adding (i) the cash portion of the merger consideration, or \$18.60, and (ii) the Xerox per share closing stock price multiplied by the exchange ratio of 4.935.



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The market value of the Xerox common stock to be issued in exchange for shares of ACS Class A common stock upon the completion of the merger will not be known at the time of the Xerox and ACS special meetings. The above tables show only historical comparisons. Because the market prices of Xerox common stock and ACS Class A common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to Xerox stockholders in determining whether to approve the issuance of shares of Xerox common stock in the merger or to ACS stockholders in determining whether to adopt the merger agreement. Stockholders are encouraged to obtain current market quotations for Xerox common stock and ACS Class A common stock and to review carefully the other information contained in this joint proxy statement/prospectus or incorporated by reference in this joint proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 181.

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### **RISK FACTORS**

In addition to the other information included or incorporated by reference in this joint proxy statement/prospectus, you should carefully consider the matters described below in evaluating whether to vote, in the case of Xerox stockholders, to approve the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement or, in the case of ACS stockholders, to adopt the merger agreement.

#### **Risk Factors Relating to the Merger**

*ACS stockholders cannot be sure of the market value of the shares of Xerox common stock to be issued upon completion of the merger.*

Upon completion of the merger, each share of ACS Class A common stock will be converted into the right to receive a combination of (i) 4.935 shares of Xerox common stock and (ii) \$18.60 in cash, without interest. Because the merger agreement does not provide ACS with a price-based termination right or other similar protection for ACS or its stockholders, such as a collar with respect to Xerox's stock price, the number of shares of Xerox common stock that ACS stockholders will be entitled to receive will not be adjusted in the event of any increase or decrease in the share price of either Xerox common stock or ACS Class A common stock. The market value of the shares of Xerox common stock that ACS stockholders will be entitled to receive when the merger is completed will depend on the market value of shares of Xerox common stock on the date of this joint proxy statement/prospectus or the date of the ACS special meeting. Such market price fluctuations or changes in the number of outstanding shares of Xerox or ACS common stock may affect the value that ACS stockholders will receive upon completion of the merger. That variation may be the result of changes in the business, operations or prospects of Xerox or ACS, market assessments of the likelihood that the merger will be completed, the timing of the merger, regulatory considerations, general market and economic conditions and other factors. In addition to the respective stockholder approvals of Xerox and ACS, completion of the merger is subject to the expiration or termination of the applicable waiting period, and any extension of the waiting period, under the HSR Act (which waiting period expired on November 16, 2009) and certain other applicable foreign antitrust and similar laws of certain foreign jurisdictions, and the satisfaction of other customary conditions. ACS stockholders are urged to obtain current market quotations for shares of Xerox common stock and ACS Class A common stock. See the section entitled Summary Comparative Per Share Market Price Data and Dividend Information beginning on page 25 for additional information on the market value of shares of Xerox common stock and ACS Class A common stock.

*The failure to successfully combine the businesses of Xerox and ACS in the expected time frame may adversely affect Xerox's future results.*

The success of the merger will depend, in part, on the ability of a post-merger Xerox to realize the anticipated benefits from combining the businesses of Xerox and ACS. To realize these anticipated benefits, the businesses of Xerox and ACS must be successfully combined. If the combined company is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

*ACS will be subject to business uncertainties and contractual restrictions while the merger is pending.*

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on ACS and consequently on Xerox. These uncertainties may impair ACS's ability to retain and motivate key personnel until and after the merger is completed and could cause customers and others that deal with ACS to defer entering into contracts with ACS or making other decisions concerning ACS or seek to change existing business relationships with ACS. Certain of ACS's agreements with its customers, both government and commercial, have provisions that may allow such customers to terminate the agreements if the merger is completed. If key employees depart because of uncertainty about their future roles and the potential complexities of the merger, the combined company's business following the merger could be harmed. In addition, the merger agreement restricts ACS from making certain acquisitions and taking other specified actions without the consent of Xerox until the



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merger occurs. These restrictions may prevent ACS from pursuing attractive business opportunities that may arise prior to the completion of the merger. See the section entitled "The Merger Agreement Covenants and Agreements" beginning on page 140 for a description of the restrictive covenants applicable to ACS.

*The market price for shares of Xerox common stock may be affected by factors different from those affecting the market price for shares of ACS Class A common stock.*

Upon completion of the merger, holders of ACS common stock will become holders of Xerox common stock. Xerox's business differs from that of ACS, and accordingly the results of operations of the combined company will be affected by factors different from those currently affecting the results of operations of ACS. For a discussion of the businesses of Xerox and ACS and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this proxy statement/prospectus and referred to under the section entitled "Where You Can Find More Information" beginning on page 181. See the section entitled "Summary Comparative Per Share Market Price Data and Dividend Information" beginning on page 25 for additional information on the market value of shares of Xerox common stock and ACS Class A common stock.

*Some directors and executive officers of ACS have interests in the merger that differ from the interests of ACS's other stockholders.*

When considering the recommendation by the ACS board of directors to vote "FOR" adoption of the merger agreement, ACS stockholders should be aware that certain directors and executive officers of ACS have interests in the merger that are different from, and may conflict with, those of other ACS stockholders.

On September 27, 2009, Xerox entered into (i) a separation agreement with ACS and Mr. Deason regarding post-merger compensation and benefits, (ii) a stockholder party agreement with Mr. Deason in which Xerox and Mr. Deason have agreed to share equally certain tax liabilities and tax benefits, if any, that may arise from the merger related to Mr. Deason and (iii) senior executive agreements with ACS and twelve executive officers of ACS, including Lynn Blodgett, Tom Burlin, John Rexford, Kevin Kyser and Tom Blodgett, regarding merger cash payments and benefits. The executive officers party to these arrangements will be entitled to certain compensation and benefits post-merger and will also be entitled to golden parachute excise tax gross-up payments, which each executive officer is already entitled to receive pursuant to his employment agreement or change of control agreement with ACS. See the section entitled "The Merger Interests of ACS's Directors and Executive Officers in the Transaction" beginning on page 119 for a further description of these arrangements.

In connection with the merger, Mr. Deason will receive additional consideration in the form of Xerox Convertible Preferred Stock, as described in more detail in the section entitled "The Merger Interests of ACS's Directors and Executive Officers in the Transaction Mr. Deason's Interests in the Transaction" beginning on page 119.

In addition, the directors and executive officers of ACS have stock option agreements with ACS that, with the exception of ACS stock options granted in August 2009, will provide for accelerated vesting upon the completion of the merger. The directors and executive officers of ACS also have certain rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger.

The Strategic Transaction Committee and the ACS board of directors were aware of these potential interests and considered them in recommending or approving, as applicable, the merger agreement and the merger. See the section entitled "The Merger Interests of ACS's Directors and Executive Officers in the Transaction" beginning on page 119 for a further description of these interests, including the aggregate cash payments that each director and executive officer is entitled to receive in connection with the completion of the merger.

*The shares of Xerox common stock to be received by ACS stockholders as a result of the merger will have different rights from shares of ACS common stock.*

Following completion of the merger, ACS stockholders will no longer be stockholders of ACS, a Delaware corporation, but will instead be stockholders of Xerox, a New York corporation. There will be important differences between your current rights as an ACS stockholder and the rights to which you will be entitled as a

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Xerox stockholder. See Comparative Rights of Xerox and ACS Stockholders beginning on page 168 for a discussion of the different rights associated with Xerox stock and ACS stock.

