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As filed with the Securities and Exchange Commission on July 25, 2003

Registration No. 333-86456 and 333-86456-01 to 333-86456-02

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
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	**16-0468020**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
800 Long Ridge Road **P.O. Box 1600** **Stamford, Connecticut 06904-1600**	**3577**
(Address of Principal Executive Offices)	**(Primary Standard Industrial Classification Code Number)**

Martin S. Wagner, Esq.
Assistant Secretary and Associate General Counsel
Xerox Corporation
800 Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06904-1600
(Name and address of agent for service)

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

Copy to:
Phyllis G. Korff, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square, New York, NY 10036-6522
(212) 735-3000

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, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

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: ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
9 3/4% Senior Notes due 2009	$ 600,000,000	100%	$ 600,000,000	$ 55,200
9 3/4% Senior Notes due 2009	€225,000,000	100%	€225,000,000	$ 18,230(2)
Guarantees	(3)	(3)	(3)	None

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) promulgated under the Securities Act of 1933, as amended.
(2) Calculated using an exchange rate of €1.1355 = $1.00.
(3) Pursuant to Rule 457(n) under the Securities Act, no separate consideration is payable with respect to the guarantees of the new notes being registered.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with

Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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TABLE OF ADDITIONAL GUARANTORS

Name of Subsidiary	Principle Executive Office	Jurisdiction of Incorporation/ Organization	Primary Standard Industrial Classification Code	I.R.S. Employer Identification Number
Xerox International Joint Marketing, Inc.	Same as Xerox Corporation	Delaware	3861	06-1328881
Intelligent Electronics, Inc.	411 Eagleview Blvd., Exton, PA 19341	Pennsylvania	5045	23-2208404

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The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion—Dated July 24, 2003

PRELIMINARY PROSPECTUS

XEROX CORPORATION

EXCHANGE OFFER FOR $600,000,000 PRINCIPAL AMOUNT OF 9 3/4% SENIOR NOTES DUE 2009 AND €225,000,000 PRINCIPAL AMOUNT OF 9 3/4% SENIOR NOTES DUE 2009

OFFER TO EXCHANGE ALL OUTSTANDING 9 3/4% SENIOR NOTES DUE 2009 FOR 9 3/4% SENIOR NOTES DUE 2009 WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

THE EXCHANGE OFFER

We are offering to exchange all our outstanding 9¾% Senior Notes due 2009 that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradable.

You may withdraw tenders of outstanding notes at any time prior to the expiration of the exchange offer.

The exchange offer expires at 5:00 p.m., New York City time (with respect to the Dollar notes) or at 5:00 p.m., Luxembourg time (with respect to the Euro notes), on August , 2003, unless extended. We do not currently intend to extend the expiration date.

We will not receive any proceeds from the exchange offer.

THE EXCHANGE NOTES

The terms of the exchange notes will be substantially identical to those of the outstanding notes, except that the exchange notes will be registered under the Securities Act of 1933, as amended, (the "Securities Act") and will be freely tradable. See the "Description of Notes" section on page 30 for more information about the exchange notes.

RESALES OF EXCHANGE NOTES

There is no existing public market for the outstanding notes or the exchange notes. We have agreed to use our reasonable best efforts to have the notes listed on the Luxembourg Stock Exchange. We do not intend to list the exchange notes on any other securities exchange or seek approval for quotation through any automated trading system. The exchange notes may also be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes. With respect to the Dollar notes, the letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "Underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 20 days after the expiration date of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution" on page 80 of this prospectus.

You should consider carefully the risk factors beginning on page 10 of this prospectus before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is July , 2003.

MARKET SHARE, RANKING AND OTHER DATA

The market share, ranking and other data contained or incorporated by reference in this prospectus are based either on management's own estimates, independent industry publications, reports by market research firms or other published independent sources and, in each case, are believed by management to be reasonable estimates. However, market share data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. In addition, consumption patterns and consumer preferences can and do change. As a result, you should be aware that market share, ranking and other similar data set forth herein, and estimates and beliefs based on such data, may not be reliable.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Our SEC file number is 1-4471. You can read and copy this information at the following locations of the SEC:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

You can also obtain copies of these materials from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. The SEC also maintains a web site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that site is www.sec.gov.

We have filed with the SEC a registration statement on Form S-4 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the exchange notes offered in this prospectus. This prospectus, which forms part of the registration statement, does not contain all of the information that is included in the registration statement. You will find additional information about our company and the exchange notes in the registration statement. Any statements made in this prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

If, for any reason, we are not subject to the reporting requirements of the Exchange Act in the future, we will still be required under the indentures governing the exchange notes to furnish the holders of the exchange notes with certain financial and reporting information. See "Description of Notes—Certain Covenants Applicable At All Times—Reports to Holders" for a description of the information we are required to provide.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus, and information that we subsequently file will automatically update and supersede information in this prospectus and in our other filings

with the SEC. We incorporate by reference the documents listed below, which we have already filed with the SEC, and any future filings under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act, until our offering is completed:

1. Amendment No. 5 to Annual Report on Form 10-K for the year ended December 31, 2001, filed with the SEC on January 27, 2003;
2. Annual Report on Form 10-K for the year ended December 31, 2002, filed with the SEC on March 31, 2003;
3. Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2002, filed with the SEC on June 30, 2003;
4. Amendment No. 1 to Quarterly Report on Form 10-Q for quarter ended March 31, 2002, filed with the SEC on March 27, 2003;
5. Amendment No. 1 to Quarterly Report on Form 10-Q for quarter ended June 30, 2002, filed with the SEC on March 27, 2003;
6. Amendment No. 2 to Quarterly Report on Form 10-Q for quarter ended September 30, 2002, filed with the SEC on March 27, 2003;
7. Quarterly Report on Form 10-Q for quarter ended March 31, 2003, filed with the SEC on April 30, 2003; and
8. Current Reports on Form 8-K dated March 21, 2003, April 21, 2003, April 23, 2003, April 30, 2003, May 12, 2003, June 2, 2003, June 11, 2003, June 19, 2003, June 25, 2003 (four filings), and July 23, 2003 (two filings).

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus modifies or supersedes this statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of these filings, other than an exhibit to a filing, unless that exhibit is specifically incorporated by reference into the filing, at no cost, and a copy of the indentures and the registration rights agreements that we refer to in this prospectus by writing or calling Equiserve Trust Company N.A., P.O. Box 43010, Providence, RI 02940-3010, (800) 828-6396. E-mail at website www.equiserve.com.

To obtain timely delivery of this information, you must request it no later than five (5) business days before August , 2003, the expiration date of the exchange offer.

FORWARD LOOKING STATEMENTS

This prospectus and the documents it incorporates by reference may contain certain statements that are not historical fact and which are deemed to be forward-looking. These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, intended or expected. We do not intend to update these forward-looking statements.

We are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors which could cause actual results to differ materially from those contained in the forward-looking statements. Such factors include, but are not limited to, those discussed in the section that follows the heading “Risk Factors” in this prospectus, as well as those listed under “Forward Looking Statements” in the documents enumerated under “Incorporation of Certain Documents by Reference” including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2002, our Quarterly Report on Form 10-Q for the three months ended March 31, 2003, our Current Reports on Form 8-K dated April 30, 2003 and July 23, 2003 (two filings) and under similarly captioned sections in future filings that we make with the SEC under the Exchange Act.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference into this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus before making an investment decision. All references to "dollars" and "$" are to U.S. Dollars. All references to "euros" and "€" are to European Union Euros.

Xerox Corporation

Xerox Corporation is The Document Company and a leader in the global document market, developing, manufacturing, marketing, servicing and financing a complete range of document equipment, software, solutions and services. We operate in over 130 countries worldwide, and distribute our products in the Western Hemisphere through divisions, wholly-owned subsidiaries and third-party distributors. In Europe, Africa, the Middle East, India and parts of Asia, we distribute our products through Xerox Limited and related companies. We had approximately 64,700 employees at March 31, 2003.

We provide the industry's broadest range of document products, solutions and services. Our products include printing and publishing systems, digital multi-function devices (which can print, copy, scan and fax), digital copiers, laser and solid ink printers, fax machines, document-management software, and supplies such as toner, paper and ink. We also provide software and solutions that can improve document access for mobile workers and help businesses easily print books or create personalized documents for their customers. In addition, we provide a range of comprehensive document management services, such as operating in-house production centers, developing online document repositories and analyzing how customers can most efficiently create and share documents in the office.

We develop document technologies, systems, solutions and services intended to improve our customers' work processes and business results. We deliver value to customers by leveraging our core competencies in technology, document knowledge, global sales and service, brand reputation and value added solutions across our three core markets—high-end production environments, small to large networked offices and services.

Xerox is a New York corporation and our principal executive offices are located at 800 Long Ridge Road, P.O. Box 1600, Stamford, Connecticut 06904-1600. Our telephone number is (203) 968-3000.

Recent Developments

Recapitalization

On June 25, 2003, Xerox completed a $3.6 billion recapitalization (the "Recapitalization") that included the offering and sale of 9.2 million shares of 6.25% Series C Mandatory Convertible Preferred Stock, 46 million shares of Common Stock, $700 million of 7 1/8% Senior Notes due 2010 and $550 million 7 5/8% Senior Notes due 2013 and the effectiveness of Xerox's new $1.0 billion credit agreement (the "2003 Credit Facility"). The foregoing offerings of mandatory convertible preferred stock, common stock and senior notes were made pursuant to Xerox's Registration Statement on Form S-3 (File Nos. 333-101164 and 333-101164-01, -03 and -05 through -13); and Xerox has filed with the SEC final Prospectus Supplements pursuant to Rule 424(b)(2) under the Securities Act of 1933 relating to each of such offerings, and a copy of the 2003 Credit Facility on its Current Report on Form 8-K dated June 25, 2003 (filed June 27, 2003).

Securities and Exchange Commission ("SEC") Investigation

On April 1, 2002, we announced that we had reached a settlement with the SEC on specific accounting methodology and financial disclosure matters previously disclosed that had been under investigation by the SEC since June 2000. As a result, on April 11, 2002, the SEC filed a complaint against us, which we simultaneously settled by consenting to the entry of an Order enjoining us from future violations of Section 17(a) of the Securities Act of 1933, Sections 10(b), 13(a) and 13(b) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, 13a-13 and 13b2-1 thereunder, requiring payment of a civil penalty of $10 million, and imposing other ancillary relief. We neither admitted nor denied the allegations of the complaint. The $10 million civil penalty is included in "Other Expenses, net" in 2002 in our Consolidated Statement of Income. Under the terms of the settlement, in 2002 we restated our financial statements for the years 1997 through 2000.

In addition, as part of the settlement, a special committee of our Board of Directors retained Michael H. Sutton, former Chief Accountant of the SEC, as an independent consultant to review our material accounting controls and policies. Mr. Sutton commenced his review in July 2002. On February 21, 2003, Mr. Sutton delivered his final report ("Sutton Report"), together with observations and recommendations, to members of the special committee. On April 18, 2003 a copy of the Sutton Report and the Audit Committee's recommendation to the Board of Directors regarding such Report was delivered to the Board of Directors and to the SEC. The Board of Directors reported to the SEC the decisions taken by our Board of Directors as a result of the Sutton Report on June 17, 2003. The Board of Directors adopted the Audit Committee's recommendations.

We have a comprehensive ongoing program addressing continued progress in enterprise risk management as well as our process and systems management. We are devoting significant additional resources to this end.

SEC Settlement Reached with Individual Defendants

The SEC announced on June 5, 2003 that it had reached a settlement with several individuals who are former officers of Xerox regarding the same accounting and disclosure matters involved in its investigation of Xerox. Just as we had done in our settlement with the SEC, these individuals neither admitted nor denied wrongdoing and have agreed to pay fines, disgorgement and interest.

Because all of the individuals who settled were officers of Xerox, we were required to pay the disgorgement amounts ($19.4 million including prejudgment interest) and legal fees associated with their settlements. Under the terms of our by-laws, we are required to indemnify officers and directors, including former officers and directors, against any costs, expenses or liabilities that result from acting as an officer or director, including payments made in settlement of proceedings, unless the officers or directors are found guilty of wrongdoing in a court of law. However, the individuals have agreed to pay their own fines. We accrued our indemnification expenses during the second half of 2002 and paid such amounts in June 2003.

Other Litigation

Reference is made to Xerox Corporation's Current Report on Form 8-K dated May 12, 2003 and the "Legal Matters" portion of Note 8 to our Condensed Consolidated Financial Statements ("Litigation, Regulatory Matters and Other Contingencies") for the three months ended March 31, 2003 contained in our Current Report on Form 8-K dated July 23, 2003, for a discussion of the securities law actions and derivative suits concerning our accounting methodology, accounting practices and related financial and other disclosure matters.

The Exchange Offer

Issuer	Xerox Corporation ("Xerox" or the "Company").
Securities Offered	$600,000,000 aggregate principal amount of new 9¾% Senior Notes due 2009 (the "Dollar notes") and €225,000,000 aggregate principal amount of new 9¾% Senior Notes due 2009 (the "Euro notes" and together with the Dollar notes, the "exchange notes"), all of which have been registered under the Securities Act. The terms of the exchange notes offered in the exchange offer are substantially identical to those of the outstanding notes, except that certain transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes do not apply to the exchange notes.
The Exchange Offer	We are offering to issue registered exchange notes in exchange for a like principal amount and like denomination of our outstanding notes. We are offering to issue these registered exchange notes to satisfy our obligations under the registration rights agreements that we entered into with the initial purchasers of the outstanding notes when we sold them in a transaction that was exempt from the registration requirements of the Securities Act. You may tender your outstanding notes for exchange by following the procedures described under the heading "The Exchange Offer."
Expiration Date; Withdrawal	The exchange offer will expire at 5:00 p.m., New York City time (with respect to the Dollar notes), and at 5:00 p.m., Luxembourg time (with respect to the Euro notes), on August , 2003, unless we extend the exchange offer. If you decide to exchange your outstanding notes for exchange notes, you must acknowledge that you are not engaging in, and do not intend to engage in, a distribution of the exchange notes. You may withdraw any notes that you tender for exchange at any time prior to 5:00 p.m., New York City time (with respect to the Dollar Notes), and prior to 5:00 p.m., Luxembourg time (with respect to the Euro Notes), on August , 2003. If we decide for any reason not to accept any notes you have tendered for exchange, those notes will be returned without cost to you promptly after the expiration or termination of the exchange offer. See "Exchange Offer—Terms of the Exchange Offer" for a more complete description of the tender and withdrawal provisions.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, including that the exchange offer not violate applicable law or any applicable interpretation of the staff of the SEC. This exchange offer is not conditioned upon any minimum principal amount of the outstanding notes being tendered.
U.S. Federal Income Tax Consequences	Your exchange of outstanding notes for exchange notes in the exchange offer will not result in any gain or loss to you for U.S. federal income tax purposes. See "Certain United States Federal Income Tax Considerations."

Use of Proceeds	We will not receive any proceeds from the exchange offer.
Exchange Agents	Wells Fargo Bank Minnesota, N.A. (“Wells Fargo”) is serving as the exchange agent for the Dollar notes and Deutsche Bank AG London (“Deutsche Bank AG”) is serving as the exchange agent for the Euro notes. The addresses and telephone numbers of the exchange agents are set forth under “The Exchange Offer—Exchange Agents”.
Procedures for Tendering Outstanding Dollar Notes	If you wish to tender your Dollar notes for exchange in this exchange offer, you must transmit to Wells Fargo on or before 5:00 p.m., New York City time, on the expiration date either: • an original or a facsimile of a properly completed and duly executed copy of the letter of transmittal which accompanies this prospectus, together with your outstanding notes and any other documentation required by the letter of transmittal, at the address provided on the cover page of the letter of transmittal; or • if the notes you own are held of record by The Depositary Trust Company (“DTC”) in book-entry form and you are making delivery by book-entry transfer, a computer-generated message transmitted by means of DTC’s Automated Tender Offer Program System (“ATOP”) in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by Wells Fargo, will form a part of a confirmation of book-entry transfer. As part of the book-entry transfer, DTC will facilitate the exchange of your notes and update your account to reflect the issuance of the exchange notes to you. ATOP allows you to electronically transmit your acceptance of the exchange offer to DTC instead of physically completing and delivering a letter of transmittal to Wells Fargo.
Special Procedures for Beneficial Owners	If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or outstanding notes in the exchange offer, you should contact the person in whose name your book-entry interests or outstanding notes are registered promptly and instruct that person to tender on your behalf.
Guaranteed Delivery Procedures for Dollar Notes	If you wish to tender your outstanding Dollar notes and: • time will not permit your outstanding Dollar notes or other required documents to reach Wells Fargo by the expiration date; or

- the procedure for book-entry transfer cannot be completed on time;

you may tender your outstanding Dollar notes by completing a notice of guaranteed delivery and complying with the guaranteed delivery procedures. Guaranteed delivery procedures are not available for Euro notes.

Procedures for Tendering Outstanding Euro Notes

The Euro notes do not require a letter of transmittal for acceptance in the exchange offer.

To tender your book-entry interests in outstanding Euro notes on the records of Euroclear or Clearstream, Luxembourg ("Clearstream"), you must contact Euroclear or Clearstream, as applicable, to arrange to block your account with the outstanding Euro notes. In lieu of delivering a letter of transmittal to Deutsche Bank AG, you must notify Euroclear or Clearstream, as the case may be, to deliver to Deutsche Bank AG prior to 5:00 p.m., Luxembourg time, on the expiration date, a computer-generated message, in which you acknowledge and agree to be bound by the terms of the prospectus.

Consequences of Failure to Exchange

Outstanding notes that are not tendered or that are tendered but not accepted will continue to be subject to the restrictions on transfer that are described in the legend on those notes. In general, you may offer or sell your outstanding notes only if they are registered under, or offered or sold under an exemption from, the Securities Act and applicable state securities laws. We, however, will have no further obligation to register the outstanding notes. If you do not participate in the exchange offer, the liquidity of your notes could be adversely affected.

Consequences of Exchanging Your Notes

Based on interpretations of the staff of the SEC, we believe that you may offer for resale, resell or otherwise transfer the exchange notes that we issue in the exchange offer without complying with the registration and prospectus delivery requirements of the Securities Act if you:

- acquire the exchange notes issued in the exchange offer in the ordinary course of your business;
- are not participating, do not intend to participate, and have no arrangement or understanding with anyone to participate, in the distribution of the exchange notes issued to you in the exchange offer; and
- are not an "affiliate" of Xerox as defined in Rule 405 of the Securities Act.

If any of these conditions is not satisfied and you transfer any exchange notes issued to you in the exchange offer without delivering a proper prospectus or without qualifying for a registration exemption, you may incur liability under the Securities Act. We will not be responsible for or indemnify you against any liability you may incur.

Any broker-dealer that acquires exchange notes in the exchange offer for its own account in exchange for outstanding notes, which it acquired through market-making or other trading activities, must acknowledge that it will deliver a prospectus when it resells or transfers any exchange notes. See “Plan of Distribution” for a description of the prospectus delivery obligations of broker-dealers in the exchange offer.

The Exchange Notes

The terms of the exchange notes and those of the outstanding notes are identical in all material respects, except:

(1) the exchange notes will be registered under the Securities Act;

(2) the exchange notes will not contain transfer restrictions and registration rights that relate to the outstanding notes; and

(3) the exchange notes will not contain provisions relating to the payment of additional interest to be made to the holders of the outstanding notes under circumstances related to the timing of the exchange offer.

The exchange notes represent the same debt as the outstanding notes. Both the outstanding notes and the exchange notes are governed by the same indentures. We use the term "notes" in this prospectus to collectively refer to the outstanding notes and the exchange notes. A brief description of the terms of the exchange notes follows:

Issuer	Xerox Corporation.
Securities Offered	$600,000,000 aggregate principal amount of 9 3/4% senior notes due 2009 and €225,000,000 aggregate principal amount of 9 3/4% senior notes due 2009.
Maturity	January 15, 2009.
Interest Payment Dates	January 15 and July 15.
Ranking	The notes are our unsecured senior obligations and rank senior to our existing and future subordinated debt. The notes are effectively subordinated to all our secured debt and structurally subordinated to the debt of our subsidiaries that are not guarantors. See "Description of Notes." At June 30, 2003, we had $11.8 billion of debt (including $7.5 billion of our subsidiaries debt) of which $4.5 billion was secured, $1.7 billion of mandatorily redeemable preferred securities outstanding, and cash and cash equivalents of $2.3 billion.
Optional Redemption	We cannot redeem the notes unless we pay a make-whole redemption premium to noteholders. See "Description of Notes—Optional Redemption."
Change of Control Offer	If we undergo a change of control, we must give holders of the notes the opportunity to sell us their notes at 101% of their face amount, plus accrued interest.

We might not be able to pay you the required price for notes you present to us at the time of a change of control, because:

- we might not have enough funds at that time; or
- the terms of our debt instruments may prevent us from paying.

Subsidiary Guarantees	The exchange notes will be fully and unconditionally guaranteed on an unsecured senior basis by certain of our restricted subsidiaries. If we fail to make payments on the exchange notes, our subsidiaries that are guarantors must make them instead. See “Description of Notes—Subsidiary Guarantees.”
Certain Indenture Provisions	The indentures governing the notes contain covenants limiting our (and most or all of our subsidiaries’) ability to: • incur additional debt; • make restricted payments (including paying dividends on our capital stock or redeeming or repurchasing our capital stock or subordinated obligations); • make investments; • make asset sales; • enter into agreements that restrict, among other things, dividends from restricted subsidiaries; • grant liens on our assets; • engage in transactions with affiliates; and • merge or consolidate or transfer substantially all of our assets. These covenants are subject to a number of important and significant limitations and exceptions. In addition, most of these covenants will be suspended during any time that the notes have investment grade ratings by both Moody’s and S&P. However, such covenants will apply and such suspension period will no longer be in effect if and when the notes cease to have investment grade ratings by both Moody’s and S&P.
Exchange Offer; Registration Rights	We had agreed to use our reasonable best efforts to complete the offer to exchange the outstanding notes for the exchange notes no later than February 16, 2003 (representing 395 days from the date of issuance of the notes). In addition, we agreed to file a “shelf registration statement” that would allow some or all of the notes to be offered to the public. We also agreed that if we failed to fulfill our obligations with respect to the registration of the notes, a registration default would have been deemed to have occurred and, the annual interest rate on the notes would increase by 0.25% for the first ninety days. The annual interest rate on the notes would increase by an additional 0.25% for the subsequent 90 day period during which the registration default continues, up to a maximum additional annual interest rate of 0.50% over the interest rate applicable to the notes (or 10.25%). Upon correction of the registration default, the interest rate on the notes will revert to the original level.

	As a result of our not completing the exchange offer, on February 16, 2003, the interest rate on the notes increased by 0.25% on February 17, 2003, and increased by an additional 0.25% on April 18, 2003 to 10.25%. Upon completion of this exchange offer, the interest rate on the notes will revert to the original level of 9 3/4%. We have paid and will continue to pay the additional interest to the holders in cash on the same dates that we make other interest payments on the notes, until we correct the registration default. Upon consummation of the exchange offer, holders of outstanding notes will no longer have any rights under the registration rights agreements, except to the extent that we have continuing obligations to file a shelf-registration statement.
Absence of a Public Market for the Exchange Notes	The exchange notes generally will be freely transferable, but they will also be new securities for which there will be no established market. Accordingly, we cannot assure you as to the development or liquidity of any market for the exchange notes. We have agreed to use our reasonable best efforts to have the notes listed on the Luxembourg Stock Exchange. Certain of the initial purchasers, including the joint book-running managers, have advised us that they intend to make a market in the exchange notes. However, they are not obligated to do so, and they may discontinue any market making in the notes at any time without notice.
Use of Proceeds	We will not receive any proceeds from the exchange offer.
Risk Factors	Investing in the notes involves substantial risks. See “Risk Factors” for a description of certain of the risks you should consider before investing in the notes.
Original Issue Discount	The outstanding notes have been issued at an original issue discount (“OID”) for U.S. federal income tax purposes. In each tax year during which a note is held, a U.S. Holder (regardless of its accounting method) must generally include in gross income the portion of the OID that accrued during such period, determined by using a constant yield to maturity method that reflects compounding of interest. See “Certain United States Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—Original Issue Discount.” There will be foreign exchange gain or loss implications with respect to the Euro notes. See “Certain United States Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—Payment of Interest on Euro Notes.”

You should carefully consider the information under the caption “Risk Factors” and all other information in this prospectus before making a decision on whether to participate in the exchange offer.

RISK FACTORS

You should carefully consider the risks described below, the other information set forth in this prospectus and the documents incorporated by reference before making an investment decision. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. We cannot assure you that any of the events discussed in the risk factors below will not occur. If they do, our business, results of operations or financial condition could be materially adversely affected. In such an instance, the trading price of our securities, including the notes, could decline and you might lose all or part of your investment.

Risks Related to Our Business

We need to successfully develop and market new product lines in order to maintain our market share.

Presently, black and white light-lens copiers represent between 15-20% of our revenues. This segment of the market is mature with anticipated declining industry revenues as the market transitions to digital technology. Some of our new digital products replace or compete with our current light-lens equipment. Changes in the mix of products from light-lens to digital, and the pace of that change, as well as competitive developments, could cause actual results to vary from those expected.

Color printing and copying represent an important and growing segment of the market. Printing from computers has both facilitated and increased the demand for color. A significant part of our strategy and ultimate success in this changing market is our ability to develop and market technology that produces color prints and copies quickly, easily and at reduced cost. Our continuing success in this strategy depends on our ability to make the investments and commit the necessary resources in this highly competitive market, as well as the pace of color adoption by our existing and prospective customers. If we are unable to develop and market alternative offerings in digital and color technologies, we may lose market share which could have a material adverse effect on our operating results.

We face significant challenges as we complete previously announced restructuring initiatives, and our failure to meet those challenges can harm both our performance and the value of our securities.

Since early 2000, we have engaged in a series of restructuring programs related to downsizing our employee base, exiting certain businesses, outsourcing some internal functions and engaging in other actions designed to reduce our cost structure. These initiatives have resulted in more than $1 billion in annualized cost savings in 2002 compared to 2000 levels. Our restructuring program, which we implemented in the fourth quarter of 2002, included additional plans to generate cash and more profitable revenue, as well as pay down debt, and, together with actions taken under our broad-based turnaround program in 2002, is expected to contribute up to an additional $400 million of annualized cost savings. There can be no assurance that we will be able to realize these additional cost savings. The primary challenge we face in realizing these cost savings is maintaining our cost structure to support ongoing operations as planned at the time such actions were taken. If we fail to meet these challenges and fail to realize these cost savings, our results of operations may be adversely affected.

If we are unable to continue to sustain our cost base at or below the current level, transition customer equipment financing to third parties and maintain process and systems changes resulting from restructuring actions, there could be a material adverse effect on our operating results.

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

We operate in an environment of significant competition, driven by rapid technological advances and the demands of customers to become more efficient. Our competitors range from large international companies to relatively small firms. Some of the large international companies have significant financial resources and

compete with us globally to provide document processing products and services in each of the markets we serve. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, distribution and customer service and support. Our success in future performance is largely dependent upon our ability to compete successfully in the markets we currently serve and to expand into additional market segments. To remain competitive, we must develop new products and services and periodically enhance our existing offerings. If we are unable to compete successfully, we could lose market share and important customers to our competitors and that could adversely affect our results of operations and financial condition.

Our profitability is dependent upon our ability to obtain adequate pricing for our products and to maintain an efficient operation.

Our success depends on our ability to obtain adequate pricing for our products and services which provides a reasonable return to our shareholders. Depending on competitive market factors, future prices we obtain for our products and services may decline from historical levels. In addition, pricing actions to offset the effect of currency devaluations may not prove sufficient to offset further devaluations or may not hold in the face of customer resistance and/or competition.

Our ability to sustain and improve profit margins is largely dependent on our ability to continue to improve the cost efficiency of our operations. If we are unable to achieve productivity improvements through process re-engineering, design efficiency and supplier and manufacturing cost improvements, our ability to offset labor cost inflation, potential materials cost increases and competitive price pressures would be impaired, all of which could materially adversely affect the profitability of our business.

Our current credit ratings allow us only limited access to capital markets, which may impact our ability to fund our customer financing activities and repay maturing debt and other obligations.

Prior to 2002, we financed approximately 80% of our equipment sales. To fund these arrangements, we accessed the credit markets and used cash generated from operations. The long-term viability and profitability of our customer financing activities is dependent, in part, on our ability to borrow and the cost of borrowing in the credit markets. This ability and cost, in turn, is dependent on our credit ratings. We are currently funding our customer financing activity from an eight-year agreement we completed with General Electric Capital Corporation (“GECC”) in the U.S., other third-party financing arrangements, cash generated from operations, as well as from cash on hand, unregistered capital markets offerings and securitizations. There is no assurance that we will be able to continue to fund our customer financing activity at present levels. We continue to negotiate and implement third-party vendor financing programs and securitizations of portions of our existing finance receivable portfolios and we continue to actively pursue alternative forms of financing including securitizations and secured borrowings. These initiatives are expected to improve our liquidity going forward. Our ability to continue to offer customer financing and be successful in the placement of equipment with customers is largely dependent upon successful completion of our third party financing initiatives.

The adequacy of our liquidity depends on our ability to successfully generate positive cash flow from an appropriate combination of operating improvements, financing from third parties, access to capital markets and additional asset sales, including sales or securitizations of our receivables portfolios. We believe our liquidity (including operating and other cash flows that we expect to generate) will be sufficient to meet operating cash flow requirements as they occur and to satisfy all scheduled debt maturities for at least the next twelve months; however, our ability to maintain positive liquidity going forward is highly dependent on achieving our expected operating results, including capturing the benefits from restructuring activities, and continuing to complete announced vendor financing and other initiatives. There is no assurance that these initiatives will be successful. Failure to successfully complete these initiatives could have a material adverse effect on our liquidity and our operations, and could require us to consider further measures, including deferring planned capital expenditures, reducing discretionary spending, selling additional assets and, if necessary, restructuring existing debt. Failure to successfully complete these initiatives could also negatively impact our ability to fund our customer financing activities and repay maturing debt and other obligations.

Any failure to be in compliance with any material provision or covenant of our credit facility or the indentures governing our senior notes could have a material adverse effect on our liquidity and our operations.

The 2003 Credit Facility contains affirmative and negative covenants including limitations on issuance of debt and preferred stock; certain fundamental changes; investments and acquisitions; mergers; certain transactions with affiliates; creation of liens; asset transfers; hedging transactions; payment of dividends and certain other payments; intercompany loans. The 2003 Credit Facility contains additional financial maintenance covenants, including minimum EBITDA, as defined, maximum leverage (total adjusted debt divided by EBITDA), annual maximum capital expenditures limits and minimum consolidated net worth, as defined. The indentures governing our outstanding senior notes contain several affirmative and negative covenants. The senior notes do not, however, contain any financial maintenance covenants. In October 2002, we entered into an Amended and Restated Loan Agreement with GECC relating to our eight-year vendor financing program with GECC (the "Loan Agreement"). The Loan Agreement provides for a series of monthly secured loans up to $5.0 billion outstanding at any one time. The Loan Agreement incorporates the financial maintenance covenants contained in the 2003 Credit Facility, and contains other affirmative and negative covenants.

We are, and expect to remain, in full compliance with the covenants and other provisions of the 2003 Credit Facility, the outstanding senior notes and the Loan Agreement for at least the next twelve months. Any failure to be in compliance with any material provision or covenant of our credit facility or the senior notes could have a material adverse effect on our liquidity and operations. Failure to be in compliance with the covenants in the Loan Agreement, including the financial maintenance covenants incorporated from the 2003 Credit Facility would result in an event of termination under the Loan Agreement and in such case GECC would not be required to make further loans to us. If GECC were to make no further loans to us, it would materially adversely affect our liquidity and our ability to fund our customers' purchases of our equipment and this could materially adversely affect our results of operations.

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

We derive approximately 40% of our revenue from operations outside of the United States. In addition, we manufacture or acquire many of our products and/or their components outside the United States. Our future revenue, cost and results from operations could be adversely affected by a number of factors, including changes in foreign currency exchange rates, changes in economic conditions from country to country, changes in a country's political conditions, trade protection measures, licensing requirements and local tax issues. Our ability to enter into new foreign exchange contracts to manage foreign exchange risk is currently limited given our below investment grade credit ratings. Despite our current credit ratings, we have been able to restore a significant level of currency derivative capacity. Although we are still unable to hedge all of our current currency exposures, we are utilizing the reestablished capacity to hedge currency exposures primarily related to foreign currency denominated debt. We anticipate continued volatility in our results of operations due to market changes in interest rates and foreign currency rates which we are currently unable to hedge.