### ***Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of Xerox and ACS.***

If the merger is not completed, the ongoing businesses of Xerox and ACS may be adversely affected and Xerox and ACS will be subject to several risks and consequences, including the following:

ACS may be required, under certain circumstances, to pay Xerox a termination fee of \$194 million under the merger agreement;

Xerox may be required, under certain circumstances, to pay ACS a termination fee of up to \$323 million under the merger agreement;

ACS and Xerox will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

under the merger agreement, each of Xerox and ACS is subject to certain restrictions on the conduct of its business prior to completing the merger which may adversely affect its ability to execute certain of its business strategies; and

matters relating to the merger may require substantial commitments of time and resources by Xerox and ACS management, which could otherwise have been devoted to other opportunities that may have been beneficial to Xerox and ACS as independent companies, as the case may be.

In addition, if the merger is not completed, Xerox and/or ACS may experience negative reactions from the financial markets and from their respective customers and employees. Xerox and/or ACS also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against Xerox or ACS to perform their respective obligations under the merger agreement. If the merger is not completed, Xerox and ACS cannot assure their stockholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of Xerox and/or ACS.

### ***Xerox has incurred, and will continue to incur, substantial additional indebtedness to finance the merger and will assume ACS's existing indebtedness upon completion of the merger, which may decrease Xerox's business flexibility and will increase its borrowing costs.***

Upon completion of the merger, Xerox will have engaged in acquisition debt financing of up to \$3.5 billion, including the refinancing of ACS's debt obligations of approximately \$1.8 billion. On December 4, 2009, in connection with its financing of the merger, Xerox issued a total of \$2.0 billion aggregate principal amount of Senior Notes in three series. The additional financing could take any of several forms or any combination of them, including but not limited to the following: (i) Xerox may draw up to \$500 million under a new senior unsecured bridge facility (which we refer to in this joint proxy statement/prospectus as the bridge facility) with JPMorgan Chase Bank, N.A., as administrative agent, which will mature on the first anniversary of the closing date; (ii) Xerox may issue senior notes in the public and/or private capital markets; (iii) Xerox may borrow under its existing credit agreement and (iv) Xerox may use cash on hand. With respect to the bridge facility, subject to certain conditions, Xerox may elect to extend the maturity date to the second anniversary of the closing date and to further extend the maturity date to the third anniversary of the closing date. The proceeds from borrowings under the bridge facility would be used (1) first, to repay or redeem ACS's indebtedness outstanding as of the effective time of the merger, other than its 5.20% senior notes due 2015, 4.70% senior notes due 2010 and capitalized lease obligations and (2) second, to fund in part the cash consideration for the merger and pay certain fees and expenses in connection with the merger. Covenants to which Xerox has agreed or may agree in connection with the acquisition debt financing, and Xerox's increased indebtedness and higher debt-to-equity ratio in comparison to that of Xerox on a recent historical basis may have the effect, among other things, of reducing Xerox's flexibility to respond to changing business and economic conditions and will increase borrowing costs.

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***The merger may not be accretive and may cause dilution to Xerox's earnings per share, which may negatively affect the market price of Xerox common stock.***

Xerox currently anticipates that the merger will be accretive to earnings per share (on an adjusted earnings<sup>1</sup> basis) during the first full calendar year after the merger. This expectation is based on preliminary estimates which may materially change. Xerox could also encounter additional transaction-related costs or other factors such as the failure to realize all of the benefits anticipated in the merger. All of these factors could cause dilution to Xerox's earnings per share or decrease or delay the expected accretive effect of the merger and cause a decrease in the market price of Xerox common stock.

***Several lawsuits have been filed against ACS, members of the ACS board of directors, Xerox and Boulder Acquisition Corp. challenging the merger, and an adverse ruling in such lawsuits may prevent the merger from becoming effective or from becoming effective within the expected timeframe.***

ACS, members of the ACS board of directors, Xerox and Boulder Acquisition Corp. are named as defendants in lawsuits brought by and on behalf of ACS stockholders challenging the proposed merger, seeking, among other things, to enjoin the defendants from completing the merger on the agreed-upon terms. See "The Merger" Litigation Relating to the Merger beginning on page 134 for more information about the lawsuits related to the merger that have been filed.

One of the conditions to the closing of the merger is that no judgment, order, injunction (whether temporary, preliminary or permanent), or decree issued by a court or other governmental entity in the United States, or in another jurisdiction outside of the United States in which ACS, Xerox or any of their subsidiaries is engaged in material business activities, that prohibits the completion of the merger shall be in effect. As such, if the plaintiffs are successful in obtaining an injunction prohibiting the defendants from completing the merger on the agreed upon terms, then such injunction may prevent the merger from becoming effective, or from becoming effective within the expected timeframe.

As disclosed in the section entitled "The Merger" Litigation Relating to the Merger beginning on page 134, plaintiffs in the Delaware Action and ACS and Xerox and certain of the individual defendants have entered into a stipulation pursuant to which, among other things, plaintiffs have agreed not to seek to enjoin any shareholder vote on the closing of the merger or to take any action for the purpose of preventing or delaying the closing of the merger.

## **Risk Factors Relating to Xerox and ACS**

Xerox's and ACS's businesses are and will be subject to the risks described above relating to the merger. In addition, Xerox and ACS are, and will continue to be, subject to the risks described in Part I, Item 1A in each of Xerox's Annual Report on Form 10-K for the year ended December 31, 2008 and ACS's Annual Report on Form 10-K for the year ended June 30, 2009, and Part II, Item 1A in each of Xerox's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and ACS's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, in each case as filed with the SEC and incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 181 for the location of information incorporated by reference in this joint proxy statement/prospectus.

<sup>1</sup> This joint proxy statement/prospectus refers to a non-GAAP financial measure described as "adjusted earnings" when discussing that the merger is expected to be accretive in the first year. Xerox management believes that in order to better understand the trends in our business and the impact of the merger post-closing, it will be necessary to adjust future earnings to exclude the effects of the following items: (i) the amortization of intangible assets identified and recorded in connection with the merger; (ii) the restructuring and asset impairment charges incurred in connection with the combination of Xerox and ACS; and (iii) acquisition related costs. Management believes that excluding the effects of these items will enable investors to better

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understand and analyze the impact of the merger as well as results for a particular period as compared to prior periods. Management expects to use this non-GAAP financial measure in its own evaluation of Xerox's performance, particularly when comparing performance to prior periods. However, this non-GAAP financial measure should be viewed in addition to, and not as a substitute for, Xerox's reported results prepared in accordance with GAAP.

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**XEROX AND ACS UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The unaudited pro forma condensed combined balance sheet assumes that the merger took place on September 30, 2009 and combines Xerox's September 30, 2009 consolidated balance sheet with ACS's September 30, 2009 consolidated balance sheet.

The unaudited pro forma condensed combined statement of income for the fiscal year ended December 31, 2008 assumes that the merger took place on January 1, 2008. Xerox's audited consolidated statement of income for the fiscal year ended December 31, 2008 has been combined with ACS's unaudited consolidated statement of income for the four fiscal quarters ended December 31, 2008. This unaudited methodology includes the last two reported quarters of ACS's fiscal year ended June 30, 2008 and the first two reported quarters of ACS's fiscal year ended June 30, 2009.