If we fail to successfully develop new technologies, we may be unable to retain and gain customers and our revenues would be reduced.

The process of developing new high technology products and solutions is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in products that achieve customer acceptance and generate the revenues required to provide desired returns from these investments. If we fail to accurately anticipate and meet our customers' needs through the development of new products or if our new products are not widely accepted, we could lose our customers and our revenues could be significantly reduced.

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

We have various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being a defendant in numerous litigation and regulatory matters involving securities law, patent law, environmental law, employment law and ERISA, as discussed in Note 8 to our Consolidated Financial Statements for the three months ended March 31, 2003, included in our Current Report on Form 8-K dated July 23, 2003 which is incorporated by reference herein. As required by Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies," we determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We analyze our litigation and regulatory matters based on available information to assess potential liability. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. We recently recorded a litigation charge of $183 million (after-tax) in connection with a case brought against our primary U.S. pension plan for salaried employees. We recorded the charge subsequent to reviewing the probability of a favorable outcome to us following the oral argument of the Plan's appeal to the Seventh Circuit Court of Appeals. Should developments in any of our other legal matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Our operating results may be negatively impacted by revenue trends.

Our ability to return to and maintain a consistent trend of revenue growth over the intermediate to longer term is largely dependent upon expansion of our worldwide equipment placements, as well as sales of services and supplies occurring after the initial equipment placement (post sale revenue) in the key growth markets of color and multi-function devices. We expect that revenue growth can be further enhanced through our consulting services in the areas of document, content and knowledge management. The ability to achieve growth in our equipment placements is subject to the successful implementation of our initiatives to provide advanced systems, industry-oriented global solutions and services for major customers, improved direct sales productivity and expansion of our indirect distribution channels in the face of global competition and pricing pressures. Our ability to increase post sale revenue is largely dependent on our ability to increase equipment placements, equipment utilization and color adoption. Equipment placements typically occur through leases with original terms of three to five years. Our leases generate post sale revenue. Once equipment placements start to increase, there will be a lag before post sale revenues also start to increase. The ability to grow our customers' usage of our products may continue to be adversely impacted by the movement towards distributed printing and electronic substitutes and the impact of lower equipment placements in prior periods. If we are unable to return to and maintain a consistent trend of revenue growth, there could be a material adverse effect on our revenues and operating results.

Risks Related to the Notes

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

We have and will continue to have a substantial amount of debt and other obligations. As of June 30, 2003, we had $11.8 billion of debt, of which $4.5 billion was secured, $1.7 billion of mandatorily redeemable preferred securities outstanding and cash and cash equivalents of $2.3 billion.

Our substantial debt and other obligations could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;

- limit our ability to obtain additional financing for future working capital, capital expenditures, acquisitions and other general corporate requirements;
- increase our vulnerability to interest rate fluctuations because a significant portion of our debt has variable interest rates;
- require us to dedicate a substantial portion of our cash flow from operations on our debt and other obligations thereby reducing the availability of our cash flow from operations for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- become due and payable upon a change of control.

If new debt is added to our current debt levels, these related risks could increase.

The indentures governing our senior notes, and the agreement governing the 2003 Credit Facility contain, and certain of our future financing agreements are expected to contain, various covenants which limit the discretion of our management in operating our business and could prevent us from engaging in some beneficial activities.

The indentures governing our outstanding senior notes and the agreement governing the 2003 Credit Facility limit our ability to, among other things, issue debt and preferred stock, retire debt early, make investments and acquisitions, merge, engage in certain transactions with affiliates, create or permit to exist liens, transfer assets, enter into hedging transactions and pay dividends on our common stock. The 2003 Credit Facility generally will not affect our ability to continue to monetize finance receivables under the agreements with GECC and others.

Although the terms of the indentures governing our outstanding senior notes restrict our ability to incur additional debt to fund significant acquisitions and restricted payments, the indentures permit us and certain of our subsidiaries to incur debt in the ordinary course and in other circumstances. The indentures prohibit us from refinancing the 7 1/2% convertible trust preferred securities that we issued in the trust preferred offering in November 2001 if these securities are put to us in December 2004, other than with our equity or junior subordinated debentures or with cash that may be available pursuant to the restricted payments covenant.

The notes are unsecured and are effectively subordinated to our secured indebtedness.

If Xerox or the guarantors become insolvent or are liquidated, or if payment under any of our secured debt or the guarantors' secured debt obligations is accelerated, the secured lenders would be entitled to exercise the remedies available to a secured lender under applicable law and will have a claim on those assets before the holders of our senior notes that are unsecured. As a result, the notes and related guarantees are effectively subordinated to our and the guarantors' secured indebtedness to the extent of the value of the assets securing that indebtedness or the amount of indebtedness secured by those assets. Therefore, the holders of the notes may recover ratably less than the lenders of our secured debt in the event of our or the guarantors' bankruptcy or liquidation. At June 30, 2003, we had $4.5 billion of secured debt on a consolidated basis, of which $0.3 billion was secured debt of Xerox and the guarantors. However, in the future, we may be able to refinance our unsecured debt with secured debt, so the amount of assets available to unsecured creditors may decrease.

Your right to receive payments on the notes could be adversely affected if any of our Non-guarantor subsidiaries declares bankruptcy, liquidates or reorganizes.

In the event of a bankruptcy, liquidation or reorganization of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us or the guarantors. As of June 30, 2003, Xerox Corporation and our non-guarantor subsidiaries combined had $11.8 billion of outstanding indebtedness. Our non-guarantor subsidiaries may incur substantial additional indebtedness.

Federal and state statutes may allow courts to further subordinate or void the guarantees. Federal and state statutes allow courts, under specific circumstances, to void or subordinate guarantees and require note holders to return payments received from guarantors.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee (1) issued the guarantee with the intent of hindering, delaying or defrauding any current or future creditor or contemplated insolvency with a design to favor one or more creditors to the total or partial exclusion of other creditors, or (2) received less than reasonably equivalent value or fair consideration for issuing its guarantee and:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that neither we nor the guarantors are insolvent, have unreasonably small capital for the business in which we are engaged or have incurred debts beyond the ability of each of us to pay such debts as they mature. However, we cannot assure you as to what standard a court would apply in making such determination or that a court would agree with our conclusions in this regard.

We may not be able to purchase your notes upon a change of control.

Upon the occurrence of specified "change of control" events, we will be required to offer to purchase each holder's notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. We may not have sufficient financial resources to purchase all of the notes that holders tender to us upon a change of control offer. The occurrence of a change of control could also constitute an event of default under any of our future debt agreements. See "Description of Notes—Change of Control."

In bankruptcy, your claim could be reduced by unamortized original issue discount.

If a bankruptcy case is commenced by, or against us, under the United States Bankruptcy Code of 1978, as amended, the claim of a holder of notes with respect to the principal amount thereof may be limited to an amount equal to the sum of (i) the issue price of the notes as set forth on the cover page hereof and (ii) that portion of the original issue discount (as determined on the basis of such issue price) which is not deemed to constitute "unmatured interest" for purposes of the U.S. Bankruptcy Code. Any original issue discount that was not amortized as of any such bankruptcy filing could constitute "unmatured interest."

Your outstanding notes will not be accepted for exchange if you fail to follow the exchange offer procedures.

We will not accept your outstanding notes for exchange if you do not follow the exchange offer procedures. We will issue exchange notes as part of this exchange offer only after a timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal (in the case of the Dollar notes) and all other required documents. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. If we do not receive your outstanding notes, letter of transmittal (in the case of the Dollar notes) and other required documents by the expiration date of the exchange offer or you do not otherwise comply with the guaranteed delivery procedures for tendering your dollar notes, we will not accept your outstanding notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange. If there are defects or irregularities with respect to your tender of outstanding notes, we will not accept your outstanding notes for exchange unless we decide in our sole discretion to waive such defects or irregularities.

If you do not exchange your outstanding notes, they will continue to be subject to the existing transfer restrictions and you may not be able to sell them.

We did not register the outstanding notes, nor do we intend to do so following the exchange offer. Outstanding notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. As a result, if you hold outstanding notes after the exchange offer, you may not be able to sell them, To the extent any outstanding notes are tendered and accepted in the exchange offer, the trading market, if any, for the outstanding notes that remain outstanding after the exchange offer may be adversely affected due to a reduction in market liquidity.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer.

SELECTED FINANCIAL DATA

The following selected consolidated financial data, insofar as it relates to each of the years 1998 through 2002, has been derived from our annual financial statements, including the consolidated balance sheets at December 31, 2002 and 2001 and the related consolidated statements of income and of cash flows for the three years ended December 31, 2002 and notes thereto which are incorporated by reference in this prospectus. The data for the three months ended March 31, 2003 and 2002 has been derived from unaudited condensed consolidated financial statements also incorporated by reference in this prospectus and which, in the opinion of management, include all adjustments necessary for a fair statement of the results for the unaudited interim periods. You should read the information below together with our consolidated financial statements and the related notes thereto, incorporated by reference in this prospectus.

	For the Three Months Ended March 31,		For the Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(Dollars in millions, except per share data)						
Results of Operations							
Total revenues	$ 3,757	$ 3,858	$ 15,849	$ 17,008	$ 18,751	$ 18,995	$ 18,777
Gross profit	$ 1,575	$ 1,582	$ 6,721	$ 6,501	$ 7,020	$ 8,031	$ 8,325
Research and development expenses	236	230	917	997	1,064	1,020	1,045
Selling, administrative and general expenses	1,020	1,169	4,437	4,728	5,518	5,204	5,314
Restructuring and asset impairment charges	8	146	670	715	475	12	1,506
Gain on sale of half of interest in Fuji Xerox	—	—	—	(773)	—	—	—
Gain on sale of China operations	—	—	—	—	(200)	—	—
Provision for litigation	300	—	—	—	—	—	—
Other, net	121	98	445	440	530	507	473
(Loss) income before income taxes (benefits), equity income, minorities' interests, discontinued operations and cumulative effect of change in accounting principle (1)	$ (110)	$ (61)	$ 252	$ 394	$ (367)	$ 1,288	$ (13)
(Loss) income from continuing operations before cumulative effect of change in accounting principle (1)	$ (65)	$ (51)	$ 154	$ (92)	$ (273)	$ 844	$ 23
Loss from discontinued operations	—	—	—	—	—	—	(190)
Cumulative effect of change in accounting principle	—	(63)	(63)	(2)	—	—	—
Net (loss) income (1)	(65)	(114)	91	(94)	(273)	844	(167)
Preferred stock dividends, net	(10)	—	(73)	(12)	(46)	(46)	(46)
(Loss) income available to common shareholders	$ (75)	$ (114)	$ 18	$ (106)	$ (319)	$ 798	$ (213)
Basic Earnings per Share: (1) (2)							
(Loss) income from continuing operations before cumulative effect of change in accounting principle	$ (0.10)	$ (0.07)	$ 0.11	$ (0.15)	$ (0.48)	$ 1.20	$ (0.03)
Loss from discontinued operations	—	—	—	—	—	—	(0.29)
Cumulative effect of change in accounting principle	—	(0.09)	(0.09)	—	—	—	—
Net (loss) earnings per share	$ (0.10)	$ (0.16)	$ 0.02	$ (0.15)	$ (0.48)	$ 1.20	$ (0.32)
Diluted Earnings per Share: (1) (2)							
(Loss) income from continuing operations before cumulative effect of change in accounting principle	$ (0.10)	$ (0.07)	$ 0.10	$ (0.15)	$ (0.48)	$ 1.17	$ (0.03)
Loss from discontinued operations	—	—	—	—	—	—	(0.29)
Cumulative effect of change in accounting principle	—	(0.09)	(0.08)	—	—	—	—
Net (loss) earnings per share	$ (0.10)	$ (0.16)	$ 0.02	$ (0.15)	(0.48)	1.17	$ (0.32)
Common stock dividends declared	$ —	$ —	$ —	$ 0.05	$ 0.65	$ 0.80	$ 0.72

	As of March 31,		As of December 31,				
	2003	2002	2002	2001	2000	1999	1998
			(Dollars in millions)				
Financial Position:							
Cash and cash equivalents	$ 3,035	$ 4,747	$ 2,887	$ 3,990	$ 1,750	$ 132	$ 79
Total assets	25,345	27,647	25,458	27,645	28,253	27,803	27,775
Working capital	3,095	3,556	3,232	2,613	4,928	2,965	2,959
Short-term debt	5,122	6,704	4,377	6,637	3,080	4,626	4,221
Long-term debt	9,193	10,695	9,794	10,107	15,557	11,521	11,104
Total debt	14,315	17,399	14,171	16,744	18,637	16,147	15,325
Other long-term obligations	4,121	3,585	3,702	3,524	3,122	3,219	4,003
Company-obligated, mandatorily redeemable preferred securities of subsidiary trusts holding solely subordinated debentures of the Company	1,708	1,691	1,701	1,687	684	681	679
Preferred stock	536	593	550	605	647	669	687
Deferred ESOP benefits	(42)	(135)	(42)	(135)	(221)	(299)	(370)
Common shareholders' equity	1,771	1,622	1,893	1,797	1,801	2,953	3,026
Supplemental Data:							
Depreciation and amortization	$ 199	$ 319	$ 1,035	$ 1,332	$ 1,244	$ 1,090	$ 1,708
Ratio of earnings to fixed charges (3)	—	—	1.14x	1.33x	—	2.22x	—
Ratio of earnings to combined fixed charges and preferred stock dividends (4)	—	—	1.06x	1.32x	—	2.11x	—

(1) Income (loss) before income taxes (benefits), equity income, minorities' interests, discontinued operations and cumulative effect of change in accounting principle; Income (loss) from continuing operations before cumulative effect of change in accounting principle; Net income (loss), as well as Basic and Diluted Earnings per share beginning with the year ended December 31, 2002, exclude the effect of amortization of goodwill in accordance with the adoption of Statement of Financial Accounting Standard No. 142. For additional information regarding the adoption of this standard and its effects on Net income (loss) and Earnings (loss) per share, refer to Note 1 to the Consolidated Financial Statements incorporated by reference in our Current Report on Form 8-K dated April 30, 2003.

(2) Basic and Diluted Earnings per share is determined using income or loss available to common shareholders, which is calculated as net income (loss) less accrued preferred stock dividends, net of tax. Refer to Note 18 to the Consolidated Financial Statements incorporated by reference in our Current Report on Form 8-K dated April 30, 2003.

(3) Earnings for the three months ended March 31, 2003 and 2002, as well as the years ended December 31, 2000 and 1998 were inadequate to cover fixed charges. The coverage deficiencies were $145 million, $97 million, $385 million and $22 million, respectively. Refer to Exhibit 12 in our 2002 Form 10-K for an explanation of these ratios, as well as the detailed calculations for each of the years presented. Similarly, refer to Exhibit 12 to our Form 10-Q for the three months ended March 31, 2003 for the interim periods presented above.

(4) Earnings for the three months ended March 31, 2003 and 2002, as well as for the years ended December 31, 2000 and 1998 were inadequate to cover combined fixed charges and preferred stock dividends. The coverage ratio deficiencies were $155 million, $97 million, $438 million and $78 million, respectively. Refer to Exhibit 12 in our 2002 Form 10-K for an explanation of these ratios, as well as the detailed calculations for each of the years presented. Similarly, refer to Exhibit 12 to our Form 10-Q for the three months ended March 31, 2003 for the interim periods presented above.

THE EXCHANGE OFFER

Reasons for the Exchange Offer

Xerox and the initial purchasers entered into registration rights agreements in connection with the issuance of the outstanding notes. The registration rights agreements provide that we would take the following actions at our expense, for the benefit of the holders of the notes:

- file the exchange offer registration statement, of which this prospectus is a part. The exchange notes will have terms substantially identical in all material respects to the outstanding notes except that the exchange notes will not contain transfer restrictions;
- cause the exchange offer registration statement to be declared effective under the Securities Act by January 17, 2003; and
- keep the exchange offer open for at least 20 business days, or longer if required by applicable law, after the date on which notice of the exchange offer is mailed to the holders.

The holder of each outstanding note surrendered in the exchange offer will receive an exchange note having a principal amount equal to that of the surrendered note. Interest on each exchange note will accrue from the later of (1) the last interest payment date on which interest was paid on the outstanding note surrendered or (2) if no interest has been paid on the outstanding note, from January 17, 2002.

If:

- because of any change in law or in currently prevailing interpretations of the staff of the SEC, we are not permitted to effect an exchange offer;
- the exchange offer was not consummated by February 16, 2003;
- in certain circumstances, certain holders of unregistered exchange notes so request; or
- in the case of any holder that participates in the exchange offer, such holder does not receive exchange notes on the date of the exchange that may be sold without restriction under state and federal securities laws (other than due solely to the status of such Holder as an affiliate of ours or within the meaning of the Securities Act);

then in each case, we are required to (x) promptly deliver to the holders and the trustees written notice thereof and (y) at our sole expense, (a) within 90 days of such notice, file a shelf registration statement covering resales of the notes (the “Shelf Registration Statement”), and (b) use our reasonable best efforts to keep effective the Shelf Registration Statement until the earlier of two years after the date that the outstanding notes were issued or such time as all of the applicable notes have been sold thereunder.

The exchange offer registration statement was not declared effective by the SEC prior to January 18, 2003 and we have not filed the Shelf Registration Statement. As a result, the interest rate on the notes increased by 0.25% on January 18, 2003 and increased by an additional 0.25% on April 18, 2003. The interest rate will remain at 10.25% until such time that the registration statement is declared effective under the Securities Act, when the interest rate on the notes will revert to the original level of 9 3/4%.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal (which respect to the Dollar notes), we will accept any and all outstanding notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time (with respect to the Dollar notes), or prior to 5:00 p.m., Luxembourg time (with respect to the Euro notes), on the expiration date of the exchange offer. We will issue (a) $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of outstanding notes accepted in the exchange offer and (b) €1,000 principal amount of exchange notes in exchange for each €1,000 principal amount of outstanding notes accepted in the exchange offer. Any holder may tender some or all of its outstanding notes pursuant to the exchange offer. However, outstanding notes may be tendered only in integral multiples of $1,000 or €1,000, as the case may be.

The form and terms of the exchange notes will be the same as the form and terms of the outstanding notes except that:

(1) the exchange notes will have been registered under the Securities Act and will not bear legends restricting their transfer; and

(2) the holders of the exchange notes will not be entitled to certain rights under the registration rights agreements, including the provisions providing for an increase in the interest rate on the outstanding notes in certain circumstances relating to the timing of the exchange offer, all of which rights will terminate when the exchange offer is terminated.

The exchange notes will evidence the same debt as the outstanding notes and will be entitled to the benefits of the indentures. The exchange offer is not conditioned on any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, $600 million and €225 million, respectively, aggregate principal amount of the notes were outstanding. We have fixed the close of business on July , 2003 as the record date for the exchange offer for purposes of determining the persons to whom this prospectus and the letter of transmittal (with respect to the Dollar notes) will be mailed initially.

Holders of outstanding notes do not have any appraisal or dissenters' rights in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC.

We will be deemed to have accepted validly tendered outstanding notes when, as and if we have given oral or written notice of our acceptance to the applicable exchange agent. The applicable exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us.

If any tendered outstanding notes are not accepted for exchange because of an invalid tender, the occurrence of specified other events set forth in this prospectus or otherwise, the certificates for such unaccepted outstanding notes will be returned, without expense, to the tendering holder as promptly as practicable after the expiration date of the exchange offer.

Holders who tender outstanding notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal (with respect to the Dollar notes), transfer taxes with respect to the exchange of outstanding notes pursuant to the exchange offer. We will pay all charges and expenses, other than transfer taxes in certain circumstances, in connection with the exchange offer. See the sections titled "Fees and Expenses" and "Transfer Taxes."

Expiration Date, Extensions, Amendments

The term "expiration date" will mean 5:00 p.m., New York City time (with respect to the Dollar notes), and 5:00 p.m., Luxembourg time (with respect to the Euro notes), on August , 2003, unless we, in our sole discretion, extend the exchange offer, in which case the term will mean the latest date and time to which the exchange offer is extended.

In order to extend the exchange offer, we will notify the exchange agents orally of any extension no later than 5:00 p.m., New York City time (with respect to the Dollar notes), and 5:00 p.m., Luxembourg time (with respect to the Euro notes), on the day the exchange offer was originally scheduled to expire. We will provide confirmation of such extension in writing to the exchange agents no later than 9:00 a.m., New York City time (with respect to the Dollar notes), and 9:00 a.m., Luxembourg time (with respect to the Euro notes), on the business day after the previously scheduled expiration of the exchange offer.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we will have no obligation to publish, advertise, or otherwise communicate any public announcement, other than by making a timely release to a financial news service.

Procedures for Tendering Dollar Notes

A letter of transmittal relating to the exchange offer has been forwarded to those DTC holders as per the security position listing of DTC fixed on the close of business on July , 2003. Because all the outstanding notes are held in book-entry accounts at DTC, a holder need not submit a letter of transmittal if the holder tenders outstanding notes in accordance with the procedures mandated by DTC's Automated Tender Offer Program (ATOP). To tender outstanding notes without submitting a letter of transmittal, the ATOP electronic instructions sent to DTC and transmitted to Wells Fargo must contain your acknowledgment of receipt of and your agreement to be bound by and to make all of the representations contained in the letter of transmittal. In all other cases, a letter of transmittal must be manually executed and delivered as described in this prospectus.

Only a holder of record may tender outstanding notes in the exchange offer. To tender in the exchange offer, a holder must comply with the procedures of DTC and either:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and deliver the letter of transmittal or facsimile to Wells Fargo prior to the expiration date; or
- in lieu of delivering a letter of transmittal, instruct DTC to transmit on behalf of the holder a computer-generated message to Wells Fargo in which the holder of the outstanding notes acknowledges and agrees to be bound by the terms of the letter of transmittal, which computer-generated message must be received by Wells Fargo prior to 5:00 p.m., New York City time, on the expiration date.

In addition, either:

- Wells Fargo must receive the outstanding notes along with the letter of transmittal; or
- Wells Fargo must receive, before expiration of the exchange offer, timely confirmation of book-entry transfer of the outstanding Dollar notes into its account at DTC, according to the procedure for book-entry transfer described below; or
- the holder of Dollar notes must comply with the guaranteed delivery procedures described below.

To be tendered effectively, Wells Fargo must receive physical delivery of the letter of transmittal and other required documents at the address set forth below under the caption "Exchange Agents" before expiration of the exchange offer. To receive confirmation of valid tender of outstanding notes, a holder should contact the applicable exchange agent at the telephone number listed under the caption "Exchange Agents."

The tender by a holder that is not withdrawn before expiration of the exchange offer will constitute an agreement between that holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal. If a holder completing a letter of transmittal tenders less than all of its outstanding notes, the tendering holder should fill in the applicable box of the letter of transmittal. The amount of outstanding notes delivered to the applicable exchange agent will be deemed to have been tendered unless otherwise indicated.

If the outstanding notes, the letter of transmittal or any other required documents are physically delivered to the applicable exchange agent, the method of delivery is at the holder's election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the applicable exchange agent before expiration of the exchange offer. Holders should not send the letter of transmittal or outstanding notes to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the owner's behalf. If the beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal, and delivering its outstanding notes, either:

- make appropriate arrangements to register ownership of the outstanding notes in the owner's name; or
- obtain a properly completed bond power from the registered holder of outstanding notes.

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date.

If the applicable letter of transmittal is signed by the record holder(s) of the outstanding notes tendered, the signature must correspond with the name(s) written on the face of the outstanding notes without alteration, enlargement or any change whatsoever. If the applicable letter of transmittal is signed by a participant in DTC, as applicable, the signature must correspond with the name as it appears on the security position listing as the holder of the outstanding notes.

A signature on a letter of transmittal or a notice of withdrawal must be guaranteed by an "eligible institution." Eligible institutions include banks, brokers, dealers, municipal securities dealers, municipal securities brokers, government securities dealers, government securities brokers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations. The signature need not be guaranteed by an eligible institution if the outstanding notes are tendered:

- by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or
- for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any outstanding notes, the outstanding notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the outstanding notes and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any outstanding notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons should so indicate when signing. Unless we waive this requirement, they should also submit evidence satisfactory to us of their authority to delivery the letter of transmittal.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered outstanding notes. Our determination will be final and binding. We reserve the absolute right to reject any outstanding notes not properly tendered or any outstanding notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular outstanding notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties.

Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured within the time that we determine. Although we intend to notify holders of defects or irregularities with respect to tenders of outstanding notes, neither we, the applicable exchange agent nor any other person will incur any liability for failure to give notification. Tenders of outstanding notes will not be deemed made until those defects or irregularities have been cured or waived. Any outstanding notes received by the applicable exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the applicable exchange agent without cost to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In all cases, we will issue Dollar exchange notes for outstanding Dollar notes that we have accepted for exchange under the exchange offer only after Wells Fargo timely receives:

- outstanding Dollar notes or a timely book-entry confirmation that outstanding Dollar notes have been transferred in Wells Fargo's account at DTC; and
- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

Upon request holders should receive copies of the applicable letter of transmittal with the prospectus. A holder may obtain additional copies of the applicable letter of transmittal for the outstanding notes from Wells Fargo at its offices listed under the caption "Exchange Agents." By signing the letter of transmittal, or causing DTC, to transmit an agent's message to Wells Fargo, each tendering holder of outstanding notes will represent to us that, among other things:

- any exchange notes that the holder receives will be acquired in the ordinary course of its business;
- the holder has no arrangement or understanding with any person or entity to participate in the distribution of the exchange notes;
- if the holder is not a broker-dealer, that it is not engaged in and does not intend to engage in the distribution of the exchange notes;
- if the holder is a broker-dealer that will receive exchange notes for its own account in exchange for outstanding notes that were acquired as a result of market-making activities or other trading activities, that it will deliver a prospectus, as required by law, in connection with any resale of those exchange notes (see the caption "Plan of Distribution"); and
- the holder is not an "affiliate," as defined in Rule 405 of the Securities Act, of us or, if the holder is an affiliate, it will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

DTC Book-Entry Transfers for Dollar Notes

Wells Fargo will establish an account with respect to the outstanding Dollar notes at DTC for purposes of the exchange offer.

Any participant in DTC may make book-entry delivery of outstanding Dollar notes by causing DTC to transfer the outstanding Dollar notes into Wells Fargo's account in accordance with DTC's ATOP procedures for transfer.

However, the exchange for the outstanding Dollar notes so tendered will only be made after a book-entry confirmation of such book-entry transfer of the outstanding Dollar notes into Wells Fargo's account, and timely receipt by Wells Fargo of an agent's message and any other documents required by the letter of transmittal. For this purpose, "agent's message" means a message, transmitted by DTC and received by Wells Fargo and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgment from a participant tendering outstanding Dollar notes that are the subject of the book-entry confirmation that the participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce that agreement against the participant.

Guaranteed Delivery Procedures for Dollar Notes

These guaranteed delivery procedures only apply to the outstanding Dollar notes and do not apply to the outstanding Euro notes. Holders wishing to tender their outstanding Dollar notes but whose notes are not immediately available or who cannot deliver their notes, the letter of transmittal or any other required documents to the Wells Fargo or cannot comply with the applicable procedures described above before expiration of the exchange offer may tender if:

- the tender is made through an eligible institution;
- before expiration of the exchange offer, Wells Fargo receives from the eligible institution either a properly completed and duly executed notice of guaranteed delivery, by facsimile transmission, mail or hand delivery, or a properly transmitted agent's message and notice of guaranteed delivery:

- setting forth the name and address of the holder and the registered number(s) and the principal amount of outstanding Dollar notes tendered:
  - stating that the tender is being made by guaranteed delivery;
  - guaranteeing that, within three New York Stock Exchange trading days after expiration of the exchange offer, the letter of transmittal, or facsimile thereof, together with the outstanding Dollar notes or a book-entry transfer confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with Wells Fargo; and
  - Wells Fargo receives the properly completed and executed letter of transmittal, or facsimile thereof, as well as all tendered outstanding Dollar notes in proper form for transfer or a book-entry transfer confirmation, and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after expiration of the exchange offer.

Upon request to Wells Fargo, a notice of guaranteed delivery will be sent to holders who wish to tender their outstanding Dollar notes according to the guaranteed delivery procedures set forth above.

Procedures for Tendering Euro Notes

The registered holder of the outstanding Euro notes on the records of Euroclear or Clearstream must instruct Euroclear or Clearstream to block the securities in the account in Euroclear or Clearstream to which such outstanding Euro notes are credited. In order for the exchange offer to be accepted, Deutsche Bank AG must have received, prior to the expiration date, a confirmation from Euroclear or Clearstream that the securities account of outstanding Euro notes tendered has been blocked from and including the day on which the confirmation is delivered to Deutsche Bank AG and that no transfers will be effected in relation to the outstanding Euro notes at any time after such date. The exchange of the outstanding Euro notes so tendered will only be made after a timely receipt by the Deutsche Bank AG of an agent's message and any other documents required by the prospectus. For this purpose, "agent's message" means a message, transmitted by Euroclear or Clearstream and received by Deutsche Bank AG which states that Euroclear or Clearstream has received an express acknowledgement from a participant tendering outstanding Euro notes that the participant has received and agrees to be bound by the terms of the prospectus, and that we may enforce that agreement against the participant.

Withdrawal of Tenders for Dollar Notes and Euro Notes

Except as otherwise provided in this prospectus, holders of outstanding notes may withdraw their tenders at any time before expiration of the exchange offer.

For a withdrawal to be effective, the applicable exchange agent must receive a computer-generated notice of withdrawal transmitted by DTC, Euroclear or Clearstream on behalf of the holder in accordance with the standard operating procedures of DTC or Euroclear or Clearstream or a written notice of withdrawal, which may be by telex, facsimile transmission or letter, at one of the addresses set forth below under the caption "—Exchange Agents."

Any notice of withdrawal must:

- specify the name of the person who tendered the outstanding notes to be withdrawn;
- identify the outstanding notes to be withdrawn, including the principal amount of the outstanding notes to be withdrawn; and
- with respect to the Dollar notes, where certificates for outstanding notes have been transmitted, specify the name in which the outstanding notes were registered, if different from that of the withdrawing holder.

With respect to the Dollar notes, if certificates for outstanding notes have been delivered or otherwise identified to Wells Fargo, then, prior to the release of those certificates, the withdrawing holder must also submit:

- the serial numbers of the particular certificates to be withdrawn; and
- a signed notice of withdrawal with signatures guaranteed by an eligible institution, unless the withdrawing holder is an eligible institution.

If outstanding notes have been tendered pursuant to the procedure for book-entry transfer or the blocking procedures described above, any notice of withdrawal must specify the name and number of the account at DTC or Euroclear or Clearstream, as applicable, to be credited with the withdrawn outstanding notes and otherwise comply with the procedures of the applicable facility.

We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal, and our determination shall be final and binding on all parties. We will deem any outstanding notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer. We will return any outstanding notes that have been tendered for exchange but that are not exchanged for any reason to their holder without cost to the holder. In the case of outstanding Dollar notes tendered by book-entry transfer into Wells Fargo's account at DTC, according to the procedures described above, those outstanding Dollar notes will be credited to an account maintained with DTC, for outstanding Dollar notes, as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. In the case of outstanding Euro notes tendered in accordance with the blocking procedures of Euroclear or Clearstream, the outstanding Euro notes will be returned to their holder by cancellation of the blocking instruction in accordance with the standard operating procedures of Euroclear or Clearstream. You may retender properly withdrawn outstanding notes by following one of the procedures described under the caption "—Procedures for Tendering" above at any time on or before expiration of the exchange offer.

A holder may obtain information regarding the procedures for withdrawal from the applicable exchange agent at its offices listed under the caption "Exchange Agents."