The unaudited pro forma condensed combined statement of income for the nine months ended September 30, 2009 also assumes that the merger took place on January 1, 2008. Xerox's unaudited consolidated statement of income for the nine months ended September 30, 2009 has been combined with ACS's unaudited consolidated statement of income for the three fiscal quarters ended September 30, 2009. This unaudited methodology includes the last two reported quarters of ACS's fiscal year ended June 30, 2009 and the first reported quarter of ACS's fiscal year ending June 30, 2010.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the following historical consolidated financial statements and accompanying notes of Xerox and ACS for the applicable periods, which are incorporated by reference in this joint proxy statement/prospectus:

Separate historical financial statements of Xerox as of and for the year ended December 31, 2008 and the related notes included in Xerox's Annual Report on Form 10-K for the year ended December 31, 2008;

Separate historical financial statements of ACS as of and for the year ended June 30, 2009 and the related notes included in ACS's Annual Report on Form 10-K for the year ended June 30, 2009;

Separate historical financial statements of Xerox as of and for the three and nine months ended September 30, 2009 and the related notes included in Xerox's Quarterly Report on Form 10-Q for the period ended September 30, 2009; and

Separate historical financial statements of ACS as of and for the three months ended September 30, 2009 and the related notes included in ACS's Quarterly Report on Form 10-Q for the period ended September 30, 2009.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company. There were no material transactions between Xerox and ACS during the periods presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under existing U.S. generally accepted accounting principles, or GAAP standards, which

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are subject to change and interpretation. Xerox has been treated as the acquiror in the merger for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates (for example estimates as to value of acquired property, equipment and software as well as intangible assets) and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position.

The unaudited pro forma combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger or the costs to combine the operations of Xerox and ACS or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

**Table of Contents****Xerox Corporation and Affiliated Computer Services, Inc.****Unaudited Pro Forma Condensed Combined Statements of Income****Year Ended December 31, 2008**

(in millions, except per share data)	Xerox	ACS	Pro Forma Adjustments	Pro Forma Combined
<b>Revenues</b>				
Sales	\$ 8,325	\$ 295	\$	\$ 8,620
Service, outsourcing and rentals	8,485	6,078	(40)(A)	14,523
Finance income	798			798
<b>Total Revenues</b>	<b>17,608</b>	<b>6,373</b>	<b>(40)</b>	<b>23,941</b>
<b>Costs and Expenses</b>				
Cost of sales	5,519	292		5,811
Cost of service, outsourcing and rentals	4,929	4,906	(36)(B)	9,799
Equipment financing interest	305			305
Research, development and engineering expenses	884			884
Selling, administrative and general expenses	4,534	427		4,961
Restructuring and asset impairment charges	429	17		446
Other expenses, net	1,087	194	339(C)	1,620
<b>Total Costs and Expenses</b>	<b>17,687</b>	<b>5,836</b>	<b>303</b>	<b>23,826</b>
<b>Income (Loss) before Income Taxes &amp; Equity Income</b>	<b>(79)</b>	<b>537</b>	<b>(343)</b>	<b>115</b>
Income tax expense (benefit)	(231)	196	(131)(D)	(166)
Equity in net income of unconsolidated affiliates	113			113
<b>Net Income</b>	<b>265</b>	<b>341</b>	<b>(212)</b>	<b>394</b>
Less: Net Income attributable to noncontrolling interests	35			35
<b>Net Income Attributable to Xerox Corporation</b>	<b>\$ 230</b>	<b>\$ 341</b>	<b>\$ (212)</b>	<b>\$ 359</b>
<b>Basic Earnings per Share</b>	<b>\$ 0.26</b>	<b>\$ 3.52</b>	<b>(E)</b>	<b>\$ 0.24</b>
<b>Diluted Earnings per Share</b>	<b>\$ 0.26</b>	<b>\$ 3.49</b>	<b>(E)</b>	<b>\$ 0.24</b>
<b>Basic Weighted-Average Shares</b>	<b>885</b>	<b>97</b>		<b>1,367</b>
<b>Diluted Weighted-Average Shares</b>	<b>896</b>	<b>98</b>		<b>1,397</b>

See the accompanying notes to the unaudited pro forma condensed combined financial statements which are an integral part of these statements. The pro forma adjustments are explained in Note 6 Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income.

**Table of Contents****Xerox Corporation and Affiliated Computer Services, Inc.****Unaudited Pro Forma Condensed Combined Statements of Income****Nine Months Ended September 30, 2009**

(in millions, except per share data)	Xerox	ACS	Pro Forma Adjustments	Pro Forma Combined
<b>Revenues</b>				
Sales	\$ 4,651	\$ 332	\$	\$ 4,983
Service, outsourcing and rentals	5,773	4,651	(12)(A)	10,412
Finance income	536			536
<b>Total Revenues</b>	<b>10,960</b>	<b>4,983</b>	<b>(12)</b>	<b>15,931</b>
<b>Costs and Expenses</b>				
Cost of sales	3,100	328		3,428
Cost of service, outsourcing and rentals	3,313	3,731	(34)(B)	7,010
Equipment financing interest	204			204
Research, development and engineering expenses	615			615
Selling, administrative and general expenses	3,024	391		3,415
Restructuring and asset impairment charges	(5)	5		
Other expenses, net	276	127	248(C)	651
<b>Total Costs and Expenses</b>	<b>10,527</b>	<b>4,582</b>	<b>214</b>	<b>15,323</b>
<b>Income before Income Taxes &amp; Equity Income</b>	<b>433</b>	<b>401</b>	<b>(226)</b>	<b>608</b>
Income tax expense	122	141	(86)(D)	177
Equity in net income of unconsolidated affiliates	14			14
<b>Net Income</b>	<b>325</b>	<b>260</b>	<b>(140)</b>	<b>445</b>
Less: Net Income attributable to noncontrolling interests	20			20
<b>Net Income Attributable to Xerox Corporation</b>	<b>\$ 305</b>	<b>\$ 260</b>	<b>\$ (140)</b>	<b>\$ 425</b>
<b>Basic Earnings per Share</b>	<b>\$ 0.35</b>	<b>\$ 2.66</b>	<b>(E)</b>	<b>\$ 0.30</b>
<b>Diluted Earnings per Share</b>	<b>\$ 0.35</b>	<b>\$ 2.65</b>	<b>(E)</b>	<b>\$ 0.30</b>
<b>Basic Weighted-Average Shares</b>	<b>870</b>	<b>98</b>		<b>1,351</b>
<b>Diluted Weighted-Average Shares</b>	<b>875</b>	<b>98</b>		<b>1,377</b>

See the accompanying notes to the unaudited pro forma condensed combined financial statements which are an integral part of these statements. The pro forma adjustments are explained in Note 6 Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income.



**Table of Contents****Xerox Corporation and Affiliated Computer Services, Inc.****Unaudited Pro Forma Condensed Combined Balance Sheets****September 30, 2009**

(in millions)	Xerox	ACS	Pro Forma Adjustments	Pro Forma Combined
<b>Assets</b>				
Cash and cash equivalents	\$ 1,159	\$ 559	\$ (1,109)(A)	\$ 609
Accounts receivable, net	1,863	1,524		3,387
Billed portion of finance receivables, net	256			256
Finance receivables, net	2,386			2,386
Inventories	1,069	22		1,091
Other current assets	707	129	(56)(B)	780
Total current assets	7,440	2,234	(1,165)	8,509
Finance receivables due after one year, net	4,381			4,381
Equipment on operating leases, net	550			550
Land, buildings and equipment, net	1,351	570		1,921
Investments in affiliates, at equity	1,051			1,051
Intangible assets, net	609	301	3,169(C)	4,079
Goodwill	3,405	2,897	1,142(D)	7,444
Deferred tax assets, long-term	1,673	(479)	(654)(E)	540
Other long-term assets	1,293	751	(197)(F)	1,847
<b>Total Assets</b>	<b>\$ 21,753</b>	<b>\$ 6,274</b>	<b>\$ 2,295</b>	<b>\$ 30,322</b>
<b>Liabilities and Equity</b>				
Short-term debt and current portion of long-term debt	\$ 1,149	\$ 293	\$ (17)(G)	\$ 1,425
Accounts payable	1,292	220		1,512
Accrued compensation and benefits costs	616	166		782
Other current liabilities	1,373	577	(132)(H)	1,818
Total current liabilities	4,430	1,256	(149)	5,537
Long-term debt	6,297	2,030	942(G)	9,269
Liability to subsidiary trust issuing preferred securities	649			649
Pension and other benefit liabilities	1,870	107		1,977
Post-retirement medical benefits	873			873
Other long-term liabilities	603	178	(21)(I)	760
<b>Total Liabilities</b>	<b>14,722</b>	<b>3,571</b>	<b>772</b>	<b>19,065</b>
Series A convertible preferred stock			299(J)	299
Common stock	870	1	481(K)	1,352
Additional paid-in-capital	2,463	1,737	1,786(L)	5,986
Treasury stock, at cost		(1,056)	1,056(M)	
Retained earnings	5,532	2,061	(2,139)(N)	5,454
Accumulated other comprehensive loss	(1,967)	(40)	40(O)	(1,967)
Xerox Shareholders' Equity	6,898	2,703	1,224	10,825

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Noncontrolling Interests	133			133
<b>Total Equity</b>	7,031	2,703	1,224	10,958
<b>Total Liabilities and Equity</b>	\$ 21,753	\$ 6,274	\$ 2,295	\$ 30,322

See the accompanying notes to the unaudited pro forma condensed combined financial statements which are an integral part of these statements. The pro forma adjustments are explained in Note 7 Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheets.

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### **NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

#### **1. Description of Transaction**

On September 27, 2009, Xerox and ACS entered into the merger agreement, pursuant to which, subject to the terms and conditions set forth in the merger agreement, ACS will become a wholly-owned subsidiary of Xerox. Upon completion of the merger, each share of ACS Class A and Class B common stock issued and outstanding will be converted into the right to receive a combination of 4.935 shares of Xerox common stock and \$18.60 in cash, without interest. In addition, the holders of Class B common stock will be entitled to receive shares of Xerox Convertible Preferred Stock (see below for description). The transaction is expected to qualify as a reorganization within the meaning of Section 368(a) of the Code.

ACS stock options, other than ACS stock options issued in August 2009, whether or not then vested and exercisable, will become fully vested and exercisable and assumed by Xerox at the effective time of the merger in accordance with preexisting change-in-control provisions. Each assumed option will be exercisable for Xerox common stock equal to the product of the number of shares of ACS Class A common stock that were subject to the ACS stock option immediately prior to the effective time of the merger multiplied by (i) the sum of (A) 4.935 and (B) the cash consideration of \$18.60 divided by (ii) the per share closing price for Xerox common stock on the last trading day before the closing of this merger such ratio the Option Exchange Ratio. The per share exercise price for the shares of Xerox common stock issuable upon exercise of the assumed ACS stock options will be equal to the quotient determined by dividing the exercise price per share of ACS Class A common stock of the ACS stock option by the Option Exchange Ratio.

ACS stock options issued in August 2009 will continue to vest and become exercisable for Xerox common stock according to their original terms. The estimated fair value of the new Xerox stock options will be recorded to compensation cost over the future vesting period. No adjustment to the unaudited pro forma condensed statements of income were made related to stock-based compensation since it is not anticipated that the stock-based compensation expense for ACS employees after the completion of the merger will be materially different than the amounts already included in ACS's historical statements of income.

In connection with the merger, Xerox will issue shares of Xerox Convertible Preferred Stock with an aggregate liquidation preference of \$300 million to the holders of ACS Class B common stock. The Xerox Convertible Preferred Stock will pay quarterly cash dividends at a rate of 8 percent per year and will have a liquidation preference of \$1,000 per share. Each share of Xerox Convertible Preferred Stock will be convertible at any time, at the option of the holder, into 89.8876 shares of common stock (which reflects an initial conversion price of approximately \$11.125 per share of common stock, which is a 25% premium over \$8.90, which was the average closing price of Xerox common stock over the 7-trading day period ended on September 14, 2009, and the number used for calculating the exchange ratio in the merger agreement), subject to customary anti-dilution adjustments. On or after the fifth anniversary of the issue date, Xerox will have the right to cause, under certain circumstances, any or all of the Xerox Convertible Preferred Stock to be converted into shares of Xerox common stock at the then applicable conversion rate. The holders of Xerox Convertible Preferred Stock will also be able to convert upon a change in control at the applicable conversion rate plus an additional number of shares determined by reference to the price paid for Xerox common stock upon a change in control. In addition, upon the occurrence of certain fundamental change events, including a future change in control of Xerox or if Xerox common stock ceases to be listed on a national securities exchange, the holders of Xerox Convertible Preferred Stock will have the right to require Xerox to redeem any or all of the Xerox Convertible Preferred Stock in cash at a redemption price per share equal to the liquidation preference and any accrued and unpaid dividends to, but not including the redemption date. The Xerox Convertible Preferred Stock is classified as temporary equity (i.e., apart from permanent equity) as a result of the contingent redemption feature.

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The merger is subject to both Xerox and ACS stockholder approvals, governmental and regulatory approvals, the satisfaction of certain conditions related to the debt financing for the transaction, and other usual and customary closing conditions. The merger is expected to be completed in the first calendar quarter of 2010.

### **2. Basis of Presentation**

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical financial statements of Xerox and ACS. For ease of reference, all pro forma statements use Xerox's period end dates and ACS's reported information has been recasted accordingly to correspond to Xerox's period end dates by adding ACS's comparable quarterly periods as necessary. In addition, certain reclassifications have been made to the historical financial statements of ACS to conform with Xerox's presentation, primarily related to the presentation of revenues; selling, administrative and general (SAG) expenses, software and intangible assets.

The acquisition method of accounting is based on Accounting Standards Codification (ASC) Topic 805, Business Combinations, which Xerox adopted on January 1, 2009 and uses the fair value concepts defined in ASC Topic 820, Fair Value Measurements and Disclosures, which Xerox has adopted as required.

ASC Topic 805, requires, among other things, that most assets acquired and liabilities acquired be recognized at their fair values as of the acquisition date. Financial statements of Xerox issued after completion of the merger will reflect such fair values, measured as of the acquisition date, which may be different than the estimated fair values included in these unaudited pro forma condensed combined financial statements. The financial statements of Xerox issued after the completion of the merger will not be retroactively restated to reflect the historical financial position or results of operations of ACS. In addition, ASC Topic 805 establishes that the consideration transferred be measured at the closing date of the merger at the then-current market price, which will likely result in a per share equity component that is different from the amount assumed in these unaudited pro forma condensed combined financial statements.