Conditions

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange notes for, any outstanding notes, and may terminate or amend the exchange offer as provided in this prospectus before the acceptance of the outstanding notes, if:

(1) in our judgment, the exchange notes to be received will not be tradable by the holder without restriction under the Securities Act and the Exchange Act and without restrictions under the blue sky or securities laws of substantially all of the states of the United States;

(2) any action of proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our sole judgment, might impair our ability to proceed with the exchange offer or any material adverse development has occurred in any existing action or proceeding with respect to us or any of our subsidiaries;

(3) any law, statute, rule, regulation or interpretation by the staff of the SEC is proposed, adopted or enacted, which, in our sole judgment, might impair our ability to proceed with the exchange offer or impair the contemplated benefits of the exchange offer to us;

(4) any governmental approval has not been obtained, which approval we, in our sole discretion, deem necessary for the consummation of the exchange offer as contemplated by this prospectus;

(5) any stop order shall be threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939, as amended;

(6) there shall occur a change in the current interpretation by the staff of the SEC which permits the exchange notes issued in the exchange offer in exchange for the outstanding notes to be offered for resale, resold and otherwise transferred by such holders, other than broker-dealers and any such holder which is an "affiliate" of our company within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such exchange notes acquired in the exchange offer are acquired in the ordinary course of such holder's business and such holder has no arrangement or understanding with any person to participate in the distribution of such exchange notes;

(7) there has occurred any general suspension of or general limitation on prices for, or trading in, securities on any national exchange or in the over-the-counter market;

(8) any governmental agency creates limits that adversely affect our ability to complete the exchange offer;

(9) there shall occur any declaration of war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or the worsening of any such condition that existed at the time that we commence the exchange offer;

(10) there shall have occurred a change (or a development involving a prospective change) in our and our subsidiaries' businesses, properties, assets, liabilities, financial condition, operations, results of operations taken as a whole, that is or may be adverse to us; or

(11) we shall have become aware of facts that, in our reasonable judgment, have or may have adverse significance with respect to the value of the outstanding notes or the exchange notes.

The preceding conditions are for our sole benefit and we may assert them regardless of the circumstances giving rise to any such condition. If we determine in our sole discretion that any of the conditions are not satisfied, we may (1) refuse to accept any outstanding notes and return all tendered outstanding notes to the tendering holders, (2) extend the exchange offer and retain all outstanding notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders to withdraw the outstanding notes (see "—Withdrawal of Tenders") or (3) waive the unsatisfied conditions in whole or in part at any time and from time to time in our sole discretion with respect to the exchange offer and accept all properly tendered outstanding notes which have not been withdrawn. If we waive the conditions, the exchange offer will remain open for at least three (3) business days following any waiver of the preceding conditions. Our failure at any time to exercise the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which we may assert at any time and from time to time.

Exchange Agents

Wells Fargo Bank Minnesota, N.A. has been appointed as exchange agent for the Dollar notes, and Deutsche Bank AG London has been appointed as exchange agent for the Euro notes. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for Notice of Guaranteed Delivery should be directed to the applicable exchange agent addressed as follows:

Wells Fargo Bank Minnesota, N.A.
Sixth Street and Marquette Avenue
MAC N9303-120
Minneapolis, Minnesota 55479
Telephone: (612) 667-2344 or (800) 344-5128
Fax: (612) 667-9825
Attention: Corporate Trust Services
Reference: Xerox Corporation

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
Telephone: +44 20 7547 5000
Fax: +44 20 7547 5001
Attention: CTAS - Restructuring Group
Reference: Xerox Corporation

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SHOWN ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY OF THE LETTER OF TRANSMITTAL.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing outstanding notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of outstanding notes tendered;
- exchange notes are to be delivered to, or issued in the name of, any person other than the registered holder of the outstanding notes;
- tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of outstanding notes under the exchange offer.

If satisfactory evidence of payment of transfer taxes is not submitted with the letter of transmittal, the amount of any transfer taxes will be billed directly to the tendering holder.

Fees and Expenses

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We will, however, pay the applicable exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses incurred in connection with these services.

We will pay the cash expenses to be incurred in connection with the exchange offer. Such expenses include fees and expenses of the applicable exchange agent and trustee, accounting and legal fees and printing costs, among others.

Consequences of Failure to Exchange Outstanding Notes

Outstanding notes that are not tendered or are tendered but not accepted will, following the consummation of the exchange offer, continue to be subject to the provisions in the indenture regarding the transfer and exchange of the outstanding notes and the existing restrictions on transfer set forth in the legend on the outstanding notes and in the offering memorandum, dated January 14, 2002, relating to the outstanding notes. Except in limited circumstances with respect to specific types of holders of outstanding notes, we will have no further obligation to provide for the registration under the Securities Act of such outstanding notes. In general,

outstanding notes, unless registered under the Securities Act, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will take any action to register the untendered outstanding notes under the Securities Act or under any state securities laws.

Upon completion of the exchange offer, holders of the outstanding notes will not be entitled to any further registration rights under the exchange and registration rights agreements, except under limited circumstances.

Holders of the exchange notes and any outstanding notes which remain outstanding after consummation of the exchange offer will vote together as a single class for purposes of determining whether holders of the requisite percentage of the class have taken certain actions or exercised certain rights under the indentures.

Accounting Treatment

The exchange notes will be recorded at the same carrying value as the outstanding notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes as a result of the exchange offer. Expenses incurred in connection with the exchange offer will be expensed as incurred.

Resale of the Exchange Notes

Based on existing interpretations of the Securities Act by the staff of the SEC contained in several no-action letters to third parties, we believe that the exchange notes will be freely transferable by holders of the notes, except as set forth below, without further registration under the Securities Act. See Shearman & Sterling (available July 2, 1993); Morgan Stanley & Co. Incorporated (available June 5, 1991); and Exxon Capital Holdings Corporation (available May 13, 1989). Holders of outstanding notes, however, who are our affiliates, who intend to participate in the exchange offer for purposes of distributing the exchange securities, or who are broker-dealers who purchased the outstanding notes from us for resale, will not be able to freely offer, sell or transfer the exchange notes pursuant to this prospectus, and will need to comply with separate (resale) registration and prospectus delivery requirements of the Securities Act in connection with any offer, sale or transfer of notes.

Each holder who is eligible to and wishes to exchange its outstanding notes for exchange notes will be required to make the following representations:

- any exchange notes to be received by the holder will be acquired in the ordinary course of its business;
- the holder has no arrangement or understanding with any person to participate in the distribution of the exchange notes;
- the holder is not an affiliate as defined in Rule 405 promulgated under the Securities Act, or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act;
- if the holder is not a broker-dealer, it is not engaged in, and does not intend to engage in, the distribution of exchange notes;
- if the holder is a broker-dealer that will receive exchange notes for its own account in exchange for outstanding notes that were acquired as a result of market-making activities or other trading activities (we refer to these broker-dealers as participating broker-dealers), the holder will deliver a prospectus in connection with any resale of the exchange notes; and
- the holder is not acting on behalf of any person or entity that could not truthfully make these representations.

DESCRIPTION OF NOTES

On January 17, 2002, the Company issued $600,000,000 aggregate principal amount of Senior Notes due 2009 (the "Dollar Notes") under an indenture (the "Dollar Indenture"), between itself and Wells Fargo Bank Minnesota, National Association, as Trustee (the "Dollar Trustee"). On January 17, 2002, the Company issued €225,000,000 aggregate principal amount of Senior Notes due 2009 (the "Euro Notes" and, together with the Dollar Notes, the "Notes") under an indenture (the "Euro Indenture" and, together with the Dollar Indenture, the "Indentures"), between itself and Wells Fargo Bank Minnesota, National Association, as Trustee (the "Euro Trustee" and, together with the Dollar Trustee, the "Trustees"). The following is a summary of the material provisions of the Indentures. It does not include all of the provisions of the Indentures. Although, for convenience, the Dollar Notes and the Euro Notes are referred to as the "Notes," the Dollar Notes and the Euro Notes will each be issued as a separate series and will not together have any class voting or other rights. We urge you to read the Indentures because they define your rights. The terms of the Notes include those stated in the Indentures and those made part of the Indentures by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). A copy of the Indentures may be obtained from the Company or the Initial Purchasers. You can find definitions of certain capitalized terms used in this description under "—Certain Definitions." For purposes of this section, references to the "Company" include only Xerox Corporation and not its subsidiaries and the word "guarantors" refers collectively to the following restricted subsidiaries of the Company that have currently guaranteed the Notes: Xerox International Joint Marketing, Inc. and Intelligent Electronics, Inc.

The Notes are senior unsecured obligations of the Company, ranking *pari passu* in right of payment with all other senior unsecured obligations of the Company. The Notes are effectively subordinated to all secured debt of the Company and structurally subordinated to the debt of Subsidiaries.

The Company has issued the Notes in fully registered form in denominations of $1,000 and €1,000, as applicable, and integral multiples thereof. The Trustees will initially act as Paying Agent and Registrar for the Notes. The Company has appointed Deutsche Bank AG London as Paying Agent for the Euro Notes in London, England (the "London Paying Agent"). The Notes may be presented for registration of transfer and exchange at the offices of the Registrar. The Company may change any Paying Agent and Registrar without notice to holders of the Notes (the "Holders"). It is expected that the Company will pay principal (and premium, if any) on (i) the Dollar Notes at the Trustees' corporate office in New York, New York and (ii) the Euro Notes at the Trustee's corporate office in New York, New York and the London Paying Agent's corporate office in London, England. It is expected that at the Company's option, interest may be paid at the Trustees' corporate trust office or the London Paying Agent's corporate office, as applicable, or by check mailed to the registered address of Holders. Any Dollar Notes that remain outstanding after the completion of the Exchange Offer, together with the Exchange Dollar Notes issued in connection with the Exchange Offer, will be treated as a single class of securities under the Dollar Indenture. Any Euro Notes that remain outstanding after the completion of the Exchange Offer, together with the Exchange Euro Notes issued in connection with the Exchange Offer, will be treated as a single class of securities under the Euro Indenture.

The Company has agreed to use its reasonable best efforts to have the Notes listed on the Luxembourg Stock Exchange. So long as the Notes are listed on the Luxembourg Stock Exchange and if required by the rules of such stock exchange, a paying agent will be maintained in Luxembourg at all times that payments are required to be made in respect of the Notes.

Subsidiary Guarantees

The Notes have been fully and unconditionally guaranteed on an unsecured senior basis. In June 2003, we completed a $3.6 billion recapitalization (the "Recapitalization") which included a $1 billion credit facility (the "2003 Credit Facility"). Certain of our subsidiaries that were formerly required to guarantee our outstanding Notes are no longer required to and no longer guarantee the Notes. As a result the Notes are now guaranteed only by Xerox International Joint Marketing, Inc. and Intelligent Electronics, Inc. The Senior Notes due 2010 and 2013 issued by the Company as part of the Recapitalization are also guaranteed by the same subsidiaries that are guaranteeing the Notes. If the Company fails to make payments on the Notes, the guarantors must make them instead.

Principal, Maturity and Interest

The Notes will mature on January 15, 2009. Additional Notes of each series ("Additional Notes") may be issued from time to time, subject to the limitations set forth under "—Certain Covenants That Will Cease to Apply During Suspension Period—Limitation on Incurrence of Additional Indebtedness." The Notes and the Additional Notes of the same series that are actually issued will be treated as a single class for all purposes under the Indentures, including, without limitation, as to waivers, amendments, redemptions and offers to purchase.

Interest on the Dollar Notes will accrue at the rate of 9 3/4% per annum and will be payable semiannually in cash on each January 15 and July 15, commencing on July 15, 2002, to the persons who are registered Holders at the close of business on the January 1 and July 1 immediately preceding the applicable interest payment date. Interest on the Dollar Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance to but excluding the actual interest payment date.

Interest on the Euro Notes will accrue at the rate of 9 3/4% per annum and will be payable semiannually in cash on each January 15 and July 15, commencing on July 15, 2002, to the persons who are registered Holders at the close of business on the January 1 and July 1 immediately preceding the applicable interest payment date. Interest on the Euro Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance to but excluding the actual interest payment date.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes are not be entitled to the benefit of any mandatory sinking fund.

Optional Redemption

Except as described below, the Notes are not redeemable.

The Company may, at any time and from time to time, at its option, redeem each series of the outstanding Notes (in whole or in part) at a redemption price equal to 95.167% of the principal amount thereof, plus original issue discount on such Notes accrued pursuant to Section 1272 of the Internal Revenue Code of 1986, as amended, to the applicable redemption date, plus accrued and unpaid interest, if any, on the Notes to the applicable redemption date, plus the applicable Make-Whole Premium (a "Specified Redemption"); *provided* that in the case of any such redemption in part, at least 50% of the original principal amount of the applicable series of Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days notice of such redemption.

In the event that the Company chooses to redeem less than all of the Notes, selection of the Notes for redemption will be made by the applicable Trustee either:

(1) in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed; or,

(2) if the Notes are not so listed, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate.

Change of Control

Upon the occurrence of a Change of Control, each Holder will have the right to require that the Company purchase all or a portion (equal to $1,000 or €1,000, as the case may be, and integral multiples thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer"), at a purchase price equal to 101% of the principal amount of the Notes repurchased plus accrued and unpaid interest to the date of purchase.

Within 30 days following the date upon which the Change of Control occurred, the Company must send, or cause the Trustees to send, by first class mail, a notice to each Holder, with a copy to the Trustees, which notice shall govern the terms of the Change of Control Offer. Such notice shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 45 days from the date such notice is mailed, other than as may be required by law (the "Change of Control Payment Date"). Holders electing to have a Note purchased pursuant to a Change of Control Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third business day prior to the Change of Control Payment Date.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

If a Change of Control Offer is made, there can be no assurance that the Company will have available funds sufficient to pay the Change of Control purchase price for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing. In addition, there can be no assurance that the Company will be able to obtain the consents necessary to consummate a Change of Control Offer from the lenders under agreements governing outstanding Indebtedness which may in the future prohibit the offer.

Neither the Board of Directors of the Company nor the Trustees may waive the covenant relating to a Holder's right to redemption upon a Change of Control. Restrictions in the Indentures described herein on the ability of the Company and its Restricted Subsidiaries to incur additional Indebtedness, to grant Liens on its property, to make Restricted Payments and to make Asset Sales may also make more difficult or discourage a takeover of the Company, whether favored or opposed by the management of the Company. There can be no assurance that the Company or the acquiring party will have sufficient financial resources to effect a Change of Control Offer. Such restrictions and the restrictions on transactions with Affiliates may, in certain circumstances, make more difficult or discourage any leveraged buyout of the Company or any of its Subsidiaries by the management of the Company. While such restrictions cover a wide variety of arrangements which have traditionally been used to effect highly leveraged transactions, the Indentures may not afford the Holders protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indentures, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the "Change of Control" provisions of the Indentures by virtue thereof.

The "Change of Control" provisions described above will apply during any Suspension Period.

Suspension Period

During each Suspension Period, the provisions of the applicable Indenture described under "Certain Covenants That Will Cease To Apply During Suspension Period" will not apply. The provisions of the applicable Indenture described under "Certain Covenants Applicable At All Times" will apply at all times during any Suspension Period so long as any Notes remain outstanding thereunder.

"Suspension Period" means any period (a) beginning on the date that:

(1) the applicable series of Notes has Investment Grade Status, *provided* that prior to the assignment of the ratings contemplated by the definition of Investment Grade Status, the Company has advised Moody's and S&P that the covenants under "Certain Covenants That Will Cease To Apply During Suspension Period" will not apply during such Suspension Period;

(2) no Default or Event of Default has occurred and is continuing; and

(3) the Company has delivered an Officers' Certificate to the applicable Trustee certifying that the conditions set forth in clauses (1) and (2) above are satisfied;

and (b) ending on the date (the "Reversion Date") that the applicable series of Notes cease to have the applicable ratings from both Moody's and S&P specified in the definition of Investment Grade Status; provided that solely for the purpose of determining the Reversion Date, the applicable series of Notes shall be deemed to have Investment Grade Status if clauses (i) or (ii) of the definition of Investment Grade Status are otherwise satisfied, notwithstanding that either Moody's and/or S&P announces a negative outlook with respect to such Notes.

On each Reversion Date, all Indebtedness incurred during the Suspension Period prior to such Reversion Date will be deemed to have been outstanding on the Issue Date and classified as permitted under clause (4) of the definition of Permitted Indebtedness.

For purposes of calculating the amount available to be made as Restricted Payments under clause (iii) of the first paragraph of the "—Limitation on Restricted Payments" covenant, calculations under that clause will be made with reference to December 31, 2001 as set forth in that clause. Accordingly, (x) Restricted Payments made during the Suspension Period not otherwise permitted pursuant to any of clauses (1) through (13) under the second paragraph under the "Limitation on Restricted Payments" covenant will reduce the amount available to be made as Restricted Payments under clause (iii) of such covenant, provided, that the amount available to be made as Restricted Payments on the Reversion Date shall not be reduced to below zero solely as a result of such Restricted Payments, but may be reduced to below zero as a result of cumulative Consolidated Net Income for the purpose of sub-clause (v) of clause (iii) of such covenant being a loss, and (y) the items specified in subclause (v) through (z) of clause (iii) of such covenant that occur during the Suspension Period will increase the amount available to be made as Restricted Payments under clause (iii) of such covenant. Any Restricted Payments made during the Suspension Period that (i) are of the type described in clause (4) under the "Limitation on Restricted Payments" covenant or (ii) that would have been made pursuant to clause (13) of the second paragraph under such covenant if such covenant were then applicable, shall reduce the amounts permitted to be incurred under such clause (4) or (13), as the case may be, on the Reversion Date.

For purposes of the "—Limitation on Asset Sales" covenant, on the Reversion Date, the unutilized Net Proceeds Offer Amount will be reset to zero.

Certain Covenants That Will Cease To Apply During Suspension Period

Set forth below are summaries of certain covenants contained in the Indentures that will apply at all times except during any Suspension Period.

Limitation on Incurrence of Additional Indebtedness. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "incur") any Indebtedness (other than Permitted Indebtedness); *provided*, *however*, that the Company may incur Indebtedness (including, without limitation, Acquired Indebtedness), if on the date of the incurrence of such Indebtedness, after giving effect to the incurrence thereof, the Consolidated Fixed Charge Coverage Ratio of the Company is (i) greater than 2.0 to 1.0 if such Indebtedness is incurred on or before January 15, 2004 or (ii) greater than 2.25 to 1.0 if such Indebtedness is incurred after January 15, 2004.

(b) The Company will not, directly or indirectly, incur any Indebtedness which by its terms (or by the terms of any agreement governing such Indebtedness) is subordinated in right of payment to any other Indebtedness of the Company, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes to the same extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Company.

(c) Notwithstanding clause (a) of this covenant, the Company will not permit any Domestic Insignificant Subsidiary, directly or indirectly, to incur any Indebtedness other than Indebtedness permitted to be incurred by such Domestic Insignificant Subsidiary under clauses (2), (4), (7), (9), (10), (16) and (18) (provided that in the case of clause (18), the Indebtedness being refinanced is the Indebtedness of any Domestic Insignificant Subsidiary) of the definition of Permitted Indebtedness.

Limitation on Restricted Payments. The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution (other than dividends or distributions payable in Qualified Capital Stock of the Company) on or in respect of shares of the Company's or any Restricted Subsidiary's Capital Stock to holders of such Capital Stock in their capacity as such, other than dividends, payments or distributions payable to the Company or any Restricted Subsidiary of the Company (and, if such Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, dividends or distributions payable to the other equity holders of such Restricted Subsidiary on a pro rata basis);

(2) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any Restricted Subsidiary (other than (x) in exchange for Qualified Capital Stock of the Company, (y) the redemption of Preferred Stock of the Company or any Restricted Subsidiary outstanding on the Issue Date (other than the Convertible Trust Preferred Securities) at any scheduled final mandatory redemption date thereof as in effect on the Issue Date or (z) Capital Stock of a Restricted Subsidiary held by the Company or another Restricted Subsidiary) or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock or make any payments with respect to Synthetic Purchase Agreements;

(3) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than the purchase, repurchase or other acquisition of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition); or

(4) make any Investment (other than Permitted Investments)

(each of the foregoing actions set forth in clauses (1), (2), (3) and (4) being referred to as a "Restricted Payment"), if at the time of such Restricted Payment or immediately after giving effect thereto,

(i) a Default or an Event of Default shall have occurred and be continuing;

(ii) the Company is not able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with the "Limitation on Incurrence of Additional Indebtedness" covenant; or

(iii) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made subsequent to December 31, 2001 (the amount expended for such purposes, if other than in cash, being the fair market value of such property as determined in good faith by the Company) shall exceed the sum, without duplication (the "Restricted Payments Basket"), of:

(v) 50% of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss) of the Company earned subsequent to December 31, 2001

and on or prior to the date the Restricted Payment occurs (the "Reference Date") (treating such period as a single accounting period); plus

(w) 100% of the aggregate net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the issuance and sale subsequent to December 31, 2001 and on or prior to the Reference Date of Qualified Capital Stock of the Company or warrants, options or other rights to acquire Qualified Capital Stock of the Company (but excluding any debt security that is convertible into, or exchangeable for, Qualified Capital Stock); plus

(x) 100% of the aggregate net cash proceeds of any equity contribution received by the Company from a holder of the Company's Capital Stock; plus

(y) the amount by which Indebtedness of the Company (other than the Convertible Subordinated Debentures) is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to December 31, 2001 of such Indebtedness for Qualified Capital Stock of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); plus

(z) without duplication, the sum of:

(1) the aggregate amount returned in cash on or with respect to Investments (other than Permitted Investments) made subsequent to December 31, 2001 whether through interest payments, principal payments, dividends or other distributions or payments;

(2) the net cash proceeds received by the Company or any of its Restricted Subsidiaries from the disposition of all or any portion of such Investments (other than to a Subsidiary of the Company); and

(3) upon redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the fair market value of such Subsidiary;

provided, *however*, that the sum of clauses (1), (2) and (3) above shall not exceed the aggregate amount of all such Investments made subsequent to December 31, 2001.

Notwithstanding the foregoing, the provisions set forth in the preceding paragraphs do not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration;

(2) the acquisition of any shares of Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock, either (i) solely in exchange for shares of Qualified Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any class of Qualified Capital Stock of the Company or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of shares of Qualified Capital Stock of the Company;

(3) the repurchase, redemption or other repayment of any Subordinated Indebtedness or Subsidiary Preferred Stock permitted to be issued pursuant to clause (2) of the definition of Permitted Indebtedness either (i) solely in exchange for shares of Qualified Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any class of Qualified Capital Stock of the Company or other Subordinated Indebtedness of the Company that is Refinancing Indebtedness, or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of (a) shares of Qualified Capital Stock of the Company or (b) other Subordinated Indebtedness of the Company that is Refinancing Indebtedness;

(4) (x) the repurchase or other acquisition of shares of Qualified Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any such Qualified Capital Stock, from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or

permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell, or are granted the option to purchase or sell, shares of such Qualified Capital Stock or (y) the redemption or repayment of any outstanding de minimis Subordinated Indebtedness; *provided* that the aggregate amount paid under clauses (x) and (y) combined does not exceed $25.0 million since the Issue Date;

(5) regularly scheduled or cumulative dividends or distributions on the Convertible Trust Preferred Securities or on any other trust preferred securities issued by a Restricted Subsidiary of the Company that is a special purpose finance vehicle of the Company to the extent otherwise permitted to be issued under the Indentures and such dividends or distributions are included in Consolidated Fixed Charges;

(6) any repurchase of the Convertible Trust Preferred Securities upon the exercise by the holders thereof of any right to require such Restricted Subsidiary to purchase such securities through the application of the net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of an issuance of, or solely in exchange for, either (x) junior subordinated debentures of the Company that are subordinated to the Notes pursuant to a written agreement that is, taken as a whole, no less restrictive to the holders of such junior subordinated debentures than the subordination terms of the junior subordinated debentures into which such Convertible Trust Preferred Securities are exchangeable and have a maturity (including pursuant to any sinking fund obligation, mandatory redemption or right of repurchase at the option of the holder or otherwise) no earlier that the final maturity of the Notes and that have the benefit of covenants that are, taken as a whole, no more restrictive than the covenants in the Indentures or (y) Qualified Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any class of Qualified Capital Stock of the Company;

(7) regularly scheduled or cumulative dividends on the Company's Series B Convertible Preferred Stock to the extent such dividends are or were included in Consolidated Fixed Charges;

(8) upon the occurrence of a Change of Control and after the completion of the offer to repurchase of the Notes as described under "Change of Control" above (including the purchase of all Notes tendered), any purchase, defeasance, retirement, redemption or other acquisition of Subordinated Indebtedness required under the terms of such Subordinated Indebtedness as a result of such Change of Control;

(9) payments to holders of Capital Stock (or to the holders of Indebtedness or Disqualified Capital Stock that is convertible into or exchangeable for Capital Stock upon such conversion or exchange) in lieu of the issuance of fractional shares;

(10) the payment of consideration by a Person other than the Company or a Subsidiary to equity holders of the Company;

(11) any repurchase of the Convertible Subordinated Debentures upon exercise of the right of the holders to require the Company to purchase such securities on April 21, 2003;

(12) the transactions with any Person (including any Affiliate of the Company) described in clause (1) of the third paragraph of the "Transaction with Affiliates" covenant and the funding of any obligations in connection therewith; and

(13) other Restricted Payments in an aggregate amount which, when taken together with all other Restricted Payments pursuant to this clause (13), does not exceed $35.0 million.

In determining the aggregate amount of Restricted Payments made subsequent to January 1, 2002 in accordance with clause (iii) of the second preceding paragraph, amounts expended pursuant to clauses (1) and (4) of the immediately preceding paragraph shall be included in such calculation. No issuance and sale of Qualified Capital Stock pursuant to clause (2) or (3) of the immediately preceding paragraph shall increase the Restricted Payments Basket, except to the extent the proceeds thereof exceed the amounts used to effect the transactions described therein.

Limitation on Asset Sales. The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by the Company or such Restricted Subsidiary);

(2) at least 75% of the consideration received by the Company or the Restricted Subsidiary, as the case may be, from such Asset Sale shall be in the form of cash or Cash Equivalents (provided that the amount of any Pari Passu Indebtedness of the Company or any Indebtedness of a Restricted Subsidiary that is assumed by the transferee of any such assets shall be deemed to be cash for the purposes of this provision); and

(3) upon the consummation of an Asset Sale, the Company shall apply, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 365 days of receipt thereof:

(a) (i) to repurchase or otherwise acquire any Pari Passu Indebtedness pursuant to any exercise by the holders thereof of the right to require the issuer thereof to repurchase or acquire such Pari Passu Indebtedness prior to its scheduled maturity or scheduled repayment, (ii) to prepay, repay, repurchase, redeem, defease or otherwise acquire or retire for value, on or prior to any scheduled maturity, repayment or amortization that portion of Pari Passu Indebtedness of the Company to the extent that such Pari Passu Indebtedness has a stated maturity, scheduled repayment or amortization that has or will become due prior to the final stated maturity of the Notes, (iii) any Pari Passu Indebtedness under the Credit Agreement (other than Capital Markets Debt), or (iv) any Indebtedness of a Restricted Subsidiary; *provided* that, in each case under this clause (a), if such Pari Passu Indebtedness was borrowed under the revolving portion of any credit facility, then a permanent reduction in the availability under the revolving portion of such credit facility will be effected;

(b) to make an investment in or expenditures for properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties and assets (including Capital Stock of any entity) that will be used in the business of the Company and its Subsidiaries or in businesses reasonably related thereto or to fund the cash portion of the Turnaround Program ("Replacement Assets"); and/or

(c) a combination of prepayment and investment permitted by the foregoing clauses (3)(a) and (3)(b);

provided that, notwithstanding the preceding provisions of this paragraph (3), if the Company or any Restricted Subsidiary;

(i) enters into any letter of intent, memorandum of understanding, agreement or other instrument (each, an "Asset Sales Agreement") after the Issue Date that contemplates one or more Asset Sales by the Company or such Restricted Subsidiary, and

(ii) after the date of such Asset Sale Agreement and within 365 days immediately prior to the consummation of the Asset Sale(s) pursuant thereto, has applied any cash or Cash Equivalents (other than Net Cash Proceeds from any other Asset Sale) ("Applied Cash") in any manner permitted by clauses 3(a), 3(b) or 3(c) of the preceding paragraph (other than any repayments of Indebtedness under the Revolving Credit Facility, dated as of October 22, 1997 as it existed on the Issue Date only),

then the amount of Net Cash Proceeds relating to such Asset Sale(s) up to the amount of Applied Cash shall be deemed to have been applied by Company or such Restricted Subsidiary in accordance with the provisions of clause (3) above.

Pending the application of any Net Cash Proceeds required by this covenant, the Company or such Restricted Subsidiary may temporarily reduce any short-term loans or any Indebtedness under the revolving

portion of any credit facility, including without limitation, under the Credit Agreement, and such temporary reductions shall not result in any permanent reduction in the availability under the revolving portion of such credit facility.

On the 366th day after an Asset Sale or such earlier date, if any, as the Board of Directors of the Company or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in clauses (3)(a), (3)(b) and (3)(c) of the preceding paragraph (each, a "Net Proceeds Offer Trigger Date"), such aggregate amount of Net Cash Proceeds which have not been applied on or before such Net Proceeds Offer Trigger Date as permitted in clauses (3)(a), (3)(b) and (3)(c) of the preceding paragraph or deemed to have been applied pursuant to the proviso of the immediately preceding paragraph (each a "Net Proceeds Offer Amount") shall be applied by the Company or such Restricted Subsidiary to make an offer to purchase (the "Net Proceeds Offer") to all Holders (and holders of other Pari Passu Indebtedness of the Company to the extent required by the terms thereof) on a date (the "Net Proceeds Offer Payment Date") not less than 30 nor more than 60 days following the applicable Net Proceeds Offer Trigger Date, from all Holders (and holders of other Pari Passu Indebtedness of the Company to the extent required by the terms thereof) on a *pro rata* basis, that amount of Notes (and other Pari Passu Indebtedness) equal to the Net Proceeds Offer Amount at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase; *provided*, *however*, that if at any time any non-cash consideration received by the Company or any Restricted Subsidiary of the Company, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this covenant.

The Company may defer the Net Proceeds Offer until there is an aggregate unutilized Net Proceeds Offer Amount equal to or in excess of $75.0 million resulting from one or more Asset Sales (at which time, the entire unutilized Net Proceeds Offer Amount, and not just the amount in excess of $75.0 million, shall be applied as required pursuant to this paragraph).

Notwithstanding the first two paragraphs of this covenant, the Company and its Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with such paragraphs to the extent that:

(1) at least 75% of the consideration for such Asset Sale constitutes Replacement Assets; and

(2) such Asset Sale is for fair market value; *provided* that any cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries in connection with any Asset Sale permitted to be consummated under this paragraph shall constitute Net Cash Proceeds subject to the provisions of the first two paragraphs of this covenant.

Each Net Proceeds Offer will be mailed to the record Holders as shown on the register of Holders within 45 days following the Net Proceeds Offer Trigger Date, with a copy to the Trustees, and shall comply with the procedures set forth in the Indenture. Upon receiving notice of the Net Proceeds Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of $1,000 or €1,000, as the case may be) in exchange for cash. To the extent the aggregate principal amount of Notes and other Pari Passu Indebtedness properly tendered exceeds the Net Proceeds Offer Amount, the tendered Notes and other Pari Passu Indebtedness will be purchased on a *pro rata* basis based on the amount of Notes and other Pari Passu Indebtedness tendered. A Net Proceeds Offer shall remain open for a period of 20 business days or such longer period as may be required by law.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Asset Sale" provisions of the Indentures, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indentures by virtue thereof.

After consummation of any Net Proceeds Offer, any Net Proceeds Offer Amount not applied to any such purchase may be used by the Company for any purpose permitted by the other provisions of the Indentures.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries. The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual, encumbrance or restriction on the ability of any Restricted Subsidiary of the Company to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any Restricted Subsidiary;

(2) make loans or advances or to pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary of the Company; or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary of the Company,

except for such encumbrances or restrictions existing under or by reason of:

(a) applicable law, rules, regulations and/or orders;

(b) the Indentures (including, without limitation, any Liens permitted by the Indentures);

(c) customary non-assignment provisions of any contract, or any lease or license governing a leasehold interest, of any Restricted Subsidiary of the Company;

(d) any agreement or instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired or any Subsidiary of such Person;

(e) agreements or instruments existing on the Issue Date to the extent and in the manner such agreements are in effect on the Issue Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof, *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive (as determined in the good faith judgment of the Company) in any material respect, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such agreements or instruments as in effect on the Issue Date;

(f) the Credit Agreement;

(g) Purchase Money Indebtedness incurred in compliance with the "Limitation on Incurrence of Additional Indebtedness" covenant that impose restrictions of the nature described in clause (3) above on the property acquired;

(h) any agreement relating to Indebtedness of a Restricted Subsidiary permitted to be incurred under the "Limitation on Incurrence of Additional Indebtedness" covenant;

(i) restrictions on cash or other deposits or net worth imposed under contracts entered into in the ordinary course of business;

(j) any encumbrance or restriction existing under or by reason of contractual requirements in connection with a Qualified Receivables Transaction;

(k) pursuant to any merger agreements, stock purchase agreements, asset sale agreements and similar agreements limiting the transfer of properties and assets or distributions pending consummation of the subject transaction;

(l) in the case of clause (3) of the first paragraph of this covenant, any encumbrance or restriction (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license, or similar contract, (b) by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indentures, or (c) contained in security agreements securing Indebtedness of any Restricted Subsidiary to the extent permitted by the Indentures and such encumbrance or restrictions restrict the transfer of the property subject to such security agreements;

(m) an agreement governing Indebtedness incurred to Refinance the Indebtedness issued, assumed or incurred pursuant to an agreement referred to in clause (b), (d), (e), (g), (h) or (j) above; *provided*, *however*, that the provisions relating to such encumbrance or restriction contained in any such Indebtedness are no more restrictive in any material respect than the provisions relating to such encumbrance or restriction contained in agreements referred to in such clause (b), (d), (e), (g), (h) or (j) as determined by the Company; and

(n) agreements or instruments, including, without limitation, joint venture agreements, entered into to facilitate the Turnaround Program or in connection with Permitted Joint Venture Investments.

Limitations on Transactions with Affiliates. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any of its Affiliates (each, an "Affiliate Transaction"), other than (x) Affiliate Transactions permitted under the third paragraph of this covenant and (y) Affiliate Transactions on terms that are no less favorable in any material respect than those that might reasonably have been obtained, in the good faith judgment of the Board of Directors of the Company or the Restricted Subsidiary, as the case may be, in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate of the Company or such Restricted Subsidiary.

Each Affiliate Transaction (and each series of related Affiliate Transactions which are similar or part of a common plan) involving aggregate payments or other property with a fair market value in excess of $20.0 million shall be approved by the Board of Directors of the Company or such Restricted Subsidiary, as the case may be, such approval to be evidenced by a Board Resolution stating that such Board of Directors has determined that such transaction complies with the foregoing provisions.

The foregoing paragraphs shall not apply to:

(1) any employment agreement, collective bargaining agreement, employee benefit plan, related trust agreement or any similar arrangement, payment of compensation and fees to, and indemnity provided on behalf of, any present or former employees, officers, directors or consultants, maintenance of benefit programs or arrangements for any present or former employees, officers or directors, including vacation plans, health and life insurance plans, deferred compensation plans, and retirement or savings plan and similar plans, and loans and advances to any present or former employees, officers, directors, consultants and shareholders, in each case entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business or approved by the Board of Directors of the Company or such Restricted Subsidiary, as the case may be;

(2) transactions exclusively between or among the Company and any of its Restricted Subsidiaries or any joint venture in which the Company has a Permitted Joint Venture Investment or exclusively between or among such Restricted Subsidiaries; *provided* such transactions are not otherwise prohibited by the Indentures;

(3) any agreement, instrument or arrangement as in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) in any

replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date as determined by the Company;

(4) Permitted Investments and Restricted Payments permitted by the Indentures;

(5) the issuance or sale of any Capital Stock (other than Disqualified Capital Stock) of the Company; and

(6) any transactions with joint ventures described in the definition of Permitted Joint Venture Investments and transactions contemplated by or to facilitate the Turnaround Program.

Certain Covenants Applicable At All Times

Set forth below are summaries of certain covenants contained in the Indentures that, except as expressly indicated, will apply at all times so long as any Notes remain outstanding.

Limitation on Liens. The Company will not create or suffer to exist, or permit any of its Specified Subsidiaries to create or suffer to exist, any Lien, or any other type of preferential arrangement, upon or with respect to any of its properties (other than "margin stock" as that term is defined in Regulation U issued by the Board of Governors of the Federal Reserve System), whether now owned or hereafter acquired, or assign, or permit any of its Specified Subsidiaries to assign, any right to receive income, in each case to secure any Indebtedness (other than Indebtedness described in clauses (5) and (8) of the definition of "Indebtedness" herein) without making effective provision whereby all of the Notes (together with, if the Company shall so determine, any other Indebtedness of the Company or such Specified Subsidiary then existing or thereafter created which is not subordinate to the Notes) shall be equally and ratably secured with the Indebtedness secured by such security (*provided* that any Lien created for the benefit of the Holders of the Notes pursuant to this sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien that resulted in such provision becoming applicable, unless a Default or Event of Default shall then be continuing); *provided*, *however*, that the Company or its Specified Subsidiaries may create or suffer to exist any Lien or preferential arrangement of any kind in, of or upon any of the properties or assets of the Company or its Specified Subsidiaries to secure such Indebtedness in an aggregate amount at any time outstanding not greater than 20% of the Consolidated Net Worth of the Company; and *provided*, *further*, that the foregoing restrictions shall not apply to any of the following:

(1) deposits, liens or pledges arising in the ordinary course of business to enable the Company or any of its Specified Subsidiaries to exercise any privilege or license or to secure payments of workers' compensation or unemployment insurance, or to secure the performance of bids, tenders, leases contracts (other than for the payment of borrowed money) or statutory landlords' liens or to secure public or statutory obligations or surety, stay or appeal bonds, or other similar deposits or pledges made in the ordinary course of business;

(2) Liens imposed by law or other similar Liens, if arising in the ordinary course of business, such as mechanic's, materialman's, workman's, repairman's or carrier's liens, or deposits or pledges in the ordinary course of business to obtain the release of such Liens;

(3) Liens arising out of judgments or awards against the Company or any of its Specified Subsidiaries in an aggregate amount not to exceed at any time outstanding under this clause (3) the greater of (a) 15% of the Consolidated Net Worth of the Company or (b) the minimum amount which, if subtracted from such Consolidated Net Worth, would reduce such Consolidated Net Worth below $3.2 billion and, in each case, with respect to which the Company or such Specified Subsidiary shall in good faith be prosecuting an appeal or proceedings for review, or Liens for the purpose of obtaining a stay or discharge in the course of any legal proceedings;

(4) Liens for taxes if such taxes are not delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings, or minor survey exceptions or minor encumbrances, easements or restrictions which do not in the aggregate materially detract from the value of the property so encumbered or restricted or materially impair their use in the operation of the business of the Company or any Specified Subsidiary owning such property;

(5) Liens in favor of any government or department or agency thereof or in favor of a prime contractor under a government contract and resulting from the acceptance of progress or partial payments under government contracts or subcontracts thereunder;

(6) Liens existing on December 1, 1991;

(7) purchase money liens or security interests in property acquired or held by the Company or any Specified Subsidiary in the ordinary course of business to secure the purchase price thereof or Indebtedness incurred to finance the acquisition thereof;

(8) Liens existing on property at the time of its acquisition;

(9) the rights of Xerox Credit Corporation relating to a certain reserve account established pursuant to an operating agreement dated as of November 1, 1980, between the Company and Xerox Credit Corporation;

(10) the replacement, extension or renewal of any of the foregoing; and

(11) Liens on any assets of any Specified Subsidiary of up to $500.0 million incurred since December 1, 1991 in connection with the sale or assignment of assets of such Specified Subsidiary for cash where the proceeds are applied to repayment of Indebtedness of such Specified Subsidiary and/or invested by such Specified Subsidiary in assets which would be reflected as receivables on the balance sheet of such Specified Subsidiary.

In addition, if after the Issue Date any Capital Markets Debt of the Company or any Restricted Subsidiary becomes secured by a Lien pursuant to any provision similar to the covenant in the immediately preceding paragraph, then:

(1) in the case of a Lien securing Subordinated Indebtedness, the Notes are secured by a Lien on the same property as such Lien that is senior in priority to such Lien; and

(2) in all other cases, the Notes are equally and ratably secured by a Lien on the same property as such Lien.

Merger, Consolidation and Sale of Assets. The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's assets (determined on a consolidated basis for the Company and the Company's Restricted Subsidiaries) whether as an entirety or substantially as an entirety to any Person unless:

(1) either:

(a) the Company shall be the surviving or continuing corporation; or

(b) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(x) shall be a corporation organized and validly existing under the laws of the United States or any State thereof or the District of Columbia; and

(y) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustees), executed and delivered to the Trustees, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance of every covenant of the Notes, the Indenture and the Registration Rights Agreements on the part of the Company to be performed or observed;

(2) if such transaction or series of related transactions occurs other than during a Suspension Period, immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(y) above (including giving effect to any Indebtedness (including Acquired Indebtedness) incurred or anticipated to be incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, shall either (x) be able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the first paragraph under the "Limitation on Incurrence of Additional Indebtedness" covenant or (y) shall have a Consolidated Fixed Charge Coverage Ratio immediately after such transaction or series of related transactions equal to or greater than the Company's Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction or series of related transactions;

(3) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(y) above (including, without limitation, giving effect to any Indebtedness (including Acquired Indebtedness) incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and

(4) the Company or the Surviving Entity shall have delivered to the Trustees an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Indentures will provide that upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing, in which the Company is not the continuing corporation, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indentures and the Notes with the same effect as if such surviving entity had been named as such.

Notwithstanding the foregoing, the Company need not comply with clause (2) of the first paragraph of this covenant in connection with (x) a sale assignment, transfer, conveyance or other disposition of assets between or among the Company and any of its Wholly Owned Restricted Subsidiaries or (y) any merger of the Company with or into any Wholly Owned Restricted Subsidiary or (z) a merger by the Company with an Affiliate incorporated or organized solely for the purpose of reincorporating or reorganizing the Company in another jurisdiction.

Subsidiary Guarantees. If on or after the Issue Date:

(a) any other Capital Market Debt of the Company is or becomes guaranteed by any Restricted Subsidiary of the Company, or

(b) any one or more Wholly Owned Domestic Restricted Subsidiaries (singly or in the aggregate) would at the end of any fiscal quarter constitute a Significant Subsidiary (which term for the purposes of this

covenant entitled “Subsidiary Guarantees” shall be limited to any Person that satisfies only the asset criteria set forth in clauses (1) and (2) of paragraph (w) of Rule 1.02 of Regulation S-X under the Exchange Act) (other than (i) Xerox Financial Services, Inc. and each of its Subsidiaries (other than Xerox Credit Corporation) for so long as its respective business is conducted in a manner similar to that on the Issue Date, (ii) Xerox Credit Corporation or any other Restricted Subsidiary of the Company, in each case so long as it is primarily a special purpose financing vehicle of the Company or its Restricted Subsidiaries (a “Financing Subsidiary”), or any holding company whose principal asset is Capital Stock of a Financing Subsidiary or (iii) any Domestic Restricted Subsidiary so long as its primary asset is Capital Stock of one or more Foreign Subsidiaries and/or its primary asset is Indebtedness of one or more Foreign Subsidiaries or any combination of the foregoing), then the Company shall cause, in the case of (a), such Restricted Subsidiary that is guaranteeing Company Capital Markets Debt, and, in the case of (b), such Domestic Restricted Subsidiar(ies), to execute and deliver to the Trustees a supplemental indenture in form reasonably satisfactory to the Trustees pursuant to which such Person shall fully and unconditionally guarantee all of the Company’s obligations under the Notes and the Indentures on the terms set forth in the Indentures.

Any Guarantee executed pursuant to clause (a) of the immediately preceding paragraph shall provide by its terms that such Guarantee shall be automatically and unconditionally released upon the release of the guarantee that resulted in such clause (a) becoming applicable (other than by reason of payment under such guarantee) so long as such Restricted Subsidiary is not at such time guaranteeing any other Capital Markets Debt of the Company and no Default or Event of Default is then continuing. In addition, any Guarantee executed pursuant either to clause (a) or clause (b) of the immediately preceding paragraph shall provide by its terms that such Guarantee shall be automatically and unconditionally released upon: (i) the designation of the Restricted Subsidiary that gave such Guarantee as an Unrestricted Subsidiary in compliance with the provisions of the Notes or (ii) any transaction, including without limitation, any sale, exchange or transfer, to any Person not an Affiliate of the Company, of the Company’s Capital Stock in, or all or substantially all the property of, such Restricted Subsidiary, which transaction is in compliance with the terms of the Indentures, and which results in the Restricted Subsidiary that gave such Guarantee ceasing to be a Subsidiary of the Company and, in the case of either clause (i) or clause (ii), such Restricted Subsidiary is released from all guarantees, if any, by it of other Capital Markets Debt of the Company.

Notwithstanding the foregoing, the Company shall have the right to cause any Restricted Subsidiary to execute a Guarantee in respect of the Company’s obligations under the Notes *provided* that such Restricted Subsidiary shall execute and deliver to the Trustees a supplemental indenture in a form reasonably satisfactory to the Trustees in respect of such Guarantee.

Reports to Holders. The Indentures will provide that, whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company will furnish the Holders of Notes:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that describes the financial condition and results of operations of the Company and its consolidated Subsidiaries and, with respect to the annual information only, a report thereon by the Company’s certified independent accounts; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports, in each case within the time periods specified in the Commission’s rules and regulations.

In addition, following the consummation of the exchange offer contemplated by the Registration Rights Agreements, whether or not required by the rules and regulations of the Commission, the Company will file a copy of all such information and reports with the Commission for public availability within the time periods

specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Company has agreed that, for so long as any Notes remain outstanding, it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default

The following events are defined in the Indenture as "Events of Default":

(1) the failure to pay interest on any Notes when the same becomes due and payable and the default continues for a continuous period of 30 days;

(2) the failure to pay the principal on any Notes, when such principal becomes due and payable, at maturity, upon redemption or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to a Change of Control Offer or a Net Proceeds Offer);

(3) a default in the observance or performance of any other covenant or agreement contained in the Indentures which default continues for a period of 90 days after the Company receives written notice specifying the default (and demanding that such default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes (except in the case of a default with respect to the "Merger, Consolidation and Sale of Assets" covenant, which will constitute an Event of Default with such notice requirement but without such passage of time requirement);

(4) the failure to pay at final maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Indebtedness of the Company or any Restricted Subsidiary of the Company, or the acceleration of the final stated maturity of any such Indebtedness, if the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final maturity or which has been accelerated, aggregates $50.0 million or more at any time;

(5) one or more judgments in an aggregate amount in excess of $50.0 million (excluding any amounts adequately covered by insurance from a solvent and unaffiliated insurance company) shall have been rendered against the Company or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 90 days after such judgment or judgments become final and non-appealable; or

(6) certain events of bankruptcy affecting the Company or any of its Significant Subsidiaries.

If an Event of Default (other than an Event of Default specified in clause (6) above with respect to the Company) shall occur and be continuing, the applicable Trustee or the Holders of at least 25% in principal amount of outstanding Notes under either Indenture may declare the principal of and accrued interest on all the Notes under such Indenture to be due and payable by notice in writing to the Company and the applicable Trustee specifying the respective Event of Default and that it is a "notice of acceleration," and the same shall become immediately due and payable. If an Event of Default specified in clause (6) above with respect to the Company occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the applicable Trustee or any Holder.

Each Indenture will provide that, at any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes under such Indenture may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances.

No such rescission shall affect any subsequent Default or impair any right consequent thereto.

The Holders of a majority in principal amount of the Notes under either Indenture may waive any existing Default or Event of Default under such Indenture, and its consequences, except a default in the payment of the principal of or interest on any Notes.

Holders of the Notes may not enforce the Indentures or the Notes except as provided in the Indenture and under the TIA. Subject to the provisions of each Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable indemnity. Subject to all provisions of the Indentures and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustees or exercising any trust or power conferred on the Trustees.

Under the Indentures, the Company is required to provide an officers' certificate to the Trustee promptly upon any such officer obtaining knowledge of any Default or Event of Default (provided that such officers shall provide such certification at least annually whether or not they know of any Default or Event of Default) that has occurred and, if applicable, describe such Default or Event of Default and the status thereof.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes ("Legal Defeasance"). Such Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes, except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due from the trust fund referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, issuing Notes to replace mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the Trustee and the Company's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the applicable Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants (other than, among others, the covenant to make payments in respect of the principal, premium, if any, and interest on the Notes) that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non- payment, bankruptcy, receivership, reorganization and insolvency events) described under "Events of Default" will no longer constitute Events of Default with respect to the Notes. The Company may exercise its Legal Defeasance option notwithstanding its prior exercise of its Covenant Defeasance option.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the applicable Trustee, in trust, (a) for the benefit of the Holders of Dollar Notes, cash in U.S. dollars, non-callable U.S. government obligations, or a combination thereof, and (b) for the benefit of the holders of the Euro Notes, cash in euros, non-callable euro government obligations, or a combination thereof, in each case, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the applicable Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company shall have delivered to the applicable Trustee an opinion of counsel in the United States reasonably acceptable to the applicable Trustee confirming that:

(a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the applicable Trustee an opinion of counsel in the United States reasonably acceptable to the applicable Trustee confirming that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the applicable Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company shall have delivered to the applicable Trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(7) the Company shall have delivered to the applicable Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(8) certain other customary conditions precedent are satisfied.

Notwithstanding the foregoing, the opinion of counsel required by clause (2) above with respect to a Legal Defeasance need not be delivered if all Notes not theretofore delivered to the applicable Trustee for cancellation (1) have become due and payable or (2) will become due and payable on the maturity date within one year under arrangements satisfactory to the applicable Trustee for the giving of notice of redemption by the applicable Trustee in the name, and at the expense, of the Company.

Satisfaction and Discharge

Each Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the applicable Notes, as expressly provided for in the Indenture) as to all outstanding Notes under such indenture when:

(1) either:

(a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the applicable Trustee for cancellation; or

(b) all Notes not theretofore delivered to the applicable Trustee for cancellation have become due and payable within one year or as a result of a mailing of a notice of redemption and the Company has irrevocably deposited or caused to be deposited with the applicable Trustee cash in the relevant currency, non-callable U.S. government obligations or government obligations denominated in euros, as applicable, or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the applicable Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the applicable Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Company has paid all other sums payable under the Indenture by the Company; and

(3) the Company has delivered to the applicable Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company and the applicable Trustee, without the consent of the Holders, may amend each Indenture for certain specified purposes, including curing ambiguities, defects or inconsistencies, complying with the covenant described under "—Certain Covenants Applicable At All Times—Merger, Consolidation and Sale of Assets," complying with any requirement of the Commission in connection with qualifying, or maintaining the qualification of, the Indentures under the TIA and making any change (including any change requested by the Luxembourg Stock Exchange in order to list the Notes thereon) that does not adversely affect the rights of any Holder of the Notes in any material respect. Other modifications and amendments of each Indenture may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes issued under such Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(1) reduce the amount of Notes whose Holders must consent to an amendment;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption or reduce the redemption price therefor;

(4) make any Notes payable in money other than that stated in the Notes;

(5) make any change in provisions of the Indenture protecting the right of each Holder to receive payment of principal of and interest on such Note on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(6) after the Company's obligation to purchase Notes arises thereunder, amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in the event of a Change of Control or, after such Change of Control has occurred, modify any of the provisions or definitions with respect thereto; *provided*, that for purposes of this provision, a Change of Control shall not be deemed to have occurred upon the entering into or execution of any agreement or instrument notwithstanding that the consummation of the transactions contemplated by such agreement or instrument would result in a Change of Control as defined in the Indentures if such agreement or instrument expressly provides that it shall be a condition to closing thereunder that the Holders of the Notes shall have waived the Change of Control on or prior to such closing unless and until such condition is waived by the parties to such agreement or instrument or the Change of Control has actually occurred; or

(7) modify or change any provision of the Indenture or the related definitions affecting the ranking of the Notes in a manner which adversely affects the Holders.

Governing Law

The Indentures will provide that they and the Notes will be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

The Trustees

The Indentures will provide that, except during the continuance of an Event of Default, the Trustees will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustees will exercise such rights and powers vested in them by the Indentures, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Indentures and the provisions of the TIA contain certain limitations on the rights of the Trustees, should any Trustee become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. Subject to the TIA, the Trustees will be permitted to engage in other transactions; *provided* that if the Trustees acquire any conflicting interest as described in the TIA, they must eliminate such conflict or resign.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indentures. Reference is made to the Indentures for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time it merges or consolidates with or into the Company or any of its Subsidiaries or assumed in connection with the acquisition of property or assets from such Person and in each case not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of the Company or such acquisition, merger or consolidation.

"*Affiliate*" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"*Asset Acquisition*" means (1) an Investment by the Company or any Restricted Subsidiary of the Company in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or any Restricted Subsidiary of the Company, or shall be merged with or into the Company or any Restricted Subsidiary of the Company, or (2) the acquisition by the Company or any Restricted Subsidiary of the Company of the assets of any Person (other than a Restricted Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

"*Asset Sale*" means any direct or indirect sale, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer for value by the Company or any of its Restricted Subsidiaries (including any Sale and Leaseback Transaction) to any Person other than the Company or a Restricted Subsidiary of the Company of: (1) any Capital Stock of any Restricted Subsidiary of the Company (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary); or (2) any other property or assets of the Company or any Restricted Subsidiary of the Company other than in the ordinary course of business; *provided, however*, that asset sales or other dispositions shall not include: (a) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration of up to $25.0 million; (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company in accordance with and as permitted by the "Merger, Consolidation and Sale of Assets" covenant; (c) any Restricted Payment permitted by the "Limitation on Restricted Payments" covenants or that constitutes a Permitted Investment; (d) the sale, lease, conveyance, disposition or other transfer of any Capital Stock or other ownership interest in or assets or property of an Unrestricted Subsidiary or a Person which is not a Subsidiary pursuant to any foreclosure of assets or other remedy provided by applicable law to a creditor of the Company or any Subsidiary of the Company with a Lien on such assets, which Lien is permitted under the Indenture; *provided* that such foreclosure or other remedy is conducted in a commercially reasonable manner or in accordance with any bankruptcy law; (e) a disposition of obsolete or worn out property or property that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries; (f) the discounting or compromising by the Company or any Restricted Subsidiary for less than the face value thereof of notes or accounts receivable in order to resolve disputes that occur in the ordinary course of business and not in connection with a factoring or financing transaction; and (g) for purposes of clauses (1) and (2) of the first paragraph of the "Limitation on Asset Sales" covenant only, any disposition, sale or transfer of property or assets that are part of the Turnaround Program (excluding any Qualified Receivables Transaction unless in connection with the sale of an entire business in connection with the Turnaround Program).

"*Board of Directors*" means, as to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

"*Board Resolution*" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"*Bund Rate*" means (i) the rate borne by direct obligations of the Federal Republic of Germany (Bunds of Bundesanleihen) having a constant maturity most nearly equal to the period from the redemption date to January 15, 2009 and (ii) if there are no such obligations, the rate determined by linear interpolation between the rates borne by the two direct obligations of the Federal Republic of Germany maturing closest to, but straddling such date in each case as published in the Financial Times.

"*Capital Markets Debt*" means any Indebtedness that is a security (other than syndicated commercial loans) that is eligible for resale in the United States pursuant to Rule 144A under the Securities Act or outside the United States pursuant to Regulation S of the Securities Act or a security (other than syndicated commercial loans) that is sold or subject to resale pursuant to a registration statement under the Securities Act.

"*Capital Stock*" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person; and

(2) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person.

"*Capitalized Lease Obligation*" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"*Cash Equivalents*" means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or the government of any Eligible Jurisdiction or issued by any agency thereof and backed by the full faith and credit of such government, in each case maturing within one year from the date of acquisition thereof;

(2) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's;

(3) commercial paper and other securities maturing no more than one year from the date of acquisition thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least P-2 from Moody's;

(4) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any Eligible Jurisdiction or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than $100.0 million;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (4) above; and

(6) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) any "person," including its affiliates and associates, other than the Company, its Subsidiaries or the Company's or such Subsidiaries' employee benefit plans, or any "group" files a Schedule 13D or Schedule TO (or any successor schedule, form or report under the Exchange Act) disclosing that such person or group has become the "beneficial owner" of 50% or more of the combined voting power of the Company's Capital Stock or other Capital Stock into which the Company's Common Stock is reclassified or changed, with certain exceptions having ordinary power to elect directors, or has the power to, directly or indirectly, elect managers, trustees or a majority of the members of the Company's Board of Directors;

(2) there shall be consummated any share exchange, consolidation or merger of the Company pursuant to which the Company's Common Stock would be converted into cash, securities or other property, or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets, in each case other than pursuant to a share exchange, consolidation or merger of the Company in which the holders of the Company's Common Stock immediately prior to the share exchange, consolidation

or merger have, directly or indirectly, at least a majority of the total voting power in the aggregate of all classes of Capital Stock of the continuing or surviving corporation immediately after the share exchange, consolidation or merger; or

(3) the Company is dissolved or liquidated.

For purposes of this Change of Control definition:

- "person" or "group" has the meaning given to it for purposes of Sections 13(d) and 14(d) of the Exchange Act or any successor provisions, and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act or any successor provision;
- a "beneficial owner" will be determined in accordance with Rule 13d-3 under the Exchange Act, as in effect on the date of the Indentures; and
- the number of shares of the Company's voting stock outstanding will be deemed to include, in addition to all outstanding shares of the Company's voting stock and unissued shares deemed to be held by the "person" or "group" or other person with respect to which the Change of Control determination is being made, all unissued shares deemed to be held by all other persons.

"*Commission*" means the Securities and Exchange Commission.

"*Common Stock*" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock.

"*Consolidated EBITDA*" means, with respect to any Person, for any period, the sum, all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in accordance with GAAP (without duplication), of:

(1) Consolidated Net Income; and

(2) to the extent Consolidated Net Income has been reduced thereby:

(a) all income taxes of such Person and its Restricted Subsidiaries paid or accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary, or nonrecurring gains or losses, taxes attributable to Asset Sales and taxes attributable to discontinued operations);

(b) Consolidated Fixed Charges; and

(c) Consolidated Non-cash Charges.

"*Consolidated Fixed Charge Coverage Ratio*" means, with respect to any Person, the ratio of Consolidated EBITDA of such Person during the four full fiscal quarters (the "Four Quarter Period") ending prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio for which financial statements are available (the "Transaction Date") to Consolidated Fixed Charges of such Person for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

(1) the incurrence or repayment of any Indebtedness of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time

subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period; and

(2) any asset sales or other dispositions or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of such Person or one of its Restricted Subsidiaries (including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also including any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) attributable to the assets which are the subject of the Asset Acquisition or asset sale or other disposition during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such asset sale or other disposition or Asset Acquisition (including the incurrence, assumption or liability for any such Acquired Indebtedness) occurred on the first day of the Four Quarter Period.

If such Person or any of its Restricted Subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness, without duplication, as if such Person or any Restricted Subsidiary of such Person had directly incurred or otherwise assumed such guaranteed Indebtedness.

Furthermore, in calculating "Consolidated Fixed Charges":

(1) for purposes of determining the numerator (but not the denominator) of this "Consolidated Fixed Charge Coverage Ratio," interest income determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter, shall be deemed to have accrued at a fixed rate per annum equal to the applicable rate of interest in effect on the Transaction Date;

(2) for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio", interest on outstanding Indebtedness, determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter, shall be deemed to have accrued at a fixed rate per annum equal to the applicable rate of interest in effect on the Transaction Date; and

(3) notwithstanding clause (2) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Swap Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"*Consolidated Fixed Charges*" means, with respect to any Person for any period, the sum, without duplication, of:

(1) Consolidated Interest Expense; plus

(2) the amount of all dividends on any series of Preferred Stock of such Person and its Restricted Subsidiaries paid, declared or accrued during such period multiplied, to the extent such dividend payments are not otherwise a deduction to such Person's federal income tax liabilities by a fraction, the numerator of which is one and the denominator of which is one minus the then current effective consolidated federal, state and local tax rate of such Person, expressed as a decimal.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, total interest expense (including that portion attributable to Capital Lease Obligations in accordance with GAAP) of the Company and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP.

"*Consolidated Net Income*" means, with respect to any Person, for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there shall be excluded therefrom:

(1) after-tax gains or losses from Asset Sales or abandoments or reserves relating thereto;

(2) after-tax items classified as extraordinary or nonrecurring gains or losses;

(3) the net income (but not loss) of any Restricted Subsidiary of the referent Person to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is restricted by a contract, operation of law or otherwise;

(4) the net income of any other Person, other than a Restricted Subsidiary of the referent Person, joint ventures described in the definition of Permitted Joint Venture Investments and any joint ventures in which the Company or any Restricted Subsidiary is a party that exists as of the Issue Date, except to the extent of cash dividends or distributions paid to the referent Person or to a Restricted Subsidiary of the referent Person by such Person;

(5) after-tax income or loss attributable to discontinued operations; and

(6) in the case of a successor to the referent Person by consolidation or merger or as a transferee of the referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets.

For purposes of determining the Consolidated Fixed Charge Coverage Ratio only, any loss, charge or cost attributable to the Turnaround Program shall also be excluded, *provided* that any loss, charge or cost described in clause (v) of the definition of Turnaround Program shall only be so excluded to the extent it is non-cash.

"*Consolidated Net Worth*" means, at any time, as to a given entity (a) the sum of the amounts appearing on the latest consolidated balance sheet of such entity and its Subsidiaries, prepared in accordance with generally accepted accounting principles consistently applied, as (i) the par or stated value of all outstanding Capital Stock (including preferred stock), (ii) capital paid-in and earned surplus or earnings retained in the business plus or minus cumulative transaction adjustments, (iii) any unappropriated surplus reserves, (iv) any net unrealized appreciation of equity investment, and (v) minorities' interests in equity of subsidiaries, less (b) treasury stock, plus (c) in the case of the Company, $600.0 million.

"*Consolidated Non-cash Charges*" means, with respect to any Person, for any period, the aggregate depreciation and amortization of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"*Convertible Subordinated Debentures*" means the 3.625% Convertible Subordinated Debentures due 2018 of the Company.

"*Convertible Trust Preferred Securities*" means the $650.0 million aggregate liquidation amount of 8% Convertible Trust Preferred Securities of Xerox Capital Trust I and the $1,035.0 million aggregate liquidation amount of 7 1/2% Convertible Trust Preferred Securities of Xerox Capital Trust II, in each case, as in effect on the Issue Date.

"*Credit Agreement*" means the Revolving Credit Agreement, dated as of October 22, 1997, among the Company, the lenders party thereto in their capacities as lenders thereunder and the agents named therein, together with the related documents thereto (including, without limitation, any guarantee agreements and security documents), in each case as such agreement may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreements extending the maturity of, refinancing, replacing (whether or not contemporaneously) or otherwise restructuring (including increasing the amount of available borrowings thereunder (*provided* that such increase in borrowings is permitted by the "Limitation on Incurrence of Additional Indebtedness" covenant above) or adding Restricted Subsidiaries of the Company as additional borrowers or collateral guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreements and whether by the same or any other agent, lender or group of lenders or investors and whether such refinancing or replacement is under one or more debt

facilities or commercial paper facilities, indentures or other agreements, in each case with banks or other institutional lenders or trustees or investors providing for revolving credit loans, term loans, notes or letters of credit, together with related documents thereto (including, without limitation, any guaranty agreements and security documents).

"*Currency Agreement*" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any Restricted Subsidiary of the Company against fluctuations in currency values.

"*Default*" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Capital Stock*" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event (other than an event which would constitute an Asset Sale or Change of Control), matures or is mandatorily redeemable (other than such Capital Stock that will be redeemed with Qualified Capital Stock), pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof (except, in each case, upon the occurrence of an Asset Sale or Change of Control) on or prior to the final maturity date of the Notes.

"Domestic Insignificant Subsidiary" means any Domestic Wholly Owned Restricted Subsidiary that is not a Guarantor other than a Person that is described in clause (b) of the "Subsidiary Guarantees" covenant.

"*Domestic Restricted Subsidiary*" means a Restricted Subsidiary incorporated or otherwise organized or existing under the laws of the United States, any state thereof or any territory or possession of the United States.

"Domestic Wholly Owned Restricted Subsidiary" means a Domestic Restricted Subsidiary that is also a Wholly Owned Restricted Subsidiary.

"*Eligible Jurisdiction*" means any country in the European Union (as it exists on the Issue Date) or Switzerland.