ASC Topic 820, defines the term "fair value" and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be unrelated (to Xerox) buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result of these standards, Xerox may be required to record assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect Xerox's intended use of those assets. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Under ASC Topic 805, acquisition-related transaction costs (i.e., advisory, legal, valuation, other professional fees, etc.) and certain acquisition-related restructuring charges impacting the target company are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. Total advisory, legal, regulatory and valuation costs expected to be incurred by Xerox are estimated to be approximately \$75 million, of which \$9 million was expensed in the nine months ended September 30, 2009. In addition, Xerox has reflected fees of approximately \$60 million associated with the bridge facility, as described in the section entitled "Description of Debt Financing" beginning on page 162. The unaudited pro forma condensed combined balance sheet also reflects anticipated acquisition-related transaction costs to be incurred by ACS, which are estimated to be approximately \$65 million, as an assumed liability to be paid in connection with the closing of the merger (of which \$7 million was incurred in the nine months ended September 30, 2009). The unaudited pro forma condensed combined financial statements do not reflect

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restructuring charges expected to be incurred in connection with the merger, but these charges are expected to be in the range of approximately \$50 million to \$75 million cumulatively over three years.

**3. Accounting Policies**

Upon completion of the merger, Xerox will perform a detailed review of ACS's accounting policies. As a result of that review, Xerox may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements. At this time, Xerox is not aware of any differences that would have a material impact on the combined financial statements. The unaudited pro forma condensed combined financial statements do not assume any differences in accounting policies.

**4. Estimate of Consideration Expected to be Transferred**

The following is a preliminary estimate of consideration expected to be transferred to effect the acquisition of ACS:

(in millions, except per share amounts)	Conversion Calculation	Estimated Fair Value	Form of Consideration
Number of shares of ACS Class A shares issued and outstanding as of September 30, 2009	91.0		
Number of shares of ACS Class B shares issued and outstanding as of September 30, 2009	6.6		
Total number of ACS shares issued and outstanding	97.6		
Multiplied by Xerox's share price as of December 4, 2009 (\$7.91) multiplied by the exchange ratio of 4.935	\$ 39.04	\$ 3,812	Xerox common stock
Multiplied by cash consideration per common share outstanding	\$ 18.60	\$ 1,816	Cash
Number of ACS stock options vested and unvested as of September 30, 2009 expected to be assumed in exchange for a Xerox equivalent stock option	14.3		
Multiplied by the Option Exchange Ratio	7.286		
Number of Xerox equivalent stock options	104.2		
Fair value of Xerox equivalent stock options(1)	\$ 1.90	\$ 198	Xerox stock options
Estimated fair value of Xerox Series A Convertible Perpetual Preferred stock issued to ACS Class B Shareholder		\$ 300	Xerox preferred stock
Estimate of consideration expected to be transferred(2)		\$ 6,126	

- (1) The fair value of the Xerox equivalent stock option was estimated as of December 4, 2009 using the Black-Scholes valuation model utilizing the assumptions noted below. The expected volatility of the Xerox stock price is based on the average historical volatility over the expected term based on daily closing stock prices. The expected term of the option is based on ACS historical employee stock option exercise behavior as well as the remaining contractual exercise term. The stock price volatility and expected term are based on Xerox's best estimates at this time, both of which impact the fair value of the option calculated under the Black-Scholes methodology and, ultimately, the total consideration that will be recorded at the effective time of the merger.

Xerox believes that the fair value of the Xerox stock options that will be issued to the holders of the ACS stock options approximates the fair value of ACS stock options. Accordingly, the fair value of the converted stock options was recognized as a component of the purchase price and no additional amounts have been reflected as compensation expense. Xerox will also recalculate the fair values of the ACS stock options and the

converted options as of the closing date, to determine the fair value amounts, if any, to be recorded as compensation expense.

**Table of Contents****Assumptions used for the valuation of Xerox stock options:**

Stock price	\$ 7.91
Strike price	\$ 6.65
Expected volatility	50%
Risk-free interest rate	0.27%
Expected term	0.75 years
Black-Scholes value per option	\$ 1.90

- (2) The estimated consideration expected to be transferred reflected in these unaudited pro forma condensed combined financial statements does not purport to represent what the actual consideration transferred will be when the merger is completed. In accordance with ASC Topic 805, the fair value of equity securities issued as part of the consideration transferred will be measured on the closing date of the merger at the then-current market price. This requirement will likely result in a per share equity component different from the \$39.04 assumed in these unaudited pro forma condensed combined financial statements and that difference may be material. Xerox believes that an increase or decrease by as much as 20% in the Xerox common stock price on the closing date of the merger from the common stock price assumed in these unaudited pro forma condensed combined financial statements is reasonably possible based upon the recent history of Xerox common stock price. A change of this magnitude would increase or decrease the consideration expected to be transferred by about \$850 million, which would be reflected in these unaudited pro forma condensed combined financial statements as an increase or decrease to goodwill.

**5. Estimate of Assets to be Acquired and Liabilities to be Assumed**

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by Xerox in the merger, reconciled to the estimate of consideration expected to be transferred:

	(in millions)
Book value of net assets acquired September 30, 2009	\$ 2,703
Less: ACS historical goodwill	(2,897)
Less: ACS historical intangible assets	(301)
Less: ACS historical deferred customer contract costs(1)	(166)
Adjusted book value of net assets acquired	\$ (661)
Adjustments to:	
Property, equipment and software	
Identifiable intangible assets	3,470
Unearned revenue	138
Contingent consideration (prior ACS acquisitions)	(10)
Other liabilities Change-in-control /expenses	(130)
Debt	(17)
Taxes	(703)
Contingencies	
Goodwill	4,039
Total adjustments	\$ 6,787
Estimate of consideration expected to be transferred	\$ 6,126

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- (1) Included in Other long-term assets.



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The purchase price allocation for the purposes of these unaudited pro forma condensed combined financial statements was primarily limited to the identification and valuation of intangible assets. Xerox believes this was an appropriate approach based on a review of similar type acquisitions which appeared to indicate that the most significant and material portion of the purchase price would be allocated to identifiable intangible assets.

The following is a discussion of the adjustments made to ACS's assets and liabilities in connection with the preparation of these unaudited pro forma condensed combined financial statements:

**Property, equipment and software:** As of the effective time of the merger, property, equipment and software is required to be measured at fair value, unless those assets are classified as held-for-sale on the acquisition date. The acquired assets can include assets that are not intended to be used or sold, or that are intended to be used in a manner other than their highest and best use. Xerox does not have sufficient information at this time as to the specific types, nature, age, condition or location of these assets. In addition, more information is needed regarding the nature and types of computer equipment and software, which is the majority of ACS's property, equipment and software balance, in order to assess these assets against current technology products, costs and values. Accordingly, for purposes of these unaudited pro forma condensed combined financial statements, Xerox believes that the current ACS book values for these assets (Total as of September 30, 2009 of \$979 million — \$570 million for property and equipment and \$409 million for software, which was reclassified to Other long-term assets to conform to Xerox presentation) represent the best estimates of fair value. This estimate of fair value is preliminary and subject to change and could vary materially from the actual adjustment on the closing date. For each \$100 million of fair value adjustment (approximately 10% of the current book value) that changes property, equipment and software, there could be an annual change in depreciation and amortization expense — increase or decrease of approximately \$25 million (\$6 million per quarter), assuming a weighted-average useful life of 4 years.

**Intangible assets:** As of the effective time of the merger, identifiable intangible assets are required to be measured at fair value and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements, it is assumed that all assets will be used and be used in a manner that represents their highest and best use. Based on internal assessments as well as discussions with ACS and our external third party valuation advisors, Xerox identified the following significant intangible assets: customer relationships/contracts, the ACS tradename and title plant.

The fair value of these intangible assets is normally determined primarily through the use of the income approach, which requires an estimate or forecast of all the expected future cash flows either through the use of either the multi-period excess earnings method or relief-from-royalty method.