"*ESOP Notes*" means the then outstanding 7.89% (7.82% since January 1, 1993) Guaranteed Series B ESOP Notes due October 1, 2002 and the then outstanding Guaranteed ESOP Restructuring Notes due October 1, 2003.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"*fair market value*" means, with respect to any asset or property, the price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction.

"*Foreign Subsidiary*" means a Restricted Subsidiary that is incorporated or formed in a jurisdiction other than the United States or a State thereof or the District of Columbia.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect from time to time.

"*Guarantee*" means any guarantee of the Notes by a Guarantor.

"*Guarantor*" means each of the Company's Restricted Subsidiaries that in the future executes a supplemental indenture in which such Restricted Subsidiary agrees to be bound by the terms of the Indenture as a Guarantor; *provided* that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its respective Guarantee is released in accordance with the terms of the Indentures.

"*Indebtedness*" means with respect to any Person, without duplication:

(1) all indebtedness of such Person for borrowed money;

(2) all indebtedness of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all indebtedness of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all indebtedness under any title retention agreement (but excluding trade accounts payable incurred in the ordinary course with a maturity of not greater than 90 days);

(5) all indebtedness for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit supporting obligations not for money borrowed entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the fifth business day following payment on the letter of credit);

(6) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

(7) all indebtedness of any other Person of the type referred to in clauses (1) through (6) which are secured by any Lien on any property or asset of such Person, the amount of such indebtedness being deemed to be the lesser of the fair market value of such property or asset or the amount of the indebtedness so secured;

(8) all indebtedness under currency agreements and interest swap agreements of such Person; and

(9) all Disqualified Capital Stock issued by such Person or any Preferred Stock of any Restricted Subsidiary of such Person ("Subsidiary Preferred Stock") with the amount of Indebtedness represented by such Disqualified Capital Stock or Subsidiary Preferred Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any.

For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock or Subsidiary Preferred Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock or Subsidiary Preferred Stock as if such Disqualified Capital Stock or Subsidiary Preferred Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock or Subsidiary Preferred Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock or Subsidiary Preferred Stock.

Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock will not be deemed to be an incurrence of Indebtedness. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value of the Indebtedness in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was

incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness. Notwithstanding any other provision of the "Limitation on Incurrence of Additional Indebtedness" covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to the "Limitation on Incurrence of Additional Indebtedness" covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

"*Independent Financial Advisor*" means a firm: (1) which is not an Affiliate of the Company; and (2) which, in the judgment of the Company, is otherwise independent and qualified to perform the task for which it is to be engaged.

"*Interest Swap Obligations*" means the obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

"*Investment*" means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee of Indebtedness) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any Person, or any keep-well agreement of any Person. "Investment" shall exclude extensions of trade credit by the Company and its Restricted Subsidiaries in the ordinary course of business. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Restricted Subsidiary is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Common Stock of such Restricted Subsidiary not sold or disposed of. If the Company designates any of its Subsidiaries to be an Unrestricted Subsidiary, the Company shall be deemed to have made an Investment on the date of such designation equal to the Designation Amount determined in accordance with the definition of "Unrestricted Subsidiary."

"*Investment Grade Status*," with respect to the Company, shall occur when the Notes have both (i) a rating of "BBB-" or higher from S&P and (ii) a rating of "Baa3" or higher from Moody's, and each such rating shall have been published by the applicable agency, in each case with no negative outlook.

"*Issue Date*" means the date of original issuance of the Notes.

"*Lien*" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

"*Make-Whole Premium*" with respect to a Note means an amount equal to the excess of (a) the present value of the remaining interest, premium and principal payments due on such Note to its final maturity date, computed using a discount rate equal to the Treasury Rate, in the case of Dollar Notes, and the Bund Rate in the case of Euro Notes, on such date plus 0.50%, over (b) the outstanding principal amount of such Note.

"*Moody's*" means Moody's Investors Service, Inc., and its successors.

"*Net Cash Proceeds*" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale net of:

(1) out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale;

(3) repayment of Indebtedness and any accrued interest and premium that is secured by the property or assets that are the subject of such Asset Sale;

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale; and

(5) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Sale.

"*Pari Passu Indebtedness*" means any Indebtedness of the Company that is not subordinated to the Notes.

"*Permitted Indebtedness*" means, without duplication, each of the following:

(1) Indebtedness under the Notes (other than Additional Notes) and the Exchange Notes and any Guarantees required by the Indentures;

(2) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business (including, without limitation, in connection with the Turnaround Program) so long as the proceeds thereof are not used, directly or indirectly, to finance an Asset Acquisition or to make a Restricted Payment (other than a Permitted Investment) or to effect a refinancing of Indebtedness or Capital Stock (other than Refinancing Indebtedness incurred to refinance any Indebtedness originally permitted to be incurred under this clause (2)); *provided*, *however*, that Indebtedness incurred under this clause (2) (including Guarantees thereof) by Domestic Insignificant Subsidiaries shall not exceed $100.0 million outstanding at any time in the aggregate for all Domestic Insignificant Subsidiaries;

(3) Indebtedness incurred pursuant to the Credit Agreement in an aggregate principal amount at any time outstanding not to exceed $7.0 billion (such amount to be reduced (but not increased) to the amount of the aggregate commitments and loans under the first refinancing of the Credit Agreement after the Issue Date), less the sum of all principal payments of such Indebtedness with the proceeds of Asset Sales (other than the sale or liquidation of receivables) (but in no event reduced below $4.75 billion);

(4) other Indebtedness of the Company and its Restricted Subsidiaries (other than the Credit Agreement) outstanding on the Issue Date;

(5) Interest Swap Obligations of the Company or any Restricted Subsidiary of the Company covering Indebtedness of the Company or any of its Restricted Subsidiaries; *provided*, *however*, that such Interest Swap Obligations are entered into to protect the Company or its Restricted Subsidiaries from fluctuations in interest rates on outstanding Indebtedness to the extent the notional principal amount of such Interest Swap Obligation does not, at the time of the incurrence thereof, exceed the principal amount of the Indebtedness to which such Interest Swap Obligation relates;

(6) Indebtedness under Currency Agreements; *provided* that in the case of Currency Agreements which relate to Indebtedness, such Currency Agreements do not increase the Indebtedness of the Company and its Restricted Subsidiaries outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(7) Indebtedness of a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company for so long as such Indebtedness is held by the Company or a Restricted Subsidiary of the Company, in each case subject to no Lien held by a Person other than the Company or a Restricted Subsidiary of the Company (other than in favor of a senior secured credit agreement that is permitted to be incurred under clause (3) above); *provided* that if as of any date any Person other than the Company or a Restricted Subsidiary of the Company owns or holds any such Indebtedness or holds a Lien (other than in favor of a senior secured credit agreement that is permitted to be incurred under clause (3) above) in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the issuer of such Indebtedness;

(8) Indebtedness of the Company to a Restricted Subsidiary of the Company for so long as such Indebtedness is held by a Restricted Subsidiary of the Company and subject to no Lien (other than in favor of a senior secured credit agreement that is permitted to be incurred under clause (3) above); *provided* that if as of any date any Person other than a Restricted Subsidiary of the Company owns or holds any such Indebtedness or any Person holds a Lien (other than in favor of a senior secured credit agreement that is permitted to be incurred under clause (3) above) in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the Company;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five business days of incurrence;

(10) Indebtedness of the Company or any Restricted Subsidiary in respect of performance bonds, bankers' acceptances, workers' compensation claims, surety or appeal bonds, payment obligations in connection with self-insurance or similar obligations, and operating leases, trade contracts and bank overdrafts (and letters of credit in respect thereof) in the ordinary course of business;

(11) Indebtedness Incurred in a Qualified Receivables Transaction that is not recourse to the Company or any Restricted Subsidiary (except for Standard Securitization Undertakings or a Restricted Subsidiary whose principal assets are the receivables, leases or other assets that are the subject of the Qualified Receivables Transaction);

(12) any guarantee by the Company or a Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary so long as the incurrence of such Indebtedness would otherwise be permitted to be incurred under the Indentures and such guarantee is otherwise not prohibited by the Indentures and clause (a) of the "Subsidiary Guarantees" covenant, to the extent applicable, is complied with;

(13) Indebtedness arising from guarantees of Indebtedness of the Company or any Restricted Subsidiary or the agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Subsidiary, or other guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets, Subsidiary or Capital Stock of a Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including non-cash proceeds) actually received by the Company and/or such Restricted Subsidiary in connection with such disposition;

(14) the issuance of shares of Disqualified Stock by the Company to a Restricted Subsidiary of the Company; *provided, however*, that (a) any subsequent issuance or transfer that results in any such Disqualified Stock being held by a Person other than a Restricted Subsidiary thereof and (b) any sale or other transfer of any such Disqualified Stock to a Person that is not a Restricted Subsidiary thereof shall be

deemed, in each case, to constitute an issuance of such Disqualified Stock by the Company that was not permitted by this clause (14);

(15) obligations incurred in the ordinary course of business and not for money borrowed (for example, repurchase agreements) to purchase securities or other property, if such obligations arise out of or in connection with the sale of the same or similar securities or properties;

(16) obligations to deliver goods or services in consideration of advance payments therefor;

(17) Indebtedness consisting of take-or-pay obligations contained in supply contracts entered into in the ordinary course of business;

(18) Refinancing Indebtedness; and

(19) additional Indebtedness of the Company and its Restricted Subsidiaries (other than Domestic Insignificant Subsidiaries) in an aggregate principal amount not to exceed $75.0 million at any one time outstanding (which amount may, but need not, be incurred in whole or in part under the Credit Agreement).

For purposes of determining compliance with the "Limitation on Incurrence of Additional Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (19) above or is entitled to be incurred pursuant to the Consolidated Fixed Charge Coverage Ratio provisions of such covenant, the Company shall, in its sole discretion, classify such item of Indebtedness in any manner that complies with such covenant. In addition, the Company may, at any time, change the classification of an item of Indebtedness (or any portion thereof) to any other clause, and in part under any one or more of the clauses listed above, or to the first paragraph of the "Limitation on Incurrence of Additional Indebtedness" covenant provided that the Company would be permitted to incur such item of Indebtedness (or portion thereof) pursuant to such other clause or clauses, as the case may be, or of the first paragraph of the "Limitation on Incurrence of Additional Indebtedness" covenant, as the case may be, at such time of reclassification. Accrual of interest, accretion or amortization of original issue discount or other discounts or premiums, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Capital Stock or Subsidiary Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Subsidiary Preferred Stock and any other changes in reported Indebtedness required by GAAP and other non-cash changes in Indebtedness due to fluctuations in interest rates, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Capital Stock or Subsidiary Preferred Stock for purposes of the "Limitation on Incurrence of Additional Indebtedness" covenant.

"*Permitted Investments*" means:

(1) Investments by the Company or any Restricted Subsidiary of the Company in any Person that is or will become immediately after such Investment a Restricted Subsidiary of the Company or that will merge or consolidate into the Company or a Restricted Subsidiary of the Company;

(2) Investments in the Company by any Restricted Subsidiary of the Company;

(3) Investments in cash in euros or dollars and Cash Equivalents or, to the extent determined by the Company or a Foreign Subsidiary in good faith to be necessary for local working capital requirements and operational requirements of the Foreign Subsidiaries, other cash and cash equivalents denominated in the currency of the jurisdiction of organization or place of business of such Foreign Subsidiary which are, in the case of cash equivalents, otherwise substantially similar to the items specified in the definition of "Cash Equivalents";

(4) Loans and advances to employees and officers of the Company and its Subsidiaries to purchase Capital Stock of the Company for bona fide business purposes;

(5) Currency Agreements and Interest Swap Obligations entered into in the ordinary course of the Company's or its Restricted Subsidiaries' businesses and not for speculative purposes and otherwise in compliance with the Indenture;

(6) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (6) that are at that time outstanding, not to exceed $75.0 million in any calendar year at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(7) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy, work-out or insolvency of such trade creditors or customers or as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made by the Company or its Restricted Subsidiaries as a result of consideration received in connection with any sale or other transfer of assets, to the extent applicable, in compliance with the "Limitation on Asset Sales" covenant;

(9) Permitted Joint Venture Investments;

(10) receivables owing to the Company or any Restricted Subsidiary or other trade credit provided by the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(11) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) stock, obligations or securities received as security for, or in settlement of, debts created in the ordinary course of business and owing to the Company or any of its Restricted Subsidiaries or in satisfaction of judgments or claims;

(13) Investments relating to purchase or acquisition of products from vendors, manufacturers or suppliers in the ordinary course of business;

(14) Investments owned by the Company and any Restricted Subsidiary as of the Issue Date, and any repayment of the ESOP Notes by the Company or any Restricted Subsidiary after the Issue Date; and

(15) Investments in connection with pledges, deposits, payments or performance bonds made or given in the ordinary course of business in connection with or to secure statutory, regulatory or similar obligations, including obligations under health, safety or environmental obligations.

"*Permitted Joint Venture Investments*" means any Investment (A) in a joint venture, partnership or other arrangement with a Person or Persons that are not Affiliates of the Company, to the extent necessary or desirable, as determined by the Company, to (x) facilitate, or as contemplated by, the Turnaround Program or (y) facilitate Qualified Receivables Transactions and (B) in Fuji Xerox Co., Limited.

"*Person*" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Preferred Stock*" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"*Purchase Money Indebtedness*" means Indebtedness of the Company and its Restricted Subsidiaries incurred for the purpose of financing all or any part of the purchase price, or the cost of installation, construction or improvement, of property or equipment; *provided*, *however*, that (1) the amount of such Indebtedness shall not exceed such purchase price or cost, (2) such Indebtedness shall not be secured by any asset other than the specified asset being financed or, in the case of real property or fixtures, including additions and improvements,

the real property to which such asset is attached and (3) such Indebtedness shall be incurred within 180 days after such acquisition of such asset by the Company or such Restricted Subsidiary or such installation, construction or improvement.

"*Qualified Capital Stock*" means any Capital Stock that is not Disqualified Capital Stock.

"*Qualified Receivables Transaction*" means any transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries in order to monetize or otherwise finance a discrete pool (which may be fixed or revolving) of receivables, leases or other financial assets (including, without limitation, financing contracts) (in each case whether now existing or arising in the future), and which may include a grant of a security interest in any such receivables, leases, other financial assets (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto, including all collateral securing such receivables, leases, or other financial assets, all contracts and all guarantees or other obligations in respect thereof, proceeds thereof and other assets that are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving receivables, leases, or other financial assets.

"*Refinance*" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. "Refinanced" and "Refinancing" shall have correlative meanings.

"*Refinancing Indebtedness*" means any Refinancing by the Company or any Restricted Subsidiary of the Company of Indebtedness permitted by the "Limitation on Incurrence of Additional Indebtedness" covenant (other than pursuant to clauses (2), (3), (5), (6), (7), (8), (9), (10), (11), (13), (14), (15), (16), (17) or (19) of the definition of Permitted Indebtedness), in each case that does not:

(1) result in an increase in the aggregate principal amount of Indebtedness of such Person as of the date of such proposed Refinancing (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable expenses incurred by the Company in connection with such Refinancing); or

(2) create Indebtedness with: (a) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; or (b) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; *provided* that (x) if such Indebtedness being Refinanced is Indebtedness of the Company, then such Refinancing Indebtedness shall be Indebtedness solely of the Company and (y) if such Indebtedness being Refinanced is subordinate or junior to the Notes, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"*Registration Rights Agreements*" means the registration rights agreements dated as of the Issue Date among the Company and the Initial Purchasers.

"*Restricted Subsidiary*" of any Person means any Subsidiary of such Person which at the time of determination is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., and its successors.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced by such Person on the security of such Property.

"*Securities Act*" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"*Series B Convertible Preferred Stock*" means the 10.0 million shares of Series B Convertible Preferred Stock of the Company issued to the Company's Employee Stock Ownership Plan Trust, as in effect on the Issue Date.

"*Significant Subsidiary*," with respect to any Person, means any Restricted Subsidiary of such Person that satisfies the criteria for a "significant subsidiary" set forth in Rule 1.02 of Regulation S-X under the Exchange Act as such Regulation is in effect on the Issue Date.

"*Specified Subsidiary*" means any Subsidiary of the Company from time to time having a Consolidated Net Worth Amount of at least $100.0 million; *provided*, *however*, that each of Xerox Financial Services, Inc., Xerox Credit Corporation and any other Subsidiary principally engaged in any business or businesses other than development, manufacture and/or marketing of (x) business equipment (including, without limitation, reprographic, computer (including software) and facsimile equipment), (y) merchandise or (z) services (other than financial services) shall be excluded as a "Specified Subsidiary" of the Company.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Company or any of its Restricted Subsidiaries that are reasonably customary in an accounts receivable transaction.

"*Subordinated Indebtedness*" means Indebtedness of the Company that is subordinated or junior in right of payment to the Notes.

"*Subsidiary*," with respect to any Person, means:

(1) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person; or

(2) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"*Subsidiary Preferred Stock*" has the meaning given to such term in the definition of Indebtedness.

"*Suspension Period*" has the meaning set forth under "—Suspension Period."

"*Synthetic Purchase Agreement*" shall mean any agreement pursuant to which the Company or any of its Subsidiaries is or may become obligated to make any payment the amount of which is determined by reference to a derivative agreement that relates to the price or value at any time of any Capital Stock of the Company; *provided*, that no phantom stock or similar plan providing for payments only to current or former directors, officers or employees of the Company or any Subsidiary (or to their heirs or estates or successors or assigns) shall be deemed to be a Synthetic Purchase Agreement.

"*Treasury Rate*" for any date, means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the date the redemption is effected pursuant to a Specified Redemption (the "Specified Redemption Date") (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Specified Redemption Date to January 15, 2009; *provided*, *however*, that if the period from the Specified Redemption Date to January 15, 2009 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States

Treasury securities for which such yields are given except that if the period from the Specified Redemption Date to January 15, 2009 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"*Turnaround Program*" means (i) arranging third party vendor financing for customers of the Company and its Subsidiaries, including the sale of finance receivables or financing assets (and related assets); (ii) the outsourcing of manufacturing activities, including the sale or other disposition of any related manufacturing assets; (iii) the exit from the SOHO business and charges and other costs related thereto to the extent incurred prior to the Issue Date; (iv) the optimization of the Company's research spending, including, without limitation, through the disposition of the Palo Alto Research Center, whether as an outright sale, joint venture or otherwise; and (v) to the extent not covered in clause (i), (ii), (iii) or (iv) above, charges relating to cost reduction initiatives or measures announced by the Company from time to time, including, without limitation, (a) reductions in workforce, (b) the closing or disposition, including by sale, termination of leases or otherwise, of or relating to the Company's or any of its Subsidiaries' manufacturing sites, offices and other real property, (c) deployment of, and transition to, a "distributor" model in the "Developing Markets Operations" or other markets where the Company's or its Subsidiaries' products or services, or any receivables relating to any thereof, would be sold or disposed of to third-party vendors or any other Person, (d) other dispositions of the Company's or any of its Subsidiaries' real, personal or intellectual property, assets or other rights relating thereto, and (e) any asset impairment relating to any of the foregoing initiatives or measures; in each case for any matter referred to in clauses (i) through (v) above as determined by the Company in good faith and as announced by the Company as part of its Turnaround Program.

"*Unrestricted Subsidiary*" of any Person means:

(1) the Subsidiary to be so designated has total assets of $1,000 or less or any Subsidiary of such Person that at the time of determination shall be or continue to be designated an Unrestricted Subsidiary by the Board of Directors of such Person in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided* that:

(1) the Company certifies to the Trustees that such designation complies with the "Limitation on Restricted Payments" covenant, including that the Company would be permitted to make, at the time of such designation, (a) a Permitted Investment or (b) an Investment pursuant to the first paragraph of the "Limitation on Restricted Payments" covenant, in either case, in an amount (the "Designation Amount") equal to the fair market value of the Company's proportionate interest in such Subsidiary on such date; and

(2) each Subsidiary to be so designated and each of its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Company or any of its Restricted Subsidiaries.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary only if it contemporaneously becomes a Guarantor or:

(1) immediately after giving effect to such designation, the Company is able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with the "Limitation on Incurrence of Additional Indebtedness" covenant; and

(2) immediately before and immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing.

Any such designation by the Board of Directors shall be evidenced to the Trustees by promptly filing with the Trustees a copy of the Board Resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing provisions.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding aggregate principal amount of such Indebtedness into (b) the sum of the total of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"*Wholly Owned Restricted Subsidiary*" of any Person means any Wholly Owned Subsidiary of such Person which at the time of determination is a Restricted Subsidiary of such Person.

"*Wholly Owned Subsidiary*" of any Person means any Subsidiary of such Person of which all the outstanding voting securities (other than in the case of a foreign Subsidiary, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by such Person or any Wholly Owned Subsidiary of such Person.

BOOK-ENTRY, DELIVERY AND FORM

The Dollar notes will be represented by one or more global notes in definitive, fully registered form without interest coupons (collectively, the "Dollar Global Note") and will be deposited with the Dollar Trustee as custodian for the Depository Trust Company ("DTC") and registered in the name of a nominee of DTC.

The Euro notes will be represented by one or more global notes in definitive, fully registered form without interest coupons (collectively, the "Euro Global Note") and will be deposited with a common depositary (the "Common Depositary") for Euroclear system as operator by Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg," formerly Cedelbank) and registered in the name of a nominee of the Common Depositary.

Except in the limited circumstances described below, owners of beneficial interests in global notes will not be entitled to receive physical delivery of certificated notes. Transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and their respective direct or indirect participants, which rules and procedures may change from time to time.

Global Notes. The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. Neither the Company nor the initial purchasers takes any responsibility for these operations and procedures and urges investors to contact the systems or their participants directly to discuss these matters.

Upon the issuance of the Dollar Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global notes to the accounts of persons who have accounts with such depositary. Ownership of beneficial interests in a Dollar Global Note will be limited to its participants or persons who hold interests through its participants. Ownership of beneficial interests in the Dollar Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

Upon the issuance of the Euro Global Note, the Common Depositary will credit, on its internal system, the respective principal amount of the beneficial interests represented by such global note to the accounts of Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will credit, on their internal systems, the respective principal amounts of the individual beneficial interests in such global notes to the accounts of persons who have accounts with Euroclear and Clearstream, Luxembourg. Such accounts initially will be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in the Euro Global Note will be limited to participants or persons who hold interests through participants in Euroclear or Clearstream, Luxembourg. Ownership of beneficial interests in the Euro Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg or their nominees (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

As long as DTC or the Common Depositary, or its respective nominee, is the registered holder of a global note, DTC or the Common Depositary or such nominee, as the case may be, will be considered the sole owner and holder of the notes represented by such global notes for all purposes under the Indentures and the notes. Unless (1) in the case of a Dollar Global Note, DTC notifies the Company that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act, (2) in the case of a Euro Global Note, Euroclear and Clearstream, Luxembourg notify the Company they are unwilling or unable to continue as clearing agency, (3) in the case of a Euro Global Note, the Common Depositary notifies the Company that it is unwilling or unable to continue as Common Depositary and

a successor Common Depositary is not appointed within 120 days of such notice or (4) in the case of any Note, an event of default has occurred and is continuing with respect to such note, owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the Indentures or the notes. In addition, no beneficial owners of an interest in a global note will be able to transfer that interest except in accordance with DTC's and/or Euroclear's and Clearstream, Luxembourg's applicable procedures (in addition to those under the Indentures referred to herein).

Investors may hold their interests in the Euro Global Notes through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Investors may hold their interests in the Dollar Global Notes directly through DTC, if they are participants in such system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) which are participants in such system. All interests in a global note may be subject to the procedures and requirements of DTC and/or Euroclear and Clearstream, Luxembourg.

Payments of the principal of and interest on Dollar Global Notes will be made to DTC or its nominee as the registered owner thereof. Payments of the principal of and interest on the Euro Global Notes will be made to the order of the Common Depositary or its nominee as the registered owner thereof. Neither the Company, the Trustees, the Common Depositary nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note for such notes as shown on the records of DTC or its nominee. We expect that the Common Depositary, in its capacity as paying agent, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by it or its nominee, will immediately credit the accounts of Euroclear and Clearstream, Luxembourg, which in turn will immediately credit accounts of participants in Euroclear and Clearstream, Luxembourg with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note for such notes as shown on the records of Euroclear and Clearstream, Luxembourg. We also expect that payments by participants to owners of beneficial interests in such global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Such payments will be the responsibility of such participants.

Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of their respective participants, who in turn act on behalf of indirect participants and certain banks, the ability of a holder of a beneficial interest in global notes to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream, Luxembourg systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for such interest. The laws of some countries and some U.S. states require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can act only on behalf of participants, which in turn, act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system or in Euroclear and Clearstream, Luxembourg, as the case may be, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Dollar Global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading

activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. Transfers of interests in Dollar Global Notes between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers of interests in Euro Global Notes and Dollar Global Notes between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described above, cross-market transfers of Dollar notes between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterpary in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Dollar Global Note from a DTC participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg immediately following the DTC settlement date). Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a global note by or through a Euroclear or Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

DTC, Euroclear and Clearstream, Luxembourg have advised the Company that they will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account with DTC or Euroclear or Clearstream, Luxembourg, as the case may be, interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC, Euroclear and Clearstream, Luxembourg reserve the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to their respective participants.

DTC has advised the Company as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve system, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Euroclear and Clearstream, Luxembourg have advised the Company as follows: Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities

transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

Although DTC, Euroclear and Clearstream, Luxembourg currently follow the foregoing procedures to facilitate transfers of interests in global notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to do so, and such procedures may be discontinued or modified at any time. Neither the Company nor the Trustees will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes. If any depositary is at any time unwilling or unable to continue as a depositary for Notes for the reasons set forth above under "—Book-Entry, Delivery and Form—Global Notes" the Company will issue certificates for such Notes in definitive, fully registered, non-global form without interest coupons in exchange for the Dollar Global Notes or the Euro Global Notes, as the case may be. Certificates for Note delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC, Euroclear, Clearstream, Luxembourg or the Common Depositary (in accordance with their customary procedures). The holder of a non-global note may transfer such note, subject to compliance with the provisions of the applicable legend, by surrendering it at the office or agency maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, which initially will be the office of the applicable Trustee or of the Transfer Agent in Luxembourg. Upon the transfer, change or replacement of any note bearing a legend, or upon specific request for removal of a legend on a note, we will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither such legend nor any restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Upon transfer or partial redemption of any note, new certificates may be obtained from the Transfer Agent in Luxembourg.

Notwithstanding any statement herein, we and the Trustees reserve the right to impose such transfer, certification, exchange or other requirements, and to require such restrictive legends on certificates evidencing notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as DTC, Euroclear or Clearstream, Luxembourg may require.

CERTAIN OTHER INDEBTEDNESS AND PREFERRED STOCK

2003 Credit Facility

On June 19, 2003, we entered into a Credit Agreement (the "2003 Credit Facility") with a group of lenders that replaced our existing Amended and Restated Credit Agreement (the "2002 Credit Facility"), which was permanently repaid. The 2003 Credit Facility consists of a term loan tranche totaling $300 million and a $700 million revolving credit facility which includes a $200 million letter of credit subfacility. Xerox is the only borrower of the term loan. The revolving facility is available, without sub-limit, to Xerox and certain foreign subsidiaries of Xerox, including Xerox Canada Capital Limited ("XCCL"), Xerox Capital (Europe) plc ("XCE") and other qualified foreign subsidiaries (excluding Xerox, the "Overseas Borrowers"). The 2003 Credit Facility matures on September 30, 2008.

Subject to certain limits described in the following paragraph, the obligations under the 2003 Credit Facility are secured by liens on substantially all the assets of Xerox and each of our U.S. subsidiaries with a consolidated net worth from time to time of $100 million or more (excluding Xerox Credit Corporation ("XCC") and certain other finance subsidiaries), and are guaranteed by such subsidiaries and XCC. Xerox is guaranteeing the obligations of the Overseas Borrowers.

Under the terms of certain of our outstanding public bond indentures, the amount of obligations under the 2003 Credit Facility that can be (1) secured by assets (the "Restricted Assets") of (a) Xerox and (b) our non-financing subsidiaries that have a consolidated net worth of at least $100 million, without (2) triggering a requirement to also secure those indentures, is limited to the excess of (x) 20% of our consolidated net worth (as defined in the public bond indentures) over (y) the outstanding amount of certain other debt that is secured by the Restricted Assets. Accordingly, the amount of 2003 Credit Facility debt secured by the Restricted Assets will vary from time to time with changes in our consolidated net worth. The amount of security provided under this formula accrues to the benefit of both the term loans and revolving loans under the 2003 Credit Facility, ratably.

Under the 2003 Credit Facility, the term loan and the revolving loan bear interest at LIBOR plus a spread that will vary between 1.75% and 3.0% depending on the then-current leverage ratio under the 2003 Credit Facility.

The 2003 Credit Facility contains affirmative and negative covenants, as well as financial maintenance covenants. Certain of the more significant covenants under the 2003 Credit Facility are summarized below (this summary is not complete and is in all respects subject to the actual provisions of the 2003 Credit Facility):

(a) Limitations on the following will apply at all times under the 2003 Credit Facility:

Minimum consolidated net worth of not less than $3.0 billion; for this purpose, "consolidated net worth" generally means the sum of the amounts included on our Statement of Common Shareholders' Equity as "Common shareholders' equity," and in our balance sheet as "Preferred stock," and, so long as the same is not treated as indebtedness, "Company-obligated, mandatorily redeemable preferred securities of subsidiary trusts holding solely subordinated debentures of the Company," except that the currency translation adjustment effects and the effects of compliance with SFAS No. 133 occurring after January 1, 2003 are disregarded, and the preferred securities (whether or not convertible) issued by us or by our subsidiaries which were outstanding on June 25, 2003, and any security that causes an increase in consolidated net worth under (and as defined in) our public bond indentures, will always be included, and any capital stock or similar equity interest issued after the effective date of the 2003 Credit Facility which matures or generally becomes mandatorily redeemable for cash or puttable at holders' option prior to April 1, 2009 will always be excluded;

Maximum leverage ratio (a quarterly test that is calculated as total adjusted debt divided by EBITDA) ranging from 2.0 to 3.1; and

Creation and existence of liens, and certain fundamental changes to corporate structure and nature of business, including mergers.

(b) Limitations on the following will apply only until such time that Xerox's senior unsecured debt is rated at least BBB- by S&P and Baa3 by Moody's (the "Ratings Condition"), and thereafter do not apply:

Minimum EBITDA (a quarterly test that is based on rolling four quarters) ranging from $1.1 to $1.3 billion; for this purpose, "EBITDA" (earnings before interest, taxes, depreciation, amortization as well as certain non-recurring items, as defined) generally means EBITDA, excluding interest and financing income to the extent included in EBITDA as consolidated net income; and

Maximum capital expenditures (annual test) of $405 million during fiscal year 2003, and thereafter an amount per fiscal year equal to $330 million plus any unused amount carried over from any prior fiscal year; additional capital expenditures can be made utilizing certain amounts that are otherwise available to make restricted payments and investments; for this purpose, "capital expenditures" generally means the amounts included on our statement of cash flows as "additions to land, buildings and equipment," plus any capital lease obligations incurred.

(c) Limitations on the following will not apply at any time that the Ratings Condition is satisfied, and will be reinstated at any time that the Ratings Condition is not satisfied:

Issuance of debt and preferred stock; asset transfers; hedging transactions other than those entered into in the ordinary course of business; certain types of restricted payments relating to our, or our subsidiaries', equity interests, including (subject to certain exceptions) payment of cash dividends on our common stock; certain transactions with affiliates, including intercompany loans and asset transfers and acquisitions.

(d) Limitations on investments shall apply only at such times that Xerox's senior unsecured debt is rated less than BB by S&P and Ba2 by Moody's.

The 2003 Credit Facility generally does not affect our ability to continue to monetize receivables under the agreements with GECC and others. Subject to certain exceptions, we cannot pay cash dividends on our common stock during the term of the 2003 Credit Facility, although we can pay cash dividends on our preferred stock provided there is then no event of default under the 2003 Credit Facility. In addition to other defaults customary for facilities of this type, defaults on other debt, or bankruptcy, of Xerox, or certain of our subsidiaries, and a change in control of Xerox, would constitute events of default under the 2003 Credit Facility.

Failure to be in compliance with any material provision or covenant of the 2003 Credit Facility could have a material adverse effect on our liquidity and operations.