At this time, Xerox does not have sufficient information as to the amount, timing and risk of the estimated future cash flows needed to value the customer relationship/contracts, the ACS tradename and the title plant. Some of the more significant assumptions inherent in the development of estimated cash flows, from the perspective of a market participant, include: the amount and timing of projected future cash flows (including revenue, cost of revenue, sales and marketing expenses and working capital/contributory asset charges) and the discount rate selected to measure the risks inherent in the future cash flows. However, for purposes of these unaudited pro forma condensed combined financial statements, using currently available information, such as ACS's historical and projected revenues, customer attrition rates, cost structure, and certain other high-level assumptions, the fair value of the customer relationship/contracts and the ACS tradename were estimated by our external third party valuation advisors and reviewed by Xerox management and were as follows: Customer relationships/contracts — \$3.1 billion with a weighted average useful life of 11 years; and the ACS tradename — \$300 million with a weighted average useful life of 5 years.

An amount of \$15 million with a weighted average useful life of 5 years was also included in the adjustment for identifiable intangible assets to cover additional acquired intangible assets including non-compete agreements, other tradenames, copyrights and patents. Since Xerox has limited information at this time to value

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all of these intangible assets, the estimated fair values were based primarily on ACS' s current book values and recent acquisitions involving similar intangible assets.

The following table is a summary of the fair value estimates of the identifiable intangible assets and their weighted average useful lives used for purposes of these unaudited pro forma condensed combined financial statements:

(in millions)	Estimated Fair Value	Estimated Useful Life
Customer relationships/contracts	\$ 3,100	11
ACS tradename	300	5
Other intangible assets	15	5
Title Plant and other indefinite-lived assets	55	N/A
<b>Total identifiable intangible assets</b>	<b>\$ 3,470</b>	

These preliminary estimates of fair value and weighted-average useful life will likely be different from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once Xerox and our third party valuation advisors have full access to the specifics of the ACS' s intangible assets, additional insight will be gained that could impact: (i) the estimated total value assigned to intangible assets, (ii) the estimated allocation of value between finite-lived and indefinite-lived intangible assets and/or (iii) the estimated weighted-average useful life of each category of intangible assets. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known to us only upon access to additional information and/or by changes in such factors that may occur prior to the effective time of the merger. For each \$100 million change in the fair value of identifiable intangible assets, there could be an annual change in amortization expense increase or decrease of approximately \$10 million (\$2.5 million per quarter), assuming a weighted-average useful life of 10 years.

**Unearned revenue:** Deferred revenue in the context of a business combination represents an obligation to provide future products or services to a customer when payment for such products or services has been made prior to the products being delivered or services being rendered. A certain portion of ACS' s unearned revenue is for services already rendered and therefore no future obligation to provide services remains. The payments from customers were normally for up-front transition and set-up services and were deferred due to the revenue recognition requirements for up-front payments. Accordingly, Xerox adjusted the balance of unearned revenue by \$138 million for the estimated portion of unearned revenue for which no future service obligation exists. No adjustment was made for the remaining portion of unearned revenue as it was determined to be a reasonable estimate of the fair value for the remaining service obligation.

**Contingent consideration:** Although there is no contingent consideration associated with this merger, ACS is obligated to make certain contingent payments in connection with prior acquisitions upon satisfaction of certain contractual criteria. As of the effective time of the merger, contingent consideration obligations must be recorded at their respective fair value. As of September 30, 2009, the maximum aggregate amount of ACS' s outstanding contingent obligations to former shareholders of acquired entities is approximately \$46 million. The fair value of this obligation was estimated to be \$10 million for purposes of these unaudited pro forma condensed combined financial statements.

**Other liabilities:** This adjustment represents ACS liabilities assumed by Xerox as required by the terms of the merger. The assumed liabilities include payments due under contractual change-in-control provisions in employment agreements of certain ACS employees of approximately \$80 million as well as ACS' s costs associated with the merger of approximately \$65 million. As of September 30, 2009, ACS had accrued \$11 million related to change-in-control agreements and \$7 million for merger related costs. These amounts are preliminary estimates and will likely change once the underlying calculations are finalized.

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**Debt:** As of the effective time of the merger, debt is required to be measured at fair value. A portion of ACS' s debt will be repaid at the effective time of the merger \$1,771 million at September 30, 2009 together with related interest rate swaps \$33 million liability at September 30, 2009. Accordingly, Xerox only calculated a fair value adjustment to ACS' s remaining debt of \$500 million based on ACS' s filings with the SEC and believes the pro forma fair value adjustment amount of \$(4) million to be reasonable. As a result of the debt repayment and fair value adjustment, ACS' s deferred debt issue costs of \$21 million were written off and are netted against the fair value adjustment in the table above.

**Deferred taxes:** As of the effective time of the merger, Xerox will provide deferred taxes and other tax adjustments as part of the accounting for the acquisition, primarily related to the estimated fair value adjustments for acquired intangibles. The \$703 million adjustment included in the table reflects the summation of those adjustments see Note 7 Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet, item (E) for details regarding the adjustment to taxes.

**Contingencies:** As of the effective time of the merger, except as specifically excluded by GAAP, contingencies are required to be measured at fair value, if the acquisition-date fair value of the asset or liability arising from a contingency can be determined. If the acquisition-date fair value of the asset or liability cannot be determined, the asset or liability would be recognized at the acquisition date if both of the following criteria were met: (i) it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (ii) the amount of the asset or liability can be reasonably estimated. These criteria are to be applied using the guidance in ASC Topic 405, Contingencies. As disclosed in ACS' s Quarterly Report on Form 10-Q for the period ended September 30, 2009, which is incorporated by reference into this proxy statement/prospectus, ACS is involved in various legal proceedings, including an SEC investigation. However, Xerox does not have sufficient information at this time to evaluate if the fair value of these contingencies can be determined and, if determinable, to value them under a fair value standard. A fair valuation effort would require intimate knowledge of complex legal matters and associated defense strategies, which cannot occur prior to the closing date. As required, ACS currently accounts for these contingencies under ASC Topic 405. If fair value cannot be determined for ACS' s contingencies, the combined company would continue to account for the ACS contingencies using ASC Topic 405. Since ACS' s management, unlike Xerox' s management, has full and complete access to relevant information about these contingencies, Xerox believes that it has no basis for modifying ACS' s current application of these standards. So, for the purpose of these unaudited pro forma condensed combined financial statements, Xerox has not adjusted the ACS book values for contingencies. This approach is preliminary and subject to change.

In addition, as disclosed in ACS' s 2009 Quarterly Report on Form 10-Q for the period ended September 30, 2009, which is incorporated by reference into this proxy statement/prospectus, ACS has recorded provisions for uncertain tax positions. Income taxes are exceptions to both the recognition and fair value measurement principles of ASC Topic 805. As such, the combined company would continue to account for the ACS uncertain tax positions using ASC Topic 740, Income Taxes. Since ACS management, unlike Xerox management, has full and complete access to relevant information about these tax positions, Xerox believes that it has no basis for modifying ACS' s current application of these standards. Accordingly, for the purpose of these unaudited pro forma condensed combined financial statements, Xerox has not adjusted the ACS book values for uncertain tax positions. This assessment is preliminary and subject to change.

**Other Assets/Liabilities:** Adjustments to ACS' s remaining assets and liabilities may also be necessary, however at this time Xerox has limited knowledge as to the specific details and nature of those assets and liabilities necessary in order to make adjustments to those values. However, since the majority of the remaining assets and liabilities are current assets and liabilities, Xerox believes that the current ACS book values for these assets represent reasonable estimates of fair value or net realizable value, as applicable. Xerox does not anticipate that the actual adjustments for these assets and liabilities on the closing date will be materially different.