Long-Term Debt

A summary of scheduled maturities and interest rates of our long-term debt, including our 2003 Credit Facility and convertible debt, as of June 30, 2003 was as follows:

	Weighted Average Interest Rates at June 30, 2003	Principal Amount Outstanding at June 30, 2003	Principal Amount Payable in 2003	Principal Amount Payable in 2004	Principal Amount Payable in 2005	Principal Amount Payable in 2006	Thereafter
Xerox Corporation	7.1%	$ 3,992	$ 893	$ 550	$ 7	$ 19	$ 2,523
Xerox Credit Corporation	3.1%	1,573	200	—	836	—	537
Secured borrowings due 2003-2006	4.9%	2,538	571	1,124	698	145	—
Subtotal US Operations		8,103	1,664	1,674	1,541	164	3,060
Xerox Capital (Europe) plc	5.3%	1,461	—	1,353	83	—	25
Other international operations	7.1%	325	125	144	26	12	18
Other international secured borrowings due 2003-2005	5.2%	1,609	286	622	620	81	—
Subtotal international operations		3,395	411	2,119	729	93	43
2003 Credit Facility	3.4%	300	—	—	—	—	300
Long-term debt		11,798	$ 2,075	$ 3,793	$ 2,270	$ 257	$ 3,403
Less: current maturities		(3,870)					
Short-term debt and current portion of long-term debt		$ 7,928					

Certain of our debt agreements allow us to redeem outstanding debt prior to scheduled maturity. The actual decision as to early-redemption will be made at the time the early-redemption option becomes exercisable and will be based on liquidity, prevailing economic and business conditions, and the relative costs of new borrowing.

Cumulative Preferred Securities: As of June 30, 2003, we had five series of outstanding preferred securities as summarized below. The redemption requirements and the annual cumulative dividend requirements on our outstanding preferred stock are as follows:

- Series B convertible preferred stock ("ESOP Shares"): The balance at June 30, 2003 was $479 million, net of deferred ESOP benefits, and is redeemable in shares of common stock or cash, at our option, as employees with vested shares leave the Company. Annual cumulative dividend requirements are $6.25 per share. Dividends declared but not yet paid amounted to $11 million at June 30, 2003. At June 30, 2003, we had 6,645,304 shares issued and outstanding.
- 7.5% Convertible Trust Preferred Securities: The balance at June 30, 2003 was $1,020 million, and is puttable, at the holders' option in December 2004 and at reduced rates on various later dates. If the securities are put, we have the option to pay in cash or in shares of common stock or a combination of both at a redemption value of $1,035 million. Annual cumulative distribution requirements of approximately $78 million are $3.75 per Preferred Security on 20.7 million securities. The first three years' dividend requirements were funded at issuance and are invested in U.S. Treasury securities held by a separate trust.
- 8% Trust Preferred Securities: The balance at June 30, 2003 was $640 million, and is mandatorily redeemable in 2027 at a redemption value of $650 million. These securities are redeemable at our option beginning in 2007 at a premium of 2.451% and at reduced rates thereafter. Annual cumulative dividend requirements are $80 per security on 650,000 securities or $52 million per year.
- Canadian Deferred Preferred Stock: The balance at June 30, 2003 was $56 million, and is mandatorily redeemable in 2006. Annual cumulative non-cash dividend requirements will increase this amount to its 2006 redemption value of approximately $62 million.

- Series C Mandatory Convertible Preferred Stock: In connection with the Recapitalization, we issued Series C Mandatory Convertible Preferred Stock in June 2003. The balance at June 30, 2003 was $889 million. Each share of this stock is convertible at any time at the holder's option into 8.1301 shares of our common stock. Each share of this stock is also convertible at any time at our option into 8.1301 shares of our common stock if the closing price per share of our common stock exceeds $18.45 for at least 20 trading days within a period of 30 consecutive trading days, provided that, in addition to issuing such shares of common stock, we pay in cash the present value of all the remaining dividend payments through and including July 1, 2006. Finally, each share of this stock is automatically convertible on July 1, 2006 into not more than 9.7561 shares and not less than 8.1301 shares of our common stock, depending on the 20-day average market price of our common stock. Annual cumulative dividend requirements are $6.25 per share. There were no dividends declared as of June 30, 2003. At June 30, 2003, we had 9,200,000 shares of Series C Mandatory Convertible Preferred Stock outstanding.

We have other contractual commitments and contingencies which are discussed in our Management's Discussion and Analysis incorporated by reference in our Current Report on Form 8-K dated July 23, 2003 under the heading "Capital Resources and Liquidity Other Contractual Commitments and Contingencies."

Convertible Debt

In 1998, we issued convertible subordinated debentures for net proceeds of $575 million. The effective interest rate was 3.625% per annum, including 1.003% payable in cash semiannually. This debt contained a put option which required us to purchase any debenture, at the option of the holder, on April 21, 2003, for a price of $649 per $1,000 principal amount. Accordingly, on April 22, 2003 we purchased nearly all the outstanding debentures for an aggregate price of $560 million.

Description of 2003 Senior Notes

On June 25, 2003, we issued $700 million aggregate principal amount of 7 1/8% Senior Notes due 2010 (the "Seven-Year Notes"), and $550 million aggregate principal amount of 7 5/8% Senior Notes due 2013 (the "Ten-Year Notes" and together with the Seven-Year Notes, the "2003 Notes"), each under an indenture among us, certain of our subsidiaries as Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee. Interest on the Seven-Year Notes is payable semiannually at a rate of 7 1/8% per annum and interest on the Ten-Year Notes is payable semi-annually at a rate of 7 5/8% per annum.

The 2003 Notes are senior unsecured obligations of Xerox, ranking pari passu in right of payment with all other senior unsecured obligations of Xerox, including the outstanding notes (and, if exchanged pursuant to the exchange offer, the exchange notes). The 2003 Notes are effectively subordinated to all secured debt of the Company and structurally subordinated to the debt of subsidiaries that have not guaranteed the 2003 Notes.

The 2003 Notes are fully and unconditionally guaranteed on an unsecured senior basis by Intelligent Electronics, Inc. and Xerox International Joint Marketing, Inc., the same subsidiaries that are required to guarantee the outstanding notes (and, if exchanged pursuant to the exchange offer, the exchange notes).

The 2003 Notes are not entitled to the benefit of any mandatory sinking fund.

Xerox may, at any time and from time to time, at its option, redeem the outstanding Seven-Year Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Seven-year Notes to the applicable redemption date, plus the applicable Make-Whole Premium (as defined in the indenture governing the 2003 Notes); provided that in the case of any such

redemption in part, at least 50% of the original principal amount of the Seven-Year Notes remains outstanding after giving effect to such redemption.

Xerox may, at any time and from time to time prior to June 15, 2008, at its option, redeem the outstanding Ten-Year Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Ten-Year Notes to the applicable redemption date, plus the applicable Make-Whole Premium (as defined in the indenture governing the 2003 Notes); provided that in case of any such redemption in part, at least 50% of the original principal amount of the Ten-Year Notes remains outstanding after giving effect to such redemption. On and after June 15, 2008, Xerox may redeem the Ten-Year Notes, at its option (in whole or in part) from time to time, at the following redemption prices, expressed as percentages of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the twelve-month period commencing on June 15 of any year set forth below:

Year	Percentage
2008	103.813%
2009	102.542%
2010	101.271%
2011 and thereafter	100.000%

Description of Senior Secured Loan Agreement with GECC

In October 2002, Xerox Lease Funding LLC, a special purpose Delaware limited liability company that is our wholly-owned subsidiary (“Funding SPE”) entered into an Amended and Restated Loan Agreement (the “Loan Agreement”) with General Electric Capital Corporation (“GECC”) whereby GECC became our primary equipment financing provider in the U.S. through monthly securitizations of our new lease originations. The Loan Agreement has an initial term of eight years and, commencing at the end of 2010, will automatically renew for successive two-year periods unless either we or GECC has elected not to have the Loan Agreement renew at least one year before a renewal would otherwise occur.

The Loan Agreement provides for financing by GECC of up to $5 billion outstanding at any one time. The $5 billion limit may be increased to $8 billion, subject to the agreement of GECC. GECC makes loans under the Loan Agreement to Funding SPE. Funding SPE uses the loan proceeds to purchase our finance receivables. All obligations under the Loan Agreement are secured by the receivables being financed by GECC, the contracts relating to the receivables being financed by GECC and other related security. GECC’s obligation to make loans under the Loan Agreement is subject to the financed receivables satisfying certain criteria and the satisfaction of certain customary representations, warranties and covenants.

Under the Loan Agreement, GECC is expected to finance approximately 70% of our new U.S. lease originations. The portion of our receivables that GECC will finance will vary over time, but is expected to be approximately 90% of the new receivables balance. The interest rate on each loan is fixed and is calculated when the loan is made based on yield rates consistent with average rates for similar market-based transactions. Consistent with the loans already received from GECC, the amounts borrowed under the Loan Agreement are recorded as secured borrowings and the associated receivables are included in our balance sheet. As of June 30, 2003, $2.5 billion was outstanding under the Loan Agreement. In addition, $150 million is in escrow, as security for our continuing obligations under the securitized contracts.

GECC’s commitment to fund under the Loan Agreement is not contingent on us achieving or maintaining any particular credit rating. There are no credit rating defaults that could impair future funding under the Loan Agreement. The Loan Agreement contains various default provisions, including cross default provisions related to certain financial covenants contained in the 2002 Credit Facility and other significant debt facilities, which are discussed below. Most types of defaults would impair our ability to receive subsequent funding until the default is cured or waived but would not accelerate the repayment of our outstanding borrowings. However, certain types of defaults would result in an acceleration of outstanding borrowings. As of March 31, 2003, we were in compliance with all covenants under the Loan Agreement and expect to be in compliance for at least the next twelve months.

The following are events of default under the Loan Agreement:

a. the occurrence of a Termination Event (defined below);

b. a voluntary or involuntary bankruptcy of Xerox (remaining undismissed or unstayed for 60 days or more); or

c. Xerox becomes an “Investment Company” within the meaning of the Investment Company Act of 1940.

Upon the occurrence of an event of default described in (b) or (c) above, GECC can terminate its obligation to make any further loans and can accelerate the maturity of any or all then-outstanding loans. Upon the occurrence of a Termination Event, GECC can terminate its obligation to make any further loans, but is not entitled to accelerate the maturity of outstanding loans. The loans under the Loan Agreement are generally non-recourse to Xerox. Therefore, even if GECC were to accelerate the maturity of outstanding loans, its only recourse would be to proceed against the financed receivables held by Funding SPE who is the borrower under the Loan Agreement.

The term “Termination Event” includes, but is not limited to, the following events that would allow GECC to terminate the Loan Agreement:

a. any default under the 2003 Credit Facility or any facility in excess of $75 million which replaces or refinances the 2003 Credit Facility, at any time that loans or advances are outstanding thereunder, where the default or event of default relates to or is determined by the net worth of Xerox, including without limitation, a default under Section 6.14 (Minimum Consolidated EBITDA), 6.03 (Leverage Ratio) or 6.04 (Consolidated Net Worth) of the 2003 Credit Facility;

b. any default or event of default under any indebtedness of Xerox (or any subsidiary of Xerox) for borrowed money (or any indebtedness for borrowed money guaranteed by Xerox or any subsidiary of Xerox) in excess of $75 million in the aggregate if such default or event of default gives rise to an acceleration of the maturity of such indebtedness;

c. voluntary or involuntary bankruptcy of Xerox (remaining undismissed or unstayed for 60 days or more);

d. a change of control of Xerox, including a sale of all or substantially all of Xerox’s assets or the acquisition by a person or related group of persons of 30% or more of the voting stock of Xerox, if the person acquiring control is a competitor of GECC or does not have debt that is rated investment grade;

e. a material breach of payment obligations or certain other specified provisions by Xerox (or Funding SPE or the other special purpose Xerox subsidiary utilized in structuring the transaction) under the Loan Agreement or any related agreement;

f. an equipment service default where Xerox fails to provide specified levels of service with respect to the equipment related to the receivables financed by GECC;

g. an equipment supply default where Xerox fails to ship specified levels of supplies with respect to the equipment related to the receivables financed by GECC;

h. a change in operations of Xerox where Xerox ceases to offer lease or loan financing to non-consumer customers and, after that change, the aggregate outstanding balance under the Loan Agreement is less than $500 million;

i. a sales channel termination event where 50% or more of Xerox’s aggregate sales to non-consumer customers are comprised of sales to dealers, distributors, wholesalers or other persons who are not non-consumer end-users of the equipment, Xerox and GECC fail to reach agreement within six months on how to amend the Loan Agreement to adjust for the consequences of the change in sales channels, and the aggregate outstanding balance under the Loan Agreement is less than $500 million;

j. no loans have been made under the Loan Agreement for a period of at least one year because we have been unable to cause the lending conditions to be satisfied during that period; or

k. the joint venture established by us and GECC that services the receivables financed by GECC is dissolved.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of the anticipated material United States federal income tax consequences of the acquisition, ownership and disposition of the notes. Unless otherwise stated, this discussion is limited to the tax consequences to those persons who are original beneficial owners of the notes and who hold such notes as capital assets (Holders). This discussion does not address specific tax consequences that may be relevant to particular persons (including, for example, pass-through entities (e.g., partnerships) or persons who hold the notes through pass-through entities, individuals who are U.S. expatriates, banks or financial institutions, broker-dealers, insurance companies, regulated investment companies, tax-exempt organizations, common trust funds, controlled foreign corporations, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar and persons in special situations, such as those who hold notes as part of a straddle, hedge, conversion transaction, or other integrated investment). This discussion also does not address the tax consequences to Non-U.S. Holders (as defined below) that are subject to U.S. federal income tax on a net basis on income realized with respect to a note because such income is effectively connected with the conduct of a U.S. trade or business. In addition, this discussion does not address U.S. federal alternative minimum tax consequences, and does not describe any tax consequences arising under U.S. federal gift and estate or other federal tax laws or under the tax laws of any state, local or foreign jurisdiction. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), the Treasury Department regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis.

Prospective purchasers of the notes are urged to consult their tax advisors concerning the United States federal income tax consequences to them of acquiring, owning and disposing of the notes, as well as the application of state, local and foreign income and other tax laws.

U.S. Federal Income Taxation of U.S. Holders

The following discussion is limited to the U.S. federal income tax consequences relevant to a Holder that is: (i) a citizen or individual resident of the United States; (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) or a partnership created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if a court within the United States is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all its substantial decisions, or if the trust was in existence on August 20, 1996, and has properly elected to continue to be treated as a U.S. person (each, a U.S. Holder). The U.S. federal income tax consequences of payments received by a partnership will in many cases be determined by reference to the status of a partner and the activities of the partnership.

A "Non-U.S. Holder" is a Holder that is not a U.S. Holder.

Original Issue Discount. The outstanding notes were issued at an original issue discount (OID) for U.S. federal income tax purposes. In general, the amount of OID with respect to a note will be equal to the excess of the stated redemption price at maturity (i.e., the face amount of the note) over its issue price (i.e., the price at which the notes are sold).

In each tax year during which a note is held, a U.S. Holder (regardless of its accounting method) must generally include in gross income a portion of the OID in an amount equal to the OID that accrued during such period, determined by using a constant yield to maturity method that reflects compounding of interest. This means that a U.S. Holder will be required to include amounts in gross income in advance of the receipt of cash attributable to such income. The amount of OID included in income each year will increase over the term of the notes.

A U.S. Holder's adjusted tax basis in a note will be equal to the issue price of such note, increased by the OID included in gross income with respect to such Note.

Payments of Interest on Euro Notes. In the case of notes denominated in euros, U.S. persons on the cash method of accounting are required to include in income the U.S. dollar value of the amount received, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss is recognized with respect to the receipt of such payment. Cash method taxpayers will treat OID in the same manner that accrual basis taxpayers treat interest and OID. U.S. persons on the accrual method of accounting may determine the amount of income recognized with respect to the notes denominated in euros in accordance with either of two methods. Under the first method, the U.S. person will be required to include in income for each taxable year the U.S. dollar value of the interest and OID that has accrued during the taxable year, determined by translating the interest and OID at the average rate of exchange for the period or periods during which the interest and OID accrued. Under the second method, the U.S. person may elect to translate interest income and OID at the spot rate on the last day of the accrual period (or last day of the taxable year in the case of an accrual period that straddles the U.S. person's taxable year) or on the date the interest payment is received if the date is within five business days of the end of the accrual period. Upon receipt of an interest payment on the note or a payment attributable to OID (including, upon the sale of a note, the receipt of proceeds that are attributable to accrued interest and OID previously included in income), such U.S. person will recognize ordinary income or loss in an amount equal to the difference between the U.S. dollar value of the payment of euros (determined by translating the euros received at the "spot rate" for the euros on the date received) and the U.S. dollar value of the interest income and OID that the U.S. person has previously included in income with respect to the payment.

Sale, Exchange and Retirement of Notes. A U.S. person's tax basis in a note will, in general, be the U.S. person's cost (in the case of notes denominated in euros, the U.S. dollar value of the euros paid for such note determined at the time of purchase). The original tax basis will be increased by any accruals of OID on a note. Upon the sale, exchange, retirement or other disposition of a note, a U.S. person will recognize gain or loss equal to the difference between the U.S. dollar value of the amount realized determined at the time of the sale, exchange, retirement or other disposition (less any amounts attributable to accrued but unpaid interest or OID not previously included in such U.S. person's income, which will be subject to tax as interest income) and the adjusted tax basis of the note. The gain or loss will generally be capital gain or loss. In the case of notes denominated in euros, the gain or loss on the sale, exchange, retirement or other disposition of the euro notes will be ordinary income or loss to the extent attributable to the movement in exchange rates between the time of purchase and the time of disposition of the notes. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Exchange Gain or Loss with Respect to Euros. A U.S. person's tax basis in euros received as interest on notes denominated in euros, or received on the sale, exchange, retirement or other disposition of notes denominated in euros will be the U.S. dollar value of the payment at the spot rate at the time the U.S. person received the euros. Any gain or loss recognized by a U.S. person on a sale, exchange, retirement or other disposition of euros will be ordinary income or loss and will not be treated as interest income or expense, except to the extent provided for in Treasury regulations or administrative pronouncements of the Internal Revenue Service (the IRS).

Exchange Offer. The exchange of outstanding notes for exchange notes will generally not constitute a taxable event for U.S. Holders. As a result, (1) a U.S. Holder will generally not recognize gain or loss as a result of exchanging outstanding notes for exchange notes pursuant to the exchange offer, (2) the holding period of the exchange notes will generally include the holding period of the outstanding notes exchanged therefor, and (3) the adjusted tax basis of the exchange notes will generally be the same as the adjusted tax basis of the outstanding notes exchanged therefor immediately before such exchange.

U.S. Federal Income Taxation of Non-U.S. Holders

Payments of Interest. Payments of principal and interest (including OID) on the notes by us or any of our agents to a Non-U.S. Holder will not be subject to U.S. federal withholding tax, provided that:

(1) the Non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of our stock entitled to vote;

(2) the Non-U.S. Holder is not a controlled foreign corporation that is related to us through stock ownership;

(3) the Non-U.S. Holder is not a bank whose receipt of interest on the notes is described in section 881(c) (3) (A) of the Code; and

(4) either (A) the beneficial owner of the notes certifies to us or our agent on IRS Form W-8BEN (or successor form), under penalties of perjury, that it is not a "U.S. person" (as defined in the Code) and provides its name and address and the certificate is renewed periodically as required by the Treasury Regulations, or (B) the notes are held through certain foreign intermediaries and the beneficial owner of the notes satisfies certification requirements of applicable Treasury Regulations and, in either case, neither we nor our agent has actual knowledge or reason to know that the beneficial owner of the note is a U.S. person (as defined in Code). Special certification rules apply to certain Non-U.S. Holders that are entities rather than individuals.

If a Non-U.S. Holder cannot satisfy the requirements of the portfolio interest exemption described above (the Portfolio Interest Exemption), payments of interest made to such Non-U.S. Holder will be subject to a 30% withholding tax unless the beneficial owner of the note provides us or our agent, as the case may be, with a properly executed:

(1) IRS Form W-8BEN (or successor form) claiming an exemption from withholding or reduced rate of tax under the benefit of an applicable tax treaty (a Treaty Exemption) or

(2) IRS Form W-8ECI (or successor form) stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the conduct of a U.S. trade or business of the beneficial owner,

each form to be renewed periodically as required by the Treasury Regulations.

If interest or OID on the note is effectively connected with the conduct of a U.S. trade or business of the beneficial owner, the Non-U.S. Holder, although exempt from the withholding tax described above, will be subject to United States federal income tax on such interest on a net income basis in the same manner as if it were a U.S. Holder. In addition, if such Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest on a note will be included in such foreign corporation's earnings and profits.

Disposition of Notes. Generally, no withholding of United States federal income tax will be required with respect to any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a note.

A Non-U.S. Holder will not be subject to U.S. federal income tax on gain realized on the sale, exchange or other disposition of a note unless (a) the Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 or more days in the taxable year of the disposition and certain other conditions are met, or (b) such gain is effectively connected with the Non-U.S. Holder's U.S. trade or business.

Exchange of Notes. The exchange of outstanding notes for exchange notes in the exchange offer will not constitute a taxable event for a Non-U.S. Holder.

Each Non-U.S. Holder should consult such Holder's tax advisor as to the application of the Treasury Regulations and the procedures for establishing an exemption from withholding tax.

Information Reporting and Backup Withholding

Information reporting and backup withholding will not be required with respect to payments that we make to a Non-U.S. Holder if the Non-U.S. Holder has (i) furnished documentation establishing eligibility for the Portfolio Interest Exemption or a Treaty Exemption (provided that, in the case of a sale of a note by an individual, Form W-8BEN (or successor form) includes a certification that the individual has not been, and does not intend to be, present in the United States for 183 days or more days for the relevant period) or (ii) otherwise establishes an exemption, provided that neither we nor our agent has actual knowledge that the holder is a U.S. person or that the conditions of any exemption are not in fact satisfied. Certain additional rules may apply where the notes are held through a custodian, nominee, broker, foreign partnership or foreign intermediary.

In addition, information reporting and backup withholding will not apply to the proceeds of the sale of a note made within the United States or conducted through certain United States related financial intermediaries, if the payor receives the statement described above and does not have actual knowledge that the Non-U.S. Holder is a U.S. person or the Non-U.S. Holder otherwise establishes an exemption.

Each Non-U.S. Holder should consult such Holder's tax advisor as to the application of the Treasury Regulations and the procedures for establishing an exemption from backup withholding.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of 20 days after the date on which the exchange offer is consummated, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own accounts pursuant to this exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale, at prevailing market prices at the time of resale, at prices related to prevailing market prices or at negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of exchange notes may be deemed to be an “underwriter” within the meaning of the Securities Act, and any profit on any resale of exchange notes and any commissions or compensation received by any persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act.

For a period of 20 days after the date on which the exchange offer is consummated, we will promptly send additional copies of this prospectus and any amendments or supplements to this prospectus to any broker-dealer that requests these documents in the letter of transmittal. We have agreed to indemnify the holders of outstanding notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters in connection with the validity of the exchange notes and the validity of the guarantees will be passed upon for Xerox by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

EXPERTS

The audited consolidated financial statements of Xerox Corporation have been incorporated in this Prospectus by reference to the Current Report on Form 8-K dated July 23, 2003, in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this prospectus. You must not rely on unauthorized information or representations.

This prospectus does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this prospectus is current only as of the date on its cover, and may change after that date. For any time after the cover date of this prospectus, we do not represent that our affairs are the same as described or that the information in this prospectus is correct—nor do we imply those things by delivering this prospectus or selling securities to you.

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PROSPECTUS

Exchange Offer for

Xerox Corporation

$600,000,000 9 3/4% Senior Notes due 2009

€225,000,000 9 3/4% Senior Notes due 2009

July , 2003

PART II

Item 20. Indemnification of Officers and Directors

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

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

Xerox International Joint Marketing, Inc., a Delaware corporation, is empowered by Sections 145 and 102 of the Delaware General Corporation Law, subject to the procedures and limitations therein, to indemnify and hold harmless any director or officer or other person from and against any and all claims and demands whatsoever, subject to such standards and restrictions, if any, as are set forth in its Certificate of Incorporation or By-laws. The Certificate of Incorporation of Xerox International Joint Marketing, Inc. does not contain indemnification provisions.

Article XII of the By-laws of Xerox International Joint Marketing, Inc., which is filed as an exhibit to this registration statement, requires such company to indemnify any person, made or threatened to be made, a party in any civil or criminal action or proceeding by reason of the fact that he, his testator or intestate is or was a director or officer of the company or served any other company of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity at the request of such company.

Intelligent Electronics, Inc., a Pennsylvania corporation, is empowered by Sections 1741 through 1750 of Subchapter D, Chapter 17, of the Pennsylvania Business Corporation Law, subject to the procedures and limitations therein, to indemnify and hold harmless any director or officer or other person from and against any and all claims and demands whatsoever, subject to such standards and restrictions, if any, as are set forth in its By-laws.

Article V of the By-laws of Intelligent Electronics, Inc., which is filed as an exhibit to this registration statement, requires the company to indemnify any director and any officer of the company who was or is a party or is threatened to be made a party to any third party proceeding by reason of the fact that he or she was or is an authorized representative of the company against his or her expenses and liabilities, actually and reasonably incurred by him or her in connection with the third party proceeding, if he or she acted in good faith and in a manner reasonably believed by him or her to be in, or not opposed to, the best interests of the company, and with respect to any criminal third party proceeding, had no reasonable cause to believe his or her conduct was unlawful or in violation of applicable rules. Article V of the By-laws of Intelligent Electronics, Inc. further requires the company to indemnify any director or officer of the company who was or is a party or is threatened to be made a party to any derivative action by reason of the fact that the director or officer was or is an

authorized representative of the company against his or her expenses, actually and reasonably incurred by the director or officer in the action if her or she acted in good faith and in a manner reasonably believed by him or her to be in, or not opposed to, the best interests of the company; expect that no indemnification shall be made in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the company unless and only to the extent that the court of common pleas, or other similarly constituted state court, located in the county where the registered office of the company is located or the court in which such derivative action is or was pending, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper.

Item 21. Exhibits and Financial Statement Schedules

3.1	Restated Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on October 29, 1996, as amended by Certificate of Amendment of the Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on May 21, 1999.
	Incorporated by reference to Exhibit 3(a) to Amendment No. 5 to Xerox Corporation's Form 8-A Registration Statement dated February 8, 2000.
3.1.1	Certificate of Amendment of Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on September 9, 2002.
	Incorporated by reference to Exhibit 3(a) to Xerox Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed on November 7, 2002.
3.1.2	Certificate of Amendment of Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on June 2, 2003.
	Incorporated by reference to Exhibit 4(a)(1)(iii) to Xerox Corporation's Registration Statement No. 333-101164.
3.1.3	Certificate of Amendment of the Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on June 24, 2003.
	Incorporated by reference to Exhibit 3 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
3.2	By-Laws of Xerox Corporation, as amended through September 1, 2002.
	Incorporated by reference to Exhibit 3(b) to Xerox Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed on November 7, 2002.
3.3	Certificate of Incorporation of Xerox International Joint Marketing, Inc., filed with the Department of State of Delaware on May 13, 1991.
3.4	By-Laws of Xerox International Joint Marketing, Inc., as currently in effect.
3.5	Certificate of Authority of Intelligent Electronics, Inc., filed with the Department of State of Delaware on July 21, 1982, as amended by the Articles of Domestication of Intelligent Electronics, Inc., filed with the Department of State of Pennsylvania on June 17, 1983.
3.6	By-Laws of Intelligent Electronics, Inc., as currently in effect, as amended by Amendments to the By-Laws of Intelligent Electronics, Inc. filed with the Department of State of Delaware on May 13, 1987, July 2, 1987, December 21, 1989, July 4, 1990, February 26, 1994, November 29, 1994, and July 1, 2003.
4.1	Indenture, dated as of December 1, 1991, between Xerox Corporation and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Xerox Corporation when and as authorized by or pursuant to a resolution of Xerox Corporation's Board of Directors (the "December 1991 Indenture").
	Incorporated by reference to Exhibit 4(a) to Xerox Corporation's Registration Statements Nos. 33-44597, 33-49177 and 33-54629.

4.2	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Xerox Corporation, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the December 1991 Indenture.
	Incorporated by reference to Exhibit 4(a)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
4.3	Indenture, dated as of September 20, 1996, between Xerox Corporation and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Xerox Corporation when and as authorized by or pursuant to a resolution of Xerox Corporation's Board of Directors (the "September 1996 Indenture").
	Incorporated by reference to Exhibit 4(a) to Xerox Corporation's Registration Statement No. 333-13179.
4.4	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Xerox Corporation, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the September 1996 Indenture.
	Incorporated by reference to Exhibit 4(b)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
4.5	Indenture, dated as of January 29, 1997, between Xerox Corporation and Bank One, National Association (as successor by merger with The First National Bank of Chicago) ("Bank One"), as trustee (the "January 1997 Indenture"), relating to Xerox Corporation's Junior Subordinated Deferrable Interest Debentures ("Junior Subordinated Debentures").
	Incorporated by reference to Exhibit 4.1 to Xerox Corporation's Registration Statement No. 333-24193.
4.6	Form of Certificate of Exchange relating to Junior Subordinated Debentures.
	Incorporated by reference to Exhibit 4.2 to Xerox Corporation's Registration Statement No. 333-24193.
4.7	Certificate of Trust of Xerox Capital Trust I executed as of January 23, 1997.
	Incorporated by reference to Exhibit 4.3 to Xerox Corporation's Registration Statement No. 333-24193.
4.8	Amended and Restated Declaration of Trust of Xerox Capital Trust I dated as of January 29, 1997.
	Incorporated by reference to Exhibit 4.4 to Xerox Corporation's Registration Statement No. 333-24193.
4.9	Form of Exchange Capital Security Certificate for Xerox Capital Trust I.
	Incorporated by reference to Exhibit 4.5 to Xerox Corporation's Registration Statement No. 333-24193.
4.10	Series A Capital Securities Guarantee Agreement of Xerox Corporation dated as of January 29, 1997, relating to Series A Capital Securities of Xerox Capital Trust I.
	Incorporated by reference to Exhibit 4.6 to Xerox Corporation's Registration Statement No. 333-24193.
4.11	Registration Rights Agreement dated January 29, 1997, among Xerox Corporation, Xerox Capital Trust I and the initial purchasers named therein.
	Incorporated by reference to Exhibit 4.7 to Xerox Corporation's Registration Statement No. 333-24193.
4.12	Instrument of Resignation, Appointment and Acceptance dated as of November 30, 2001, among Xerox Corporation, Bank One as resigning trustee, and Wells Fargo Bank Minnesota, National Association "Wells Fargo"), as successor Trustee, relating to the January 1997 Indenture.
	Incorporated by reference to Exhibit 4(c)(8) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.13	Indenture, dated as of October 1, 1997, among Xerox Corporation, Xerox Overseas Holding Limited (formerly Xerox Overseas Holding PLC), Xerox Capital (Europe) plc (formerly Rank Xerox Capital (Europe) plc) and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Xerox Corporation and unlimited amounts of guaranteed debt securities which may be issued from time to time by the other issuers when and as authorized by or pursuant to a resolution or resolutions of the Board of Directors of Xerox Corporation or the other issuers, as applicable (the "October 1997 Indenture").
	Incorporated by reference to Exhibit 4(b) to Xerox Corporation's Registration Statements Nos. 333-34333, 333-34333-01 and 333-34333-02.

4.14	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Xerox Corporation, the other issuers under the October 1997 Indenture, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the October 1997 Indenture.
	Incorporated by reference to Exhibit 4(d)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
4.15	Indenture, dated as of April 21, 1998, between Xerox Corporation and Bank One, as trustee, relating to $1,012,198,000 principal amount at maturity of Xerox Corporation's Convertible Subordinated Debentures due 2018 (the "April 1998 Indenture").
	Incorporated by reference to Exhibit 4(b) to Xerox Corporation's Registration Statement No. 333-59355.
4.16	Instrument of Resignation, Appointment and Acceptance dated as of July 26, 2001, among Xerox Corporation, Bank One as resigning trustee, and Wells Fargo, as successor Trustee, relating to the April 1998 Indenture (the "April 1998 Indenture Trustee Assignment").
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.17	Amendment to Instrument of Resignation, Appointment and Acceptance dated as of October 22, 2001, among Xerox Corporation, Bank One as resigning trustee, and Wells Fargo, as successor Trustee, relating to the April 1998 Indenture Trustee Assignment.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.18	Indenture, dated as of July 1, 2001, between Xerox Equipment Lease Owner Trust 2001-1 ("Trust") and U.S. Bank National Association, as trustee, relating to $513,000,000 Floating Rate Asset Backed Notes issued by the Trust.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.19	Indenture, dated as of November 27, 2001, between Xerox Corporation and Wells Fargo, as trustee, relating to Xerox Corporation's 7 1/2% Convertible Junior Subordinated Debentures Due 2021.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.20	Indenture, dated as of November 27, 2001, between Xerox Funding LLC II and Wells Fargo, as trustee, relating to Xerox Funding LLC II's 7 1/2% Convertible Junior Subordinated Debentures Due 2021.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.21	Amended and Restated Declaration of Trust of Xerox Capital Trust II, dated as of November 27, 2001, by Xerox Corporation, as sponsor, Wells Fargo, as property trustee, Wilmington Trust Company, as Delaware trustee, and the administrative trustees named therein, relating to Xerox Capital Trust II's 7 1/2% Convertible Trust Preferred Securities and 7 1/2% Convertible Common Securities.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.22	Pledge Agreement, made as of November 27, 2001, by Xerox Funding LLC II in favor of Wells Fargo, as trustee and for the holders of Xerox Funding LLC II's 7 1/2% Convertible Junior Subordinated Debentures Due 2021.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.23	Indenture, dated as of January 17, 2002, between Xerox Corporation and Wells Fargo, as trustee, relating to Xerox Corporation's 9 3/4% Senior Notes due 2009 (Denominated in U.S. Dollars) (the "U.S. Dollar Indenture").
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.

4.24	First Supplemental Indenture, dated as of June 21, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the U.S. Dollar Indenture.
	Incorporated by reference to Exhibit (4)(h)(5) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.25	Second Supplemental Indenture, dated as of July 30, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the U.S. Dollar Indenture.
	Incorporated by reference to Exhibit 4(h)(7) to Xerox Corporation's Quarterly Report on Form 10–Q for the Quarter Ended June 30, 2002, filed on August 9, 2002.
4.26	Third Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as Trustee to the Indenture dated as of January 17, 2002 between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to Xerox Corporations' 9 3/4% Senior Notes due 2009 (denominated in U.S. Dollars).
	Incorporated by reference to Exhibit 4.11 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.27	Indenture, dated as of January 17, 2002, between Xerox Corporation and Wells Fargo, as trustee, relating to Xerox Corporation's 9 3/4% Senior Notes due 2009 (Denominated in Euros) (the "Euro Indenture").
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.28	First Supplemental Indenture, dated as of June 21, 2002 among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the Euro Indenture.
	Incorporated by reference to Exhibit 4(h)(6) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.29	Second Supplemental Indenture, dated as of July 30, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the Euro Indenture.
	Incorporated by reference to Exhibit 4(h)(8) to Xerox Corporation's Quarterly Report on Form 10–Q for the Quarter Ended June 30, 2002, filed on August 9, 2002.
4.30	Third Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as Trustee to the Indenture dated as of January 17, 2002 between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to Xerox Corporations' 9 3/4% Senior Notes due 2009 (denominated in Euros).
	Incorporated by reference to Exhibit 4.12 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.31	Registration Rights Agreement, dated as of January 17, 2002, among Xerox Corporation and the initial purchasers named therein, relating to Xerox Corporation's $600,000,000 9 3/4% Senior Notes due 2009.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.32	Registration Rights Agreement, dated as of January 17, 2002, among Xerox Corporation and the initial purchasers named therein, relating to Xerox Corporation's (euro)225,000,000 9 3/4% Senior Notes due 2009.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.

4.33	Amended and Restated Credit Agreement, dated as of June 21, 2002, among Xerox Corporation, and Overseas Borrowers, as Borrowers, various lenders and Bank One, N.A., JPMorgan Chase Bank, and Citibank, N.A., as Agents (the "2002 Credit Facility").
	Incorporated by reference to Exhibit 4(l)(1) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.34	Guarantee and Security Agreement dated as of June 21, 2002 among Xerox Corporation, the Subsidiary Guarantors and Bank One, N.A., as Agent, relating to the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(1)(2) to Xerox Corporation's Current Report on Form 8-K. dated June 21, 2002, filed on June 21, 2002.
4.35	Canadian Guarantee and Security Agreement dated as of June 21, 2002 among Xerox Canada Capital Ltd., the Guarantors and Bank One, N.A., Canada Branch, as Agent, relating to the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(3) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.36	Deed of Guarantee and Indemnity made June 21, 2002 between Bank One, N.A., as Agent, and Xerox Overseas Holdings Limited and Xerox UK Holdings Limited, as Guarantors, relating to Obligations of Xerox Capital (Europe) plc and the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(4) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.37	Debenture dated June 21, 2002 between Xerox Capital (Europe) plc and Bank One, N.A., as Agent, relating to the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(5) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.38	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing dated as of June 21, 2002 by Xerox Corporation, as Mortgagor, to Bank One, N.A., as Agent for the Lenders, the Mortgagee, relating to property in the County of Monroe, State of New York and the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(6) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002, filed on June 21, 2002.
4.39	Covenant Reset Schedule Relating to the Amended Credit Agreement.
	Incorporated by Reference to Exhibit 4(1)(7) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed on March 31, 2003.
4.40	Master Demand Note, dated November 20, 2001 between Xerox Corporation and Xerox Credit Corporation.
	Incorporated by reference to Exhibit 4(m) to Xerox Corporation's Annual Report on Form 10–K for the Year Ended December 31, 2001.
4.41	Indenture, dated June 25, 2003, between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee (the "June 25, 2003 Indenture").
	Incorporated by reference to Exhibit 4.1 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.42	First Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the Guarantors and Wells Fargo Bank Minnesota, National Association, as Trustee to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4.2 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.43	Form of 7 1/8% Senior Notes due 2010.
	Incorporated by reference to Exhibit 4.3 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.44	Form of 7 5/8% Senior Notes due 2013.
	Incorporated by reference to Exhibit 4.4 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.

4.45	Form of Note Guarantee.
	Incorporated by reference to Exhibit 4.5 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.46	Credit Agreement dated as of June 19, 2003, among Xerox Corporation, the Overseas Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities Inc., as Syndication Agent and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, as Co-Documentation Agents (the "2003 Credit Facility").
	Incorporated by reference to Exhibit 4.6 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.47	Guarantee and Security Agreement, dated as of June 25, 2003, among Xerox Corporation, the Subsidiary Guarantors party hereto and JPMorgan Chase Bank, as Collateral Agent, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.7 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.48	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003, between Xerox Corporation and JPMorgan Chase Bank, as Collateral Agent, encumbering one property located in the State of Oklahoma described in the granting clause thereof, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.8 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.49	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003 between Xerox Corporation and JPMorgan Chase Bank, as Collateral Agent, encumbering three properties located in the State of New York described in the granting clause thereof, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.9 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.50	Line of Credit Deed of Trust, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003, among Xerox Corporation, First American Title Insurance Company, as Trustee for the benefit of JPMorgan Chase Bank, as Collateral Agent, encumbering one property located in the State of Oregon, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.10 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
5.1	Opinion and consent of Skadden, Arps, Slate, Meagher & Flom LLP.
5.2	Opinion of and consent of Blank Rome LLP.
10.1**	Xerox Corporation's Form of Salary Continuance Agreement.
	Incorporated by reference to Exhibit 10(a) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.2**	Xerox Corporation's 1991 Long-Term Incentive Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(b) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.3	Xerox Corporation's 1996 Non-Employee Director Stock Option Plan, as amended through May 20, 1999.
	Incorporated by reference to Xerox Corporation's Notice of the 1999 Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A.
10.4**	Description of Xerox Corporation's Annual Performance Incentive Plan.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.

10.5**	1997 Restatement of Xerox Corporation's Unfunded Retirement Income Guarantee Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(e) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.6**	1997 Restatement of Xerox Corporation's Unfunded Supplemental Retirement Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(f) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.7	Executive Performance Incentive Plan.
	Incorporated by reference to Exhibit 10(g) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.8	1996 Amendment and Restatement of Xerox Corporation's Restricted Stock Plan for Directors.
	Incorporated by reference to Exhibit 10(h) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed on June 28th, 2002.
10.9**	Form of severance agreement entered into with various executive officers, effective October 15, 2000.
	Incorporated by reference to Exhibit 10(i)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.10**	Xerox Corporation's Contributory Life Insurance Program, as amended as of January 1, 1999.
	Incorporated by reference to Exhibit 10(j) to Xerox Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.
10.11	Xerox Corporation's Deferred Compensation Plan for Directors, 1997 Amendment and Restatement, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(k) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.12**	Xerox Corporation's Deferred Compensation Plan for Executives, 1997 Amendment and Restatement, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(l) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.13**	Letter Agreement dated June 4, 1997 between Xerox Corporation and G. Richard Thoman, former President and Chief Executive Officer of Registrant.
	Incorporated by reference to Exhibit 10(m) to Xerox Corporation's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1997.
10.14**	Registrant's 1998 Employee Stock Option Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(n) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.15**	Xerox Corporation's CEO Challenge Bonus Program.
	Incorporated by reference to Exhibit 10(o) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.16**	Separation Agreement, dated May 11, 2000 between Xerox Corporation and G. Richard Thoman, former President and Chief Executive Officer of Registrant.
	Incorporated by reference to Exhibit 10(p) to Xerox Corporation's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2000.
10.17**	Letter Agreement, dated December 4, 2000 between Xerox Corporation and William F. Buehler, Vice Chairman of Xerox Corporation.
	Incorporated by reference to Exhibit 10(p) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.

10.17	Separation Agreement, dated October 3, 2001 between Xerox Corporation and Barry D. Romeril, Vice Chairman and Chief Financial Officer of Xerox Corporation.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.18	Form of Release between Xerox Corporation and Barry D. Romeril, Vice Chairman and Chief Financial Officer of Registrant.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.19	Letter Agreement, dated April 2, 2001 between Xerox Corporation and Carlos Pascual, Executive Vice President of Registrant.
	Incorporated by reference to Exhibit 10(s) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.20	Master Supply Agreement, dated as of November 30, 2001, between Xerox Corporation and Flextronics International Ltd.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.21	Letter Agreement, dated May 20, 2002 between Xerox Corporation and Lawrence A. Zimmerman, Senior Vice President and Chief Financial Officer of Xerox Corporation.
	Incorporated by reference to Exhibit 10(u) to Xerox Corporation's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2002, filed on August 9, 2002.
16.1	Letter, dated October 4, 2001, of KPMG LLP.
	Incorporated by Reference to Xerox Corporation's 8-K, filed October 4, 2001.
23.1	Consent of PricewaterhouseCoopers LLP, independent accountants.
23.2	Consent of Ernst & Young LLP, independent auditors.
24.1†	Certified Resolution re: Power of Attorney for Xerox Corporation.
24.2†	Power of Attorney for Xerox Corporation.
24.3	Certified Resolution re: Power of Attorney for Xerox International Joint Marketing, Inc.
24.4	Power of Attorney for Xerox International Joint Marketing, Inc. (attached to signature page).
24.5	Certified Resolution re: Power of Attorney for Intelligent Electronics, Inc.
24.6	Power of Attorney for Intelligent Electronics, Inc. (attached to signature page).
25.1	Form T-1 Statement of Eligibility of Wells Fargo Bank Minnesota, N.A. to act as Trustee under the Dollar Indenture.
25.2	Form T-1 Statement of Eligibility of Wells Fargo Bank Minnesota, N.A. to act as Trustee under the Euro Indenture.
99.1	Form of Letter of Transmittal for the notes.
99.2	Letter to Brokers for the notes.
99.3	Letter to Clients for the notes.
99.4	Notice of Guaranteed Delivery for the notes.

† Previously filed

** The management contracts or compensatory plans or arrangements listed above that are applicable to the executive officers named in the Summary Compensation Table which appear in Xerox Corporation's 2002 Proxy Statement are preceded by two asterisks (**).

Item 22. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers to sale are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liabilities under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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

The undersigned registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this Form, within one business day of the receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrants hereby undertake to supply by means of post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 20 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Stamford, state of Connecticut, on the 24th day of July, 2003.

XEROX CORPORATION

By: /S/ ANNE M. MULCAHY*

Anne M. Mulcahy
Chairman of the Board, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the 24th day of July, 2003.

Principal Executive Officer

By: /S/ ANNE M. MULCAHY*

Anne M. Mulcahy
Chairman of the Board, Chief Executive Officer and Director

Principal Financial Officer

By: /S/ LAWRENCE A. ZIMMERMAN*

Lawrence A. Zimmerman
Senior Vice President, Chief Financial Officer

Principal Accounting Officer:

By: /S/ GARY R. KABURECK*

Gary R. Kabureck
Assistant Controller and Chief Accounting Officer

Directors:

By: /S/ VERNON E. JORDAN, JR.*

Vernon E. Jordan, Jr.
Director

By: /S/ YOTARO KOBAYASHI*

Yotaro Kobayashi
Director

By: /S/ HILMAR KOPPER*

Hilmar Kopper
Director

By: /S/ RALPH S. LARSEN*

Ralph S. Larsen
Director

By: /s/ JOHN E. PEPPER*

John E. Pepper
Director

*By /s/ MARTIN S. WAGNER

Martin S. Wagner
Attorney-in-fact

Pursuant to the requirements of the Securities Act of 1933, XEROX INTERNATIONAL JOINT MARKETING, INC. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Stamford, State of Connecticut on the 24th day of July, 2003.

XEROX INTERNATIONAL JOINT MARKETING, INC.

By: /S/ JAMES A. FIRESTONE

James A. Firestone
President and Chief Executive Officer

POWER OF ATTORNEY

XEROX INTERNATIONAL JOINT MARKETING, INC. (the "Company") and each person whose signature appears below hereby authorize each of A. M. Mulcahy, L. A. Zimmerman, M. S. Wagner and D. H. Marshall (each an "appointee") to file, either in paper or electronic form, from time to time one or more registration statements and amendments thereto (including post-effective amendments), under the Securities Act of 1933, as amended, for the purpose of registering the offering, issuance and exchange of securities in connection with the Company's 9¾% Senior Notes due 2009, which registration statements and amendments shall contain such information and exhibits as any such appointee deems advisable. Each such person hereby appoints each appointee as attorney-in-fact, with full power to act alone, to execute any such registration statements and any and all amendments thereto and any and all other documents in connection therewith, in the name of and on behalf of the Company and each such person, individually and in each capacity stated below, including the power to enter electronically such company identification numbers, passwords and other information as may be required to effect such filing as prescribed under the rules and regulations of the Securities and Exchange Commission (the "SEC"), and to file, either in paper or electronic form, with the SEC a form of this Power of Attorney. Each such person individually and in such capacities stated below hereby grants to said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned could do personally or in the capacities as aforesaid.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities on the 24th day of July, 2003.

Name	Capacities
/S/ JAMES A. FIRESTONE **James A. Firestone**	President, Chief Executive Officer, and Treasurer, Chief Financial Officer, Principal Accounting Officer and Sole Director

Pursuant to the requirements of the Securities Act of 1933, INTELLIGENT ELECTRONICS, INC. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Exton, State of Pennsylvania on the 24th day of July, 2003.

INTELLIGENT ELECTRONICS, INC.

By: /S/ JAMES JOYCE

James Joyce
President and Chief Executive Officer

POWER OF ATTORNEY

INTELLIGENT ELECTRONICS, INC. (the "Company") and each person whose signature appears below hereby authorize each of A. M. Mulcahy, L. A. Zimmerman, M. S. Wagner and D. H. Marshall (each an "appointee") to file, either in paper or electronic form, from time to time one or more registration statements and amendments thereto (including post-effective amendments), under the Securities Act of 1933, as amended, for the purpose of registering the Company's unconditional guarantee (the "Guarantee") and Xerox Corporation's 9¾% Senior Notes due 2009, which registration statements and amendments shall contain such information and exhibits as any such appointee deems advisable. Each person whose signature appears below hereby appoints each appointee as its attorney-in-fact, with full power to act alone, to execute any such registration statements and any and all amendments thereto and any and all other documents in connection therewith, in the name of and on behalf of the Company and each such person, individually and in each capacity stated below, including the power to enter electronically such company identification numbers, passwords and other information as may be required to effect such filing as prescribed under the rules and regulations of the Securities and Exchange Commission (the "SEC"). Each such person individually and in such capacities stated below hereby grants to said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned could do personally or in the capacities as aforesaid.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities on the 24th day of July, 2003.

Name	Capacities
/S/ JAMES JOYCE **James Joyce**	Chairman, President and Chief Executive Officer
/S/ ROBERT HOPE **Robert Hope**	Treasurer, Chief Financial Officer and Principal Accounting Officer
/S/ THOMAS J. DOLAN **Thomas J. Dolan**	Sole Director

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EXHIBIT INDEX

Document and Location

3.1	Restated Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on October 29, 1996, as amended by Certificate of Amendment of the Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on May 21, 1999.
	Incorporated by reference to Exhibit 3(a) to Amendment No. 5 to Xerox Corporation's Form 8-A Registration Statement dated February 8, 2000.
3.1.1	Certificate of Amendment of Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York September 9, 2002.
	Incorporated by reference to Exhibit 3(a) to Xerox Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed on November 7, 2002.
3.1.2	Certificate of Amendment of Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on June 2, 2003.
	Incorporated by reference to Exhibit (4)(a)(1)(iii) to Xerox Corporation's Registration Statement No. 333-101164.
3.1.3	Certificate of Amendment of the Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on June 24, 2003.
	Incorporated by reference to Exhibit 3 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
3.2	By-Laws of Xerox Corporation, as amended through September 1, 2002. Incorporated by reference to Exhibit 3(b) to Xerox Corporation's Quarterly Report on Form 10Q for the quarter ended September 30, 2002, filed on November 7, 2002.
3.3	Certificate of Incorporation of Xerox International Joint Marketing, Inc., filed with the Department of State of Delaware on May 13, 1991.
3.4	By-Laws of Xerox International Joint Marketing, Inc., as currently in effect.
3.5	Certificate of Authority of Intelligent Electronics, Inc., filed with the Department of State of Delaware on July 21, 1982, as amended by the Articles of Domestication of Intelligent Electronics, Inc., filed with the Department of State of Pennsylvania on June 17, 1983.
3.6	By-Laws of Intelligent Electronics, Inc., as currently in effect, as amended by Amendments to the By-Laws of Intelligent Electronics, Inc. filed with the Department of State of Delaware on May 13, 1987, July 2, 1987, December 21, 1989, July 4, 1990, February 26, 1994, November 29, 1994, and July 1, 2003.
4.1	Indenture, dated as of December 1, 1991, between Xerox Corporation and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Xerox Corporation when and as authorized by or pursuant to a resolution of Xerox Corporation's Board of Directors (the "December 1991 Indenture").
	Incorporated by reference to Exhibit 4(a) to Xerox Corporation's Registration Statements Nos. 33-44597, 33-49177 and 33-54629.
4.2	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Xerox Corporation, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the December 1991 Indenture.
	Incorporated by reference to Exhibit 4(a)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
4.3	Indenture, dated as of September 20, 1996, between Xerox Corporation and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Xerox Corporation when and as authorized by or pursuant to a resolution of Xerox Corporation's Board of Directors (the "September 1996 Indenture").
	Incorporated by reference to Exhibit 4(a) to Xerox Corporation's Registration Statement No. 333-13179.

4.4	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Xerox Corporation, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the September 1996 Indenture.
	Incorporated by reference to Exhibit 4(b)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
4.5	Indenture, dated as of January 29, 1997, between Xerox Corporation and Bank One, National Association (as successor by merger with The First National Bank of Chicago) ("Bank One"), as trustee (the "January 1997 Indenture"), relating to Xerox Corporation's Junior Subordinated Deferrable Interest Debentures ("Junior Subordinated Debentures").
	Incorporated by reference to Exhibit 4.1 to Xerox Corporation's Registration Statement No. 333-24193.
4.6	Form of Certificate of Exchange relating to Junior Subordinated Debentures.
	Incorporated by reference to Exhibit 4.2 to Xerox Corporation's Registration Statement No. 333-24193.
4.7	Certificate of Trust of Xerox Capital Trust I executed as of January 23, 1997.
	Incorporated by reference to Exhibit 4.3 to Xerox Corporation's Registration Statement No. 333-24193.
4.8	Amended and Restated Declaration of Trust of Xerox Capital Trust I dated as of January 29, 1997.
	Incorporated by reference to Exhibit 4.4 to Xerox Corporation's Registration Statement No. 333-24193.
4.9	Form of Exchange Capital Security Certificate for Xerox Capital Trust I.
	Incorporated by reference to Exhibit 4.5 to Xerox Corporation's Registration Statement No. 333-24193.
4.10	Series A Capital Securities Guarantee Agreement of Xerox Corporation dated as of January 29, 1997, relating to Series A Capital Securities of Xerox Capital Trust I.
	Incorporated by reference to Exhibit 4.6 to Xerox Corporation's Registration Statement No. 333-24193.
4.11	Registration Rights Agreement dated January 29, 1997, among Xerox Corporation, Xerox Capital Trust I and the initial purchasers named therein.
	Incorporated by reference to Exhibit 4.7 to Xerox Corporation's Registration Statement No. 333-24193.
4.12	Instrument of Resignation, Appointment and Acceptance dated as of November 30, 2001, among Xerox Corporation, Bank One as resigning trustee, and Wells Fargo Bank Minnesota, National Association "Wells Fargo"), as successor Trustee, relating to the January 1997 Indenture.
	Incorporated by reference to Exhibit 4(c)(8) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.13	Indenture, dated as of October 1, 1997, among Xerox Corporation, Xerox Overseas Holding Limited (formerly Xerox Overseas Holding PLC), Xerox Capital (Europe) plc (formerly Rank Xerox Capital (Europe) plc) and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Xerox Corporation and unlimited amounts of guaranteed debt securities which may be issued from time to time by the other issuers when and as authorized by or pursuant to a resolution or resolutions of the Board of Directors of Xerox Corporation or the other issuers, as applicable (the "October 1997 Indenture").
	Incorporated by reference to Exhibit 4(b) to Xerox Corporation's Registration Statements Nos. 333-34333, 333-34333-01 and 333-34333-02.
4.14	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Xerox Corporation, the other issuers under the October 1997 Indenture, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the October 1997 Indenture.

	Incorporated by reference to Exhibit 4(d)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
4.15	Indenture, dated as of April 21, 1998, between Xerox Corporation and Bank One, as trustee, relating to $1,012,198,000 principal amount at maturity of Xerox Corporation's Convertible Subordinated Debentures due 2018 (the "April 1998 Indenture").
	Incorporated by reference to Exhibit 4(b) to Xerox Corporation's Registration Statement No. 333-59355.
4.16	Instrument of Resignation, Appointment and Acceptance dated as of July 26, 2001, among Xerox Corporation, Bank One as resigning trustee, and Wells Fargo, as successor Trustee, relating to the April 1998 Indenture (the "April 1998 Indenture Trustee Assignment").
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.17	Amendment to Instrument of Resignation, Appointment and Acceptance dated as of October 22, 2001, among Xerox Corporation, Bank One as resigning trustee, and Wells Fargo, as successor Trustee, relating to the April 1998 Indenture Trustee Assignment.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.18	Indenture, dated as of July 1, 2001, between Xerox Equipment Lease Owner Trust 2001-1 ("Trust") and U.S. Bank National Association, as trustee, relating to $513,000,000 Floating Rate Asset Backed Notes issued by the Trust.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.19	Indenture, dated as of November 27, 2001, between Xerox Corporation and Wells Fargo, as trustee, relating to Xerox Corporation's 7 1/2% Convertible Junior Subordinated Debentures Due 2021.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.20	Indenture, dated as of November 27, 2001, between Xerox Funding LLC II and Wells Fargo, as trustee, relating to Xerox Funding LLC II's 7 1/2% Convertible Junior Subordinated Debentures Due 2021.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.21	Amended and Restated Declaration of Trust of Xerox Capital Trust II, dated as of November 27, 2001, by Xerox Corporation, as sponsor, Wells Fargo, as property trustee, Wilmington Trust Company, as Delaware trustee, and the administrative trustees named therein, relating to Xerox Capital Trust II's 7 1/2% Convertible Trust Preferred Securities and 7 1/2% Convertible Common Securities.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.22	Pledge Agreement, made as of November 27, 2001, by Xerox Funding LLC II in favor of Wells Fargo, as trustee and for the holders of Xerox Funding LLC II's 7 1/2% Convertible Junior Subordinated Debentures Due 2021.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.23	Indenture, dated as of January 17, 2002, between Xerox Corporation and Wells Fargo, as trustee, relating to Xerox Corporation's 9 3/4% Senior Notes due 2009 (Denominated in U.S. Dollars) (the "U.S. Dollar Indenture").
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.

4.24	First Supplemental Indenture, dated as of June 21, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the U.S. Dollar Indenture.
	Incorporated by reference to Exhibit (4)(h)(5) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.25	Second Supplemental Indenture, dated as of July 30, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the U.S. Dollar Indenture.
	Incorporated by reference to Exhibit 4(h)(7) to Xerox Corporation's Quarterly Report on Form 10–Q for the Quarter Ended June 30, 2002, filed on August 9, 2002.
4.26	Third Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as Trustee to the Indenture dated as of January 17, 2002 between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to Xerox Corporations' 9 3/4% Senior Notes due 2009 (denominated in U.S. Dollars).
	Incorporated by reference to Exhibit 4.11 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.27	Indenture, dated as of January 17, 2002, between Xerox Corporation and Wells Fargo, as trustee, relating to Xerox Corporation's 9 3/4% Senior Notes due 2009 (Denominated in Euros) (the "Euro Indenture").
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.28	First Supplemental Indenture, dated as of June 21, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the Euro Indenture.
	Incorporated by reference to Exhibit 4(h)(6) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.29	Second Supplemental Indenture, dated as of July 30, 2002, among Xerox Corporation, the Guarantors named therein and Wells Fargo, as trustee, to the Euro Indenture.
	Incorporated by reference to Exhibit 4(h)(8) to Xerox Corporation's Quarterly Report on Form 10–Q for the Quarter Ended June 30, 2002, filed on August 9, 2002.
4.30	Third Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as Trustee to the Indenture dated as of January 17, 2002 between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to Xerox Corporations' 9 3/4% Senior Notes due 2009 (denominated in Euros).
	Incorporated by reference to Exhibit 4.12 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.31	Registration Rights Agreement, dated as of January 17, 2002, among Xerox Corporation and the initial purchasers named therein, relating to Xerox Corporation's $600,000,000 9 3/4% Senior Notes due 2009.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.32	Registration Rights Agreement, dated as of January 17, 2002, among Xerox Corporation and the initial purchasers named therein, relating to Xerox Corporation's (euro)225,000,000 9 3/4% Senior Notes due 2009.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
4.33	Amended and Restated Credit Agreement, dated as of June 21, 2002, among Xerox Corporation, and Overseas Borrowers, as Borrowers, various lenders and Bank One, N.A., JPMorgan Chase Bank, and Citibank, N.A., as Agents (the "2002 Credit Facility").

	Incorporated by reference to Exhibit 4(l)(1) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.34	Guarantee and Security Agreement dated as of June 21, 2002 among Xerox Corporation, the Subsidiary Guarantors and Bank One, N.A., as Agent, relating to the 2002 Credit Facility.
	Incorporated by reference to Exhibit (4)(1)(2) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002, filed on June 21, 2002.
4.35	Canadian Guarantee and Security Agreement dated as of June 21, 2002 among Xerox Canada Capital Ltd., the Guarantors and Bank One, N.A., Canada Branch, as Agent, relating to the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(3) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.36	Deed of Guarantee and Indemnity Made June 21, 2002 between Bank One, N.A., as Agent, and Xerox Overseas Holdings Limited and Xerox UK Holdings Limited, as Guarantors, relating to Obligations of Xerox Capital (Europe) plc and the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(4) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.37	Debenture dated June 21, 2002 between Xerox Capital (Europe) plc and Bank One, N.A., as Agent, relating to the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(5) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.38	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing dated as of June 21, 2002 by Xerox Corporation, as Mortgagor, to Bank One, N.A., as Agent for the Lenders, the Mortgagee, relating to property in the County of Monroe, State of New York and the 2002 Credit Facility.
	Incorporated by reference to Exhibit 4(l)(6) to Xerox Corporation's Current Report on Form 8-K dated June 21, 2002.
4.39	Covenant Reset Schedule Relating to the Amended Credit Agreement.
	Incorporated by Reference to Exhibit 4(1)(7) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed on March 31, 2003.
4.40	Master Demand Note, dated November 20, 2001 between Xerox Corporation and Xerox Credit Corporation.
	Incorporated by reference to Exhibit 4(m) to Xerox Corporation's Annual Report on Form 10–K for the Year Ended December 31, 2001.
4.41	Indenture, dated June 25, 2003, between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee (the "June 25, 2003 Indenture").
	Incorporated by reference to Exhibit 4.1 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.42	First Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the Guarantors and Wells Fargo Bank Minnesota, National Association, as Trustee, to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4.2 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.43	Form of 7 1/8% Senior Notes due 2010.
	Incorporated by reference to Exhibit 4.3 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.44	Form of 7 5/8% Senior Notes due 2013.
	Incorporated by reference to Exhibit 4.4 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.

4.45	Form of Note Guarantee.
	Incorporated by reference to Exhibit 4.5 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.46	Credit Agreement dated as of June 19, 2003, among Xerox Corporation, the Overseas Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities Inc., as Syndication Agent and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, as Co-Documentation Agents (the "2003 Credit Facility").
	Incorporated by reference to Exhibit 4.6 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.47	Guarantee and Security Agreement, dated as of June 25, 2003, among Xerox Corporation, the Subsidiary Guarantors party hereto and JPMorgan Chase Bank, as Collateral Agent, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.7 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003 filed on June 27, 2003.
4.48	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003, between Xerox Corporation and JPMorgan Chase Bank, as Collateral Agent, encumbering one property located in the State of Oklahoma described in the granting clause thereof relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.8 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.49	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003 between Xerox Corporation and JPMorgan Chase Bank, as Collateral Agent, encumbering three properties located in the State of New York described in the granting clause thereof, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.9 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
4.50	Line of Credit Deed of Trust, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003, among Xerox Corporation, First American Title Insurance Company, as Trustee for the benefit of JPMorgan Chase Bank, as Collateral Agent, encumbering one property located in the State of Oregon, relating to the 2003 Credit Facility.
	Incorporated by reference to Exhibit 4.10 to Xerox Corporation's Current Report on Form 8-K, dated June 25, 2003, filed on June 27, 2003.
5.1	Opinion and consent of Skadden, Arps, Slate, Meagher & Flom LLP.
5.2	Opinion of and consent of Blank Rome LLP.
10.1**	Xerox Corporation's Form of Salary Continuance Agreement.
	Incorporated by reference to Exhibit 10(a) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.2**	Xerox Corporation's 1991 Long-Term Incentive Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(b) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.3	Xerox Corporation's 1996 Non-Employee Director Stock Option Plan, as amended through May 20, 1999.
	Incorporated by reference to Xerox Corporation's Notice of the 1999 Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A.
10.4**	Description of Xerox Corporation's Annual Performance Incentive Plan.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.