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**Goodwill:** Goodwill is calculated as the difference between the acquisition date fair value of the consideration expected to be transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized but rather subject to an annual fair value impairment test.

**6. Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income:**

(A) Reflects adjustments for the following (in millions):

	Year Ended December 31, 2008	Nine Months Ended September 30, 2009
Reduction in revenue related to the write-off of deferred revenue for which no future service obligation remains(1)	\$ (55)	\$ (24)
Reversal of amortization for certain ACS deferred charges, including contract inducements costs, that will be written-off at the consummation of the acquisition	15	12
<b>Total</b>	<b>\$ (40)</b>	<b>\$ (12)</b>

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- (1) See note (H) in Note 7 Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheets for the estimated reduction to ACS's historical deferred revenue. After the completion of the merger Xerox's revenue will reflect the decreased valuation of ACS's deferred revenue. Although long-term there will be no continuing impact on the combined operating results, the majority of this deferred revenue would have been recognized by ACS in the next two years. To show the anticipated effect on the combined operating results after the completion of the merger, the historical unaudited pro forma condensed statements of income were adjusted to reflect the decrease in ACS's deferred revenue.

- (B) Reversal of amortization for certain ACS deferred charges, including customer contract costs, that will be written-off at the consummation of the acquisition.

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- (C) The pro forma adjustment to other expenses, net primarily reflects additional intangible asset amortization and the interest expense related to the Senior Notes Xerox issued in December 2009 and \$700 million of additional borrowings under our existing revolving credit facility. The components of the adjustments to other expenses, net are as follows (in millions):

	Year Ended December 31, 2008	Nine Months Ended September 30, 2009
New intangible asset amortization(1)	\$ 345	\$ 259
Eliminate ACS's historical intangible asset amortization expense	(48)	(35)
Interest expense on new debt issuances used to partially finance the merger(2)	130	97
Amortization of: (i) deferred financing fees related to new debt issuances; and (ii) the estimated fair value adjustment for ACS's debt that will not be repaid	13	10
Historical interest cost debt to be repaid	(109)	(61)
Amortization of deferred financing fees debt to be repaid	(9)	(7)
Forgone interest income from lower cash balances used to partially fund the merger	17	12
To eliminate change in control payments accrued in the nine months ended September 30, 2009, which are directly attributable to the announcement of the merger that are not expected to have a continuing impact on the combined entity's results		(11)
To eliminate acquisition related transaction costs including advisory and legal fees incurred in the nine months ended September 30, 2009, which are directly attributable to the pending merger, but which are not expected to have a continuing impact on the combined entity's results		(16)
Total	\$ 339	\$ 248

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- (1) For estimated intangible asset values and the estimated associated useful lives, see note (C) in Note 7 Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheets.
- (2) For the anticipated new borrowings that will be used to partially finance the merger, see note (G) in Note 7 Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheets.
- (D) This represents the tax effect of adjustments to income before income taxes and equity income primarily related to the expense associated with incremental debt to partially finance the merger and increased amortization resulting from estimated fair value adjustments for acquired intangibles. Xerox has assumed a 38% blended tax rate representing the estimated combined effective U.S. federal and state statutory rates. This estimated blended tax rate recognizes that ACS is predominately a U.S. based entity and that the debt incurred by Xerox to effect the merger will be an obligation of a U.S. entity. However, the effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities.
- (E) The unaudited pro forma condensed combined basic and diluted earnings per share calculations are based on the combined basic and diluted weighted-average shares. The historical basic and diluted weighted average shares of ACS are assumed to be replaced by the shares expected to be issued by Xerox to effect the merger. For purposes of the unaudited pro forma condensed combined diluted earnings per share calculations, net income available to common shareholders reflects net income less dividends on the Series A convertible preferred stock of \$24 million per year. The shares associated with the Series A convertible preferred stock were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive.

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The unaudited pro forma condensed combined financial statements do not reflect revenue synergies or the expected realization in three years of annual pre-tax cost savings of \$300 to \$400 million. Although Xerox management expects that cost savings will result from the merger, there can be no assurance that these cost savings will be achieved. The unaudited pro forma condensed financial statements also do not reflect estimated restructuring charges associated with the expected cost savings, which could be in the range of approximately \$50 million to \$75 million and will be expensed as incurred.

**7. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheets:**

(A) The sources and uses of funds relating to the proposed merger transaction are as follows:

	(in millions)
<b>Sources:</b>	
Senior Notes issued in December 2009	\$ 2,000
Borrowings under our existing revolving credit facility at an assumed current rate of 3.75%	700
 Total sources(1)	 \$ 2,700
 <b>Uses:</b>	
Repayment of ACS's debt(1)	\$ (1,771)
Cash consideration to shareholders of ACS common stock at \$18.60 per share	(1,816)
Estimated remaining Xerox and ACS acquisition related transaction costs including certain costs related to the bridge term facility which Xerox does not expect to utilize (excludes \$11 million of fees paid as of September 30, 2009 related to the bridge term facility)(2)	(189)
Payment upon termination of ACS interest rate swaps in conjunction with the closing of the merger	(33)
 Total uses	 \$ (3,809)
 Net effect on cash	 \$ (1,109)

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- (1) See (G) below for a description of the transaction financing.
- (2) The unaudited condensed combined pro forma balance sheet assumes that the estimated remaining transaction costs of \$189 million will be paid in conjunction with the closing of the merger.

(B) Reflects adjustments for the following:

	(in millions)
Net change to current deferred tax assets(1)	\$ (49)
Represents the write-off of the current portion of ACS's unamortized debt issuance costs(2)	(7)
 Total	 \$ (56)

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- (1) See (E) below for long-term deferred tax assets.
- (2) See (F) and (G) below.

- (C) As of the effective time of the merger, identifiable intangible assets are required to be measured at fair value and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements, it is assumed that all assets will be used and that all assets will be

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used in a manner that represents the highest and best use of those assets. The pro forma adjustments to intangible assets, net reflect the following:

	(in millions)
To record the estimated fair value of the following identifiable intangible assets:	
Customer relationships estimated 11 year weighted average useful life	\$ 3,100
Tradenames and other intangibles estimated 5 year weighted average useful life	315
Title plant and tradename non-amortizable as indefinite-lived	55
Eliminate ACS's historical intangible assets	(301)
 Total	 \$ 3,169

(D) Reflects adjustments for the following:

	(in millions)
Estimated transaction goodwill	\$ 4,039
Eliminate ACS's historical goodwill	(2,897)
 Total	 \$ 1,142

(E) Reflects adjustments for the following:(1)

	(in millions)
Establish deferred tax liability for the increase in the basis of identified acquired intangible assets(2)	\$ (1,149)
Elimination of ACS's previous deferred tax liability associated with historical goodwill	449
Reduce deferred tax assets related to the write-off of deferred revenue for which no future service obligation remains(3)	(52)
Establish deferred tax asset for contingent consideration related to previous ACS asset acquisitions(3)	4
Increase in deferred tax assets for the accelerated vesting of certain ACS nonqualified stock options(4)	37
Reduction of income taxes related to the write-off of ACS's unamortized debt issuance costs(5)	8
 Total change in deferred tax assets	 \$ (703)
 Total change from the unaudited historical balance sheet:	
Net change in current portion of deferred tax assets see (B) above	\$ (49)
Net change in long-term portion of deferred tax assets	(654)
 Total	 \$ (703)

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- (1) Given that ACS is predominately a U.S. based entity, Xerox has assumed a blended 38% tax rate representing the estimated combined effective U.S. federal and state statutory rates. However, the effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities.
- (2) See (C) above for identified intangible assets.
- (3) See (H) and (I) below for adjustments to underlying liability that was tax effected.
- (4) See additional paid-in-capital at (L) below.



(5) See (B) above and (F) below for the write-off of certain unamortized debt issuance costs.

**Table of Contents****(F)** Reflects adjustments for the following:

	(in millions)
Write-off of certain ACS deferred customer costs including contract inducements and contract set-up and transition costs	\$ (166)
Deferral of costs associated with new debt issued in connection with the merger(1)	19
Write-off the long-term portion of ACS's unamortized debt issuance costs(2)	(14)
Write-off the unamortized deferred issuance costs related to the bridge term facility	(36)
<b>Total</b>	<b>\$ (197)</b>

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- (1) Deferred debt issuance costs expected to be amortized over the term of the associated new debt. See (G) below.  
 (2) See (B) and (E) above and (G) below.

**(G)** Reflects adjustments for the following:

	(in millions)
<b>New borrowings:</b>	
4.25% Senior Notes due 2015	\$ 1,000
5.625% Senior Notes due 2019	650
6.75% Senior Notes due 2039	350
Borrowings under our existing revolving credit facility at an assumed current rate of 3.75%	700
<b>Total(1)</b>	<b>\$ 2,700</b>
<b>Repayments:</b>	
ACS Term Loan Facility due March 2013	\$ (1,737)
ACS Revolving Facility due March 2012	(34)
<b>Total repayments:(1)</b>	<b>(1,771)</b>
Estimated fair market value adjustment for the assumed ACS debt that will not be repaid in conjunction with the merger	(4)
<b>Total repayments and fair market value adjustments</b>	<b>\$ (1,775)</b>
<b>Net change in debt</b>	<b>\$ 925</b>
<b>Total change from the unaudited historical balance sheet:</b>	
Current debt portion	\$ (17)
Long-term debt portion	942
<b>Total</b>	<b>\$ 925</b>

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- (1) The cash portion of the acquisition, as well as the repayment of approximately \$1.8 billion of ACS's assumed debt is expected to be funded through a combination of cash on hand, additional borrowings under our existing credit facility and the proceeds from the Senior Notes issued in December 2009. See note (C) in Note 6 Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income for the estimated interest expense related to these borrowings.



**Table of Contents****(H)** Reflects adjustments for the following:

	(in millions)
Payment upon termination of ACS interest rate swaps current portion(1)	\$ (21)
Write-off of the current portion of deferred revenue for which no future service obligation remains(1)(2)	(55)
Reduction of income taxes payable for the tax benefit associated with the bridge term facility costs expected to be expensed(3)	(23)
Reduction of other current liabilities for accrued fees associated with the bridge term facility assumed to be paid in conjunction with the closing of the merger(4)	(25)
To eliminate acquisition related transaction costs including advisory and legal fees accrued in the nine months ended September 30, 2009 assumed to be paid in conjunction with the closing of the merger	(16)
Current portion of accrual for contingent consideration related to previous ACS acquisitions(1)	8
<b>Total</b>	<b>\$ (132)</b>

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- (1) See (I) below for long-term portion.
- (2) After the completion of the merger Xerox's revenue will reflect the decreased valuation of ACS's deferred revenue. Although long-term there will be no continuing impact on the combined operating results, the majority of this deferred revenue would have been recognized by ACS in the next two years. To show the anticipated effect on the condensed combined operating results after the completion of the merger, the historical unaudited pro forma condensed statements of income were also adjusted to reflect the decreased value of ACS's deferred revenue.
- (3) See (N) below.
- (4) See (A) above for acquisition related transaction costs including certain costs related to the bridge term facility.

**(I)** Reflects adjustments for the following:

	(in millions)
Payment upon termination of ACS interest rate swaps long-term portion(1)	\$ (12)
Write-off of the long-term portion of deferred revenue for which no future service obligation remains(1)	(83)
Estimated incremental payments related to the change in control of ACS (excludes \$11 million accrued by ACS as of September 30, 2009)(2)	72
Long-term portion of accrual for contingent consideration related to previous ACS acquisitions(1)	2
<b>Total</b>	<b>\$ (21)</b>

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- (1) See (H) above for current portion.
- (2) The total of \$83 million represents the estimated amount for change in control related payments. This amount is a preliminary estimate and will likely change once the underlying calculations are finalized.

**(J)** Reflects adjustments for the following:

	(in millions)
Issuance of Series A convertible preferred stock	\$ 300
Deferred transaction costs related to the issuance of the preferred stock	(1)
<b>Total</b>	<b>\$ 299</b>



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(K) Reflects adjustments for the stock portion of the merger consideration, at par, and to eliminate ACS's common stock, at par, as follows:

	(in millions)
Issuance of Xerox common stock based on exchange ratio of 4.935 shares for each share of ACS Class A common stock and ACS Class B common stock	\$ 482
Eliminate ACS common stock	(1)
<b>Total</b>	<b>\$ 481</b>

(L) Reflects adjustments for the following:

	(in millions)
To record stock portion of the merger consideration at fair value	\$ 3,812
Par value of stock portion of the merger consideration recorded within common stock(1)	(482)
To record the fair value of stock options that will vest as a result of the merger(2)	198
Eliminate ACS additional paid-in-capital	(1,737)
Capitalized transaction costs related to the issuance of Xerox common stock	(5)
<b>Total</b>	<b>\$ 1,786</b>

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(1) See (K) above.

(2) See (E) above.

(M) To eliminate ACS's treasury stock.

(N) Reflects adjustments for the following:

	(in millions)
Eliminate ACS retained earnings	\$ (2,061)
To record estimated non-recurring costs for remaining Xerox acquisition related transactions costs and certain costs related to the bridge term facility which Xerox does not plan to utilize (excludes \$9 million incurred by Xerox in the nine months ended September 30, 2009)	(101)
Tax benefit of the bridge term facility costs(1)	23
<b>Total</b>	<b>\$ (2,139)</b>

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(1) See (H) above.

(O) To eliminate ACS's accumulated other comprehensive loss.

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**SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or incorporated by reference in this joint proxy statement/prospectus, including those relating to Xerox's and ACS's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as will, should, may, expects, anticipates, intends, plans, believes, estimates and similar expressions, are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this joint proxy statement/prospectus as the Exchange Act. Forward-looking statements include information concerning possible or assumed future results of operations of Xerox and ACS as set forth under The Merger Recommendation of the Xerox Board of Directors; Xerox's Reasons for the Merger, The Merger Recommendation of the ACS Board of Directors; ACS's Reasons for the Merger, The Merger Opinions of Financial Advisors to Xerox, The Merger Opinion of Financial Advisor to ACS, The Merger Opinion of Financial Advisor to the Strategic Transaction Committee, The Merger Xerox Unaudited Prospective Financial Information and The Merger ACS Unaudited Prospective Financial Information. These statements are not historical facts but instead represent only Xerox's and ACS's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include the risk factors set forth above and other market, business, legal and operational uncertainties discussed elsewhere in this document and the documents which are incorporated herein by reference. Those uncertainties include, but are not limited to:

the unprecedented volatility in the global economy;

the risk that the future business operations of Xerox or ACS will not be successful;

the risk that all of the anticipated benefits from the merger will not be realized;

the risk that customer retention and revenue expansion goals for the merger will not be met and that disruptions from the merger will harm relationships with customers, employees and suppliers;

the risk that unexpected costs will be incurred;