10.5**	1997 Restatement of Xerox Corporation's Unfunded Retirement Income Guarantee Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(e) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.6**	1997 Restatement of Xerox Corporation's Unfunded Supplemental Retirement Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(f) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.7	Executive Performance Incentive Plan.
	Incorporated by reference to Exhibit 10(g) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.8	1996 Amendment and Restatement of Xerox Corporation's Restricted Stock Plan for Directors.
	Incorporated by reference to Exhibit 10(h) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed on June 28th, 2002.
10.9**	Form of severance agreement entered into with various executive officers, effective October 15, 2000.
	Incorporated by reference to Exhibit 10(i)(2) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.10**	Xerox Corporation's Contributory Life Insurance Program, as amended as of January 1, 1999.
	Incorporated by reference to Exhibit 10(j) to Xerox Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.
10.11	Xerox Corporation's Deferred Compensation Plan for Directors, 1997 Amendment and Restatement, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(k) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.12**	Xerox Corporation's Deferred Compensation Plan for Executives, 1997 Amendment and Restatement, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(l) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.13**	Letter Agreement dated June 4, 1997 between Xerox Corporation and G. Richard Thoman, former President and Chief Executive Officer of Registrant.
	Incorporated by reference to Exhibit 10(m) to Xerox Corporation's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1997.
10.14**	Registrant's 1998 Employee Stock Option Plan, as amended through October 9, 2000.
	Incorporated by reference to Exhibit 10(n) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.15**	Xerox Corporation's CEO Challenge Bonus Program.
	Incorporated by reference to Exhibit 10(o) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.16**	Separation Agreement, dated May 11, 2000 between Xerox Corporation and G. Richard Thoman, former President and Chief Executive Officer of Registrant.
	Incorporated by reference to Exhibit 10(p) to Xerox Corporation's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2000.
10.17**	Letter Agreement, dated December 4, 2000 between Xerox Corporation and William F. Buehler, Vice Chairman of Xerox Corporation.
	Incorporated by reference to Exhibit 10(p) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.

10.17	Separation Agreement, dated October 3, 2001 between Xerox Corporation and Barry D. Romeril, Vice Chairman and Chief Financial Officer of Xerox Corporation.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.18	Form of Release between Xerox Corporation and Barry D. Romeril, Vice Chairman and Chief Financial Officer of Registrant.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.19	Letter Agreement dated April 2, 2001 between Xerox Corporation and Carlos Pascual, Executive Vice President of Registrant.
	Incorporated by reference to Exhibit 10(s) to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001.
10.20	Master Supply Agreement, dated as of November 30, 2001, between Xerox Corporation and Flextronics International Ltd.
	Incorporated by reference to Xerox Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed on June 28, 2002.
10.21	Letter Agreement, dated May 20, 2002 between Xerox Corporation and Lawrence A. Zimmerman, Senior Vice President and Chief Financial Officer of Xerox Corporation.
	Incorporated by reference to Exhibit 10(u) to Xerox Corporation's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2002, filed on August 9, 2002.
16.1	Letter, dated October 4, 2001, of KPMG LLP.
	Incorporated by Reference to Xerox Corporation's 8-K, filed October 4, 2001.
23.1	Consent of PricewaterhouseCoopers LLP, independent accountants.
23.2	Consent of Ernst & Young LLP, independent auditors.
24.1†	Certified Resolution re: Power of Attorney for Xerox Corporation.
24.2†	Power of Attorney for Xerox Corporation.
24.3	Certified Resolution re: Power of Attorney for Xerox International Joint Marketing, Inc.
24.4	Power of Attorney for Xerox International Joint Marketing, Inc. (attached to signature page).
24.5	Certified Resolution re: Power of Attorney for Intelligent Electronics, Inc.
24.6	Power of Attorney for Intelligent Electronics, Inc. (attached to signature page).
25.1	Form T-1 Statement of Eligibility of Wells Fargo Bank Minnesota, N.A. to act as Trustee under the Dollar Indenture.
25.2	Form T-1 Statement of Eligibility of Wells Fargo Bank Minnesota, N.A. to act as Trustee under the Euro Indenture.
99.1	Form of Letter of Transmittal for the notes.
99.2	Letter to Brokers for the notes.
99.3	Letter to Clients for the notes.
99.4	Notice of Guaranteed Delivery for the notes.

† Previously filed

** The management contracts or compensatory plans or arrangements listed above that are applicable to the executive officers named in the Summary Compensation Table which appear in Xerox Corporation's 2002 Proxy Statement are preceded by two asterisks (**).

Exhibit 3.3

State of Delaware

Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF XEROX INTERNATIONAL JOINT MARKETING, INC. FILED IN THIS OFFICE ON THE THIRTIETH DAY OF MAY, A.D. 1991, AT 2 0' CLOCK P.M.

/S/ MICHAEL HARKINS

Michael Harkins, Secretary of State

AUTHENTICATION: 3063732

DATE: 5/30/1991

CERTIFICATE OF INCORPORATION

OF

XEROX INTERNATIONAL JOINT MARKETING, INC.

1. The name of the Corporation is:

XEROX INTERNATIONAL JOINT MARKETING, INC.

2. The address of its registered agent in the State of Delaware is 32 Loockerman Square, Suite L-100 in the City of Dover, County of Kent. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

4. The total number of shares of Common Stock which the Corporation shall have authority to issue is One Thousand (1,000) and the par value of each such share is One Cent ($.01) amounting in the aggregate to Ten Dollars ($10.00).

5. The Board of Directors is authorized to make, alter, or repeal the By-Laws of the Corporation. Election of directors need not be by written ballot.

6. The name and address of the incorporator is;

Linda G. O'Brien
c/o Xerox Corporation
P.O. Box 1600
800 Long Ridge Road
Stamford, Connecticut 06904

7. No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that the foregoing shall not eliminate or limit liability of a director (i) for any breach of such director's duty of loyalty to the Corporation or its stockholders,

(ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which such director derived an improper personal benefit.

I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 30th day of May, 1991.

/S/ LINDA G. O'BRIEN

Linda G. O'Brien

Exhibit 3.4

XEROX INTERNATIONAL JOINT MARKETING, INC.

BYLAWS

ARTICLE I

OFFICES

Section 1. The office of the corporation shall be located in the City of Dover, State of Delaware (the "State").

Section 2. The corporation may also have offices at such other places both within and without the State as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II
ANNUAL MEETINGS OF SHAREHOLDERS

Section 1. All annual meetings of shareholders shall be held on such date and time and place as shall be designated from time to time by the board of directors, at which they shall elect by a plurality vote, a board of directors, and transact such other business as may properly be brought before the meeting.

Section 2. Written or printed notice of the annual meeting stating the place, date and hour of the meeting shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the president, secretary or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting.

ARTICLE III
SPECIAL MEETINGS OF SHAREHOLDERS

Section 1. Special meetings of shareholders may be held at such time and place within or without the State as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president, board of directors or the holders of not less than ten percent of all the shares entitled to vote at the meeting.

Section 3. Written or printed notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by, or at the direction of, the president, secretary or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. The notice shall also indicate that it is being issued by, or at the direction of, the person calling the meeting.

Section 4. Notice of a meeting need not be given to any shareholder who signs a waiver of such notice before or after the meeting.

Section 5. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present.

ARTICLE IV
QUORUM AND VOTING OF STOCK

Section 1. The holders of a majority of the shares of stock issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business except as otherwise provided by statute.

Section 2. If a quorum is present, the affirmative vote of a majority of the shares of stock represented at the meeting shall be the act of the shareholders, unless the vote of a greater or lesser number of shares of stock is required by law.

Section 3. Each outstanding share of stock having voting power shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from its date unless the proxy provides for a longer period.

Section 4. Whenever shareholders are required or permitted to take any action by vote, such action may be taken without a meeting, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon are present and voted, and shall be delivered to the corporation by delivery at its registered office in Delaware, its principal place of business, or to an officer or agent of the corporation having custody of the books in which proceedings of stockholders are recorded. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this section, written consents signed by a sufficient number of holders to take action are delivered to the corporation in the manner required by this section.

ARTICLE V
DIRECTORS

Section 1. The number of directors shall be not less than one nor more than twenty. The number of directors shall be determined from time to time by a resolution of the shareholders or the board of directors. The directors, other than the first board of directors, shall be elected at the annual meeting of the shareholders, except as hereinafter provided, and each director elected shall serve until the next succeeding annual meeting and until his successor shall have been elected and qualified. The first board of directors shall hold office until the first annual meeting of shareholders.

Section 2. Any or all of the directors may be removed, with or without cause, at any time by the shareholders by the affirmative vote of the majority of the votes cast by the holders of shares entitled to vote for the election of directors.

Section 3. Directors shall not be elected by cumulative voting unless otherwise required by law.

Section 4. Newly created directorships resulting from an increase in the board of directors and all vacancies occurring in the board may be filled by a majority of the directors then in office, though less than a quorum, or by the shareholders at an annual meeting or at a special meeting of shareholders called for that purpose. A director elected to fill a vacancy shall be elected for the unexpired portion of the term of his predecessor in office. A director elected to fill a newly created directorship shall serve until the next succeeding annual meeting of shareholders and until his successor shall have been elected and qualified.

Section 5. The business affairs of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the shareholders.

Section 6. The directors may keep the books of the corporation, except such as are required by law to be kept within the State, outside the State, at such place or places as they may from time to time determine.

Section 7. The board of directors, by the affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise.

ARTICLE VI
MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Meetings of the board of directors, regular or special, may be held either within or without the State.

Section 2. The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the shareholders at the

annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a quorum shall be present, or it may convene at such place and time as shall be fixed by the consent in writing of all the directors.

Section 3. Regular meetings of the board of directors may be held upon such notice, or without notice, and at such time and at such place as shall from time to time be determined by the board.

Section 4. Special meetings of the board of directors may be called by the president, any vice president, the secretary or the holders of all the outstanding shares of stock of the corporation on three days' notice to each director, delivered by mail, or on twenty-four hours' notice given in person or by telephone or telegram.

Section 5. Notice of a meeting need not be given to any director who submits a signed waiver of notice, before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 6. A majority of the directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, unless the vote of a greater number is requited by law. If a quorum shall not be present at any meeting of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 8. Any action required or permitted to be taken at a meeting of the directors or a committee thereof may be taken without a meeting if a consent in

writing to the adoption of a resolution authorizing the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof.

ARTICLE VII
EXECUTIVE COMMITTEE

Section 1. The board of directors, by resolution adopted by a majority of the entire board, may designate, from among its members, an executive committee and other committees, each consisting of two or more directors, and each of which, to the extent provided in the resolution, shall have all the authority of the board, including the power to declare dividends, except as otherwise required by law. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Vacancies in the membership of a committee shall be filled by the board of directors at a regular or special meeting of the board of directors. Each executive committee shall keep regular minutes of its proceedings and report the same to the board when required.

ARTICLE VIII
NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or shareholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or shareholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given in person or by telephone or telegram.

Section 2. Whenever any notice of a meeting is required to be given under the provisions of the statutes or under the provisions of the certificate of incorporation or these by-laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. All waivers of notice shall be made a part of the minutes of the meeting.

ARTICLE IX
OFFICERS

Section 1. The officers of the corporation shall be a president, a treasurer and a secretary, all of whom shall be elected by the board of directors and who shall hold office until their successors are elected and qualified. In addition, the board of directors may elect one or more vice presidents, a controller and such assistant secretaries and assistant treasurers as it may deem proper. The officers shall be elected at the first meeting of the board of directors and thereafter at each succeeding annual meeting of directors. All vacancies occurring among any of the officers shall be filled by the board of directors. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law or these by-laws to be executed, acknowledged or verified by two or more officers.

Section 2. The board of directors may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board of directors.

Section 3. Any officer elected or appointed by the board of directors may be removed by the board of directors with or without cause.

THE PRESIDENT

Section 4. The president shall be chief executive officer of the corporation, shall preside at all meetings of the stockholders and the board of directors, shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the board of directors are carried into effect.

Section 5. The president shall execute bonds, mortgages and other contracts requiring a seal under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

THE VICE PRESIDENT

Section 6. In the absence of the president or in the event of his inability or refusal to act, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice presidents shall perform such other duties and have such other powers as the president or the board of directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

Section 7. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors of president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 8. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties as the president or the board of directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURER

Section 9. The treasurer shall be the chief financial officer of the corporation unless the board of directors shall designate another person as such; he shall have

custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 10. The treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors, at its regular meetings, or when the president or the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 11. If required by the board of directors, the treasurer shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 12. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as president or the board of directors may from time to time prescribe.

THE CONTROLLER

Section 13. The controller shall keep the books of account for internal and external reporting purposes. He shall perform all other duties customarily incident to the office of controller and shall perform other such duties and exercise such other powers as the president or the board of directors may from time to time prescribe.

ARTICLE X
CERTIFICATE FOR SHARES

Section 1. The shares of the corporation shall be represented by certificates signed by the president or a vice president and the secretary or an assistant secretary

or the treasurer or an assistant treasurer of the corporation and may be sealed with the seal of the corporation or a facsimile thereof.

LOST CERTIFICATES

Section 2. The board of directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost or destroyed.

TRANSFERS OF SHARES

Section 3. Upon surrender to the corporation or the transfer agent of the corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto, and the old certificate cancelled and the transaction recorded upon the books of the corporation.

REGISTERED SHAREHOLDERS

Section 4. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State.

ARTICLE XI
GENERAL PROVISIONS DIVIDENDS

Section 1. Subject to the provisions of the certificate of incorporation relating thereto, if any, dividends may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in shares of the capital stock or in the corporation’s bonds or its property, including the shares or bonds of other corporations subject to any provisions of law and of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors

from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

Section 3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 4. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 5. The corporate seal shall have inscribed thereon the name of the corporation, the year and jurisdiction of its organization and the words “Corporate Seal.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

ANNUAL STATEMENT

Section 6. The board of directors shall be required to present at each annual meeting of shareholders a complete financial statement for the corporation only if requested by a shareholder.

VOTING OF SHARES HELD IN THE NAME OF THE CORPORATION

Section 7. Each of the president, secretary or any assistant secretary is authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation(s) standing in the name of the corporation. This authority may be exercised either in person or by any other person authorized to do so by proxy or power of attorney duly executed by the president, secretary or any assistant secretary.

ASSIGNMENT AND TRANSFER OF STOCKS, BONDS, AND OTHER SECURITIES

Section 8. The president, the treasurer, the secretary, any assistant secretary, any assistant treasurer, and each of them, shall have power to assign, or to endorse for transfer, under the corporate seal, and to deliver, any stock, bonds, subscription rights, or other securities, or any beneficial interest therein, held or owned by the corporation.

ARTICLE XII INDEMNIFICATION

Section 1. To the full extent authorized by law, the corporation shall indemnify any person, made or threatened to be made, a party in any civil or criminal action or proceeding by reason of the fact that he, his testator or intestate is or was a director or officer of the corporation or served any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity at the request of the corporation.

ARTICLE XIII
AMENDMENTS

Section 1. These by-laws may be amended, repealed or new by-laws adopted (a) at any regular or special meeting of shareholders by the affirmative vote of a majority of shares entitled to vote, or (b) by the affirmative vote of a majority of the board of directors unless the power of the board to amend, repeal or adopt by-laws must be conferred in the certificate of incorporation and such power has not been so conferred. In any event, the board may not take any action with respect to the by-laws which is reserved by statute to the shareholders, nor does any power of the board to amend, repeal or adopt by-laws divest, limit, or diminish the power of the shareholders to amend, repeal or adopt by-laws, including the power of shareholders to amend, repeal or adopt a by-law contrary to any action with respect thereto previously taken by the board.

EXHIBIT 3.5

Filed in the Department of State on the 21st day of July, 1982.

/S/ BURT KIRSHBAUM

Secretary of the Commonwealth

APPLICATION FOR A

CERTIFICATE OF AUTHORITY

TO THE DEPARTMENT OF STATE;

COMMONWEALTH OF PENNSYLVANIA:

In compliance with the requirements of Section 1004 of the Business Corporation Law, Act of May 5, 1933 (P. L. 364) (15 P. S. 2004), the undersigned foreign business corporation, desiring to receive a certificate of authority under said act, does hereby certify that:

1st. The name of the corporation is

INTELLIGENT ELECTRONICS, INC.

2nd. The name of the state under the laws of which the corporation is incorporated is Delaware.

3rd. The address of its principal office in its state of incorporation is 306 South State Street, Dover, Delaware 19901.

4th. The address of the proposed registered office of the corporation in this Commonwealth is 1000 Valley Forge Towers, King of Prussia 19406, in the County of Montgomery.

5th. The business the corporation proposes to do within this Commonwealth, such business being authorized by its Certificate of Incorporation, is:

Sales of micro computers.

6th. The corporation is a corporation incorporated for a purpose or purposes involving pecuniary profit, incidental or otherwise, to its shareholders.

IN TESTIMONY WHEREOF, the undersigned corporation has caused this application to be signed by a duly authorized officer and its corporate seal, duly attested by another such officer, to be hereunto affixed this 13th day of July, 1982.

INTELLIGENT ELECTRONICS, INC.

(SEAL)

BY /S/ T. RICHARD LAMB

T. RICHARD LAMB – Vice-President

ATTEST:

/S/ RICHARD D. SANFORD

RICHARD D. SANFORD – Secretary

751424

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU

Articles of Domestication

In compliance with the provisions of Article IX, of the Business Corporation Law, approved the 5th day of May, A.D. 1933, P.L. 364, as amended, relating to the domestication of foreign corporations, Intelligent Electronics, Inc., a corporation formed under the laws of the State of Delaware and holding a Certificate of Authority to do business in the Commonwealth of Pennsylvania, hereby makes application for a Certificate of Domestication:

1. The name of the Corporation is Intelligent Electronics, Inc.

2. The location and post office address of its registered office in this Commonwealth is:

Intelligent Electronics, Inc.
333 Gordon Drive
Lionville, PA 19353

3. The purpose or purposes for which the corporation was incorporated are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

The purpose or purposes for which it is to be domesticated are as follows: To have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law.

Upon domestication the Corporation will be subject to the provisions of the Pennsylvania Business Corporation Law, approved May 5, 1933. P.L. 354, as amended.

4. The Corporation was originally incorporated under the laws of the State of Delaware to have perpetual existence, and upon domestication this Corporation is to have perpetual existence.

5. The aggregate number of shares of all classes of stock which the Corporation is authorized to issue under its foreign charter is 1,000 shares of Common Stock, $.01 par value per share of which 415 1/3 shares are presently issued and outstanding.

6. Upon the domestication of the Corporation, the aggregate number of shares of all classes of stock which the Corporation shall be authorized to issue is:

(1) 10,000,000 shares of Common Stock, $.01 par value per share; and

(2) 5,000,000 shares of Preferred Stock, $.50 par value per share.

The Board of Directors of the Corporation shall have full and complete authority, by resolution from tine to time, to establish one or more series and to issue shares of Preferred Stock and to fix, determine and vary the voting rights, designations, preferences, qualifications, privileges, limitations, options, conversion rights and other special rights of each series of Preferred Stock, including but not limited to, dividend rates and manner of payment, preferential amounts payable upon voluntary or involuntary liquidation, voting rights, conversion rights, redemption prices, terms and conditions and sinking fund and stock purchase prices, terms and conditions.

7. There shall be no cumulative voting in the election of directors.

IN TESTIMONY WHEREOF, the applicant has caused these Articles of Domestication to be signed by its President and Secretary on this 15th day of June, 1983.

ATTEST:

/S/ P. ENTO

Secretary

INTELLIGENT ELECTRONICS, INC.

By: /S/ T. RODZIN

President

(CORPORATE)
(SEAL)

Filed in the Department of State on the 17th day June, A.D. 1983.

/S/ WILLIAM C. DAVIS

Secretary of the Commonwealth

Exhibit 3.6

CONSENT OF SOLE DIRECTOR
IN LIEU OF ANNUAL ORGANIZATION MEETING
OF THE BOARD OF DIRECTORS
OF
INTELLIGENT ELECTRONICS, INC.

PURSUANT TO SECTION 1727 OF THE
PENNSYLVANIA GENERAL CORPORATION LAW OF 1988

The undersigned, being the sole Director of INTELLIGENT ELECTRONICS, INC., a Pennsylvania corporation, (the "Company") does hereby consent to the adoption of the following resolutions on behalf of the Company:

RESOLVED: That in accordance with the Agreement and Plan of Merger dated as of March 4, 1998, which became effective on May 20, 1998, the number of directors comprising the Board of Directors of the Company was reduced to one (1).

RESOLVED: That Section 3.1 of the By-Laws of the Company be and hereby is amended to read in its entirety as follows:
"Section 3.1 The number of directors shall be not less than one nor more than ten. The number of directors shall be determined from time to time by a resolution of the shareholders or the board of directors. The directors, other than the first board of directors, shall be elected at the annual meeting of the shareholders, except as hereinafter provided, and each director elected shall serve until the next succeeding annual meeting and until his successor shall have been elected and qualified. The first board of directors shall hold office until the first annual meeting of shareholders."

RESOLVED: That in accordance with Section 3.1 of the amended By-Laws of the Company, the number of directors be and hereby is set at one.

RESOLVED: That the following persons be and hereby are elected to the offices of the Company set forth opposite their respective names to hold office in accordance with the By-Laws:

Name	Office
James Joyce	Chairman and President
Robert Hope	Treasurer
Martin S. Wagner	Secretary
Mark Sheivachman	Assistant Secretary

Dated as of July 1, 2003

/S/ THOMAS J. DOLAN

Thomas Dolan

INTELLIGENT ELECTRONICS, INC.

RIDER TO BY-LAWS

November 29, 1994

Section 3.1 of the By-laws of the Corporation, as heretofore amended and restated, is hereby amended and restated in its entirety to read as follows:

"3.1 Number and Tenure and Classification. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The number of directors shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the Board of Directors. The directors shall be classified, with respect to the duration of the term for which they severally hold office, into three classes as nearly equal in number as possible. The Board of Directors shall increase or decrease the number of directors in one or more classes as may be appropriate whenever it increases or decreases the number of directors pursuant to this Section 3.1, in order to ensure that the three classes shall be as nearly equal in number as possible. At each annual meeting of shareholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election;

The number of Directors of the Corporation be and it is hereby increased from twelve to thirteen members; and

That the additional member of the Board created by the foregoing resolution shall be allocated to the class of directors that will serve in such capacity until the 1995 Annual Meeting of Shareholders or until their successors are duly elected and qualified."

INTELLIGENT ELECTRONICS, INC.

RIDER TO BY-LAWS

February 26, 1994

Section 3.1 of the By-laws of the Corporation, as heretofore amended and restated, is hereby amended and restated in its entirety to read as follows:

"3.1 Number and Tenure and Classification. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The number of directors shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the Board of Directors. The directors shall be classified, with respect to the duration of the term for which they severally hold office, into three classes as nearly equal in number as possible. The Board of Directors shall increase or decrease the number of directors in one or more classes as may be appropriate whenever it increases or decreases the number of directors pursuant to this Section 3.1, in order to ensure that the three classes shall be as nearly equal in number as possible. At each annual meeting of shareholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election;

The number of Directors of the Corporation be and it is hereby increased to twelve; and

That as of the date of the 1994 Annual Meeting of Shareholders, the Board of Directors shall consist of three classes of directors, one class of four directors that will serve in such capacity until the 1995 Annual Meeting of Shareholders or until their successors are duly elected and qualified, a second class of four directors that will serve in such capacity until 1996 Annual Meeting of Shareholders or until their successors are duly elected and qualified and a third class of four directors that will serve in such capacity until the 1997 Annual Meeting of Shareholders or until their successors are duly elected and qualified."

INTELLIGENT ELECTRONICS, INC.

RIDER TO BY-LAWS

July 4, 1990

Article VII of the By-Laws of the Corporation be and it is hereby amended by adding thereto sections 8.4, 8.5 and 8.6, as follows:

8.4 Standard of Care of Directors and Officers. Subsections (d) through (f) of Section 511 (related to standard of care and justifiable reliance) of Title 15 of the Pennsylvania Consolidated Statutes, as existing on the date of the adoption of this Section 8.4 or as may be thereafter amended, and subsections (e) through (g) of Section 1721 (related to directors and officers) of Title 15 of the Pennsylvania Consolidated Statutes, as existing on the date of the adoption of this Section 8.4 or as may be thereafter amended, shall not be applicable to the Corporation.

8.5 Control-share Acquisitions. Subchapter G "Control- share Acquisitions" of Title 15 of the Pennsylvania Consolidated Statutes, as existing on the date of adoption of this Section 8.5 or as may be thereafter amended, shall not be applicable to the Corporation.

8.6 Disgorgement by Certain Controlling Shareholders. Subchapter H—"Disgorgement by Certain Controlling Shareholders Following Attempts to Acquire Control" of Title 15 of the Pennsylvania Consolidated Statutes, as existing on the date of adoption of this Section 8.6 or as may be thereafter amended, shall not be applicable to the Corporation.

INTELLIGENT ELECTRONICS, INC.

RIDER TO BY-LAWS

December 21, 1989

Section 3.1 of the By-laws of the Corporation, as heretofore amended and restated, is hereby amended and restated in its entirety to read as follows:

"3.1 Number, Tenure and Classification. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The authorized number of directors shall in no case be fewer than three nor more than eleven. The exact number of directors shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the Board. The directors shall be classified, with respect to the duration of the term for which they severally hold office, into three classes as nearly equal in number as possible. Such classes shall originally consist of one class of two directors who shall be elected at the annual meeting of shareholders to be held in 1990 for a term expiring at the annual meeting of shareholders to be held in 1991; a second class of two directors who shall be elected at the annual meeting of shareholders to be held in 1990 for a term expiring at the annual meeting of shareholders to be held in 1992; and a third class of two directors who shall be elected at the annual meeting of shareholders to be held in 1990 for a term expiring at the annual meeting of shareholders to be held in 1993. The Board of Directors shall increase or decrease the number of directors in one or more classes as may be appropriate whenever it increases of decreases the number of directors pursuant to this Section 3.1, in order to ensure that the three classes shall be as nearly equal in number as possible. At each annual meeting of shareholders beginning in 1991, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

Section 3.10 of the By-laws of the Corporation is hereby amended and restated in its entirety to read as follows:

3.10 Vacancies. Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of Directors, shall be filled by a majority of the remaining members of the Board of Directors though less than a quorum, and each person so elected shall hold office for a term expiring (i) at the annual meeting of the shareholders at which the term of the class to which he has been elected expires, and until such director's successor shall have been duly elected and qualified or until his earlier death, resignation or removal or (ii) in the event such person has been elected prior to the annual meeting of shareholders to be held in 1990 and until such director's successor shall have been duly elected and qualified or until his earlier death, resignation or removal.

INTELLIGENT ELECTRONICS, INC.

RIDER TO BY-LAWS

July 2, 1987

The By-Laws are amended as follows:

I. Amend Section 2.2 to read in its entirety as follows:

"2.2 Special Meetings. Special meetings of the shareholders may be called at any time by the President, or by the Board of Directors, or by the shareholders entitled to cast at least one-tenth (1/10) of the votes which all shareholders are entitled to cast at the particular meeting. Upon written request of any person or persons who have duly called a special meeting, the Secretary shall fix the date of the meeting to be held not more than sixty (60) days after receipt of the request and give due notice thereof to the shareholders entitled to vote thereat. If the Secretary shall neglect or refuse to fix such date or give such notice, the person or persons calling the meeting may do so."

II. Amend Section 5.1(a) to read in its entirety as follows:

"5.1 Indemnification:

(a) The Corporation shall indemnify and hold harmless to the fullest extent permitted under the Pennsylvania Business Corporation Law, the Directors' Liability Act (the "DLA") and other applicable law, as such laws existed on the date this Section 5.1 was adopted by the Board of Directors ("Pennsylvania Law"), any person who was or is a party or was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation (collectively for

purposes of this Section 5.1 and Section 5.2 hereof, "Proceeding"), by reason of the fact that he is or was or has agreed to become a director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, or if a director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, and may indemnify and hold harmless to the fullest extent permitted under Pennsylvania Law any person who was or is a party or was or is threatened to be made a party to such a Proceeding by reason of the fact that he is or was or has agreed to become an employee or agent of the Corporation, or, if an employee or agent of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, liability and loss (including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature) incurred by him in connection with such Proceeding and any appeal therefrom; provided, that such indemnification shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a Court (as defined in subsection (j) below) in a final, binding adjudication to have constituted willful misconduct or recklessness."

III. Amend Section 5.1(e) to read in its entirety as follows:

"(e) The indemnification provided by this Section 5.1 may be granted whether or not the Corporation would have the power to indemnify such person under any provision of Pennsylvania Law other than the DLA."

IV. Amend Section 5.2(a) to read in its entirety as follows:

"Section 5.2 Limitation on Directors' Personal Liability:

(a) To the fullest extent permitted under the DLA, as it existed on the date this Section 5.2 was adopted, a director of this Corporation shall not be personally liable for monetary damages as a result of any action or failure to act unless both: (1) the director has breached or failed to perform the duties of his office under Section 8363 of the DLA; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness."

INTELLIGENT ELECTRONICS, INC.

RIDER TO BY-LAWS

MAY 13, 1987

The By-Laws are amended as follows:

I. Amend Section 3.1 to read in its entirety:

"31. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The authorized number of directors shall in no case be fewer than three nor more than eleven. The exact number of directors shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the Board."

II. Delete Article V and add a new Article V which reads in its entirety:

ARTICLE V

5.1 Indemnification:

"(a) The Corporation shall indemnify and hold harmless to the fullest extent permitted under the Pennsylvania Business Corporation Law, the Directors' Liability Act (the "DLA") and other applicable law, as such laws existed on the date this Section 5.1 was adopted by the Board of Directors or, except as provided in Section 5.1(f) hereof, as such laws may thereafter be amended ("Pennsylvania Law"), any person who was or is a party or was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation (collectively, for purposes of this Section 5.1 and Section 5.2 hereof, "Proceeding"), by reason of the fact that he is or was or has agreed to become a director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, or if a director or officer of the Corporation, is or was serving or has agreed to serve at the

request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, and may indemnify and hold harmless to the fullest extent permitted under Pennsylvania Law any person who was or is a party or was or is threatened to be made a party to such a Proceeding by reason of the fact that he is or was or has agreed to become an employee or agent of the Corporation, or, if an employee or agent of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, liability and loss (including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature) incurred by him in connection with such Proceeding and any appeal therefrom; provided, that such indemnification shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a Court (as defined in subsection (j) below) in a final, binding adjudication to have constituted willful misconduct or recklessness.

(b) The Corporation may indemnify and hold harmless to the fullest extent permitted under Pennsylvania Law any person who was or is a party or was or is threatened to be made a party to any Proceeding, by reason of any of his actions in a non-official capacity while serving as a director, officer, employee or agent of the Corporation, against expenses, liability and loss (including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature) incurred by him in connection with such Proceeding and any appeal therefrom; provided, that such indemnification shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court in a final, binding adjudication to have constituted willful misconduct or recklessness.

(c) The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere, or its equivalent, shall not, of itself, create a presumption that the person's conduct constituted willful misconduct or recklessness.

(d) Expenses incurred by a director or officer in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of the Proceeding, provided that, if Pennsylvania Law requires, the payment of such expenses shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as mandated in this Section 5.1 or otherwise. Expenses incurred by other employees and agents may be so paid to the extent provided by the Board of Directors, upon receipt of the foregoing undertaking by or on behalf of the employee or agent.

(e) The indemnification provided by this Section 5.1 shall be in addition to and not exclusive of any other rights to which those seeking indemnification may be entitled under Pennsylvania Law, or under any By-law, agreement executed by the Corporation, insurance policy, fund of any nature established by the Corporation, vote of shareholders or disinterested directors or otherwise. The indemnification so provided by this Section 5.1, or otherwise, may be granted whether or not the Corporation would have the power to indemnify such person under any provision of Pennsylvania Law other than the DLA.

(f) The indemnification provisions of this Section 5.1 shall constitute a contract between the Corporation and each of its directors, officers, employees and agents who are or may be entitled to indemnification hereunder and who serve in any such capacity at any time while such provisions are in effect. Any repeal or modification of the indemnification provisions of this Section 5.1 shall not limit any such person’s rights to indemnification (including the advancement of expenses) then existing or arising out of events, acts or omissions occurring prior to such repeal or modification, including, without limitation, the right to indemnification with respect to Proceedings commenced after such repeal or modification based in whole or in part upon any such event, act or omission.

(g) The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Section 5.1 or otherwise.

(h) The Corporation may purchase and maintain insurance to insure its indemnification obligations on behalf of any person who is or was or has agreed to become a director, officer, employee or

agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Section 5.1 or under any provisions of Pennsylvania Law other than the DLA.

(i) The indemnification provided by this Section 5.1 shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(j) If Section 5.1 or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director or officer, and may indemnify each employee or agent of the Corporation, as to expenses, liability and loss (including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature) incurred by him in connection with any Proceeding, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Section 5.1 that shall not have been invalidated and to the fullest extent permitted by applicable law.

(k) Notwithstanding the date of adoption of this Section 5.1, the provisions of this 5.1 shall apply to actions or inactions which occurred, or Proceedings filed, instituted or commenced, on or after January 27, 1987.

Section 5.2 Limitation on Directors' Personal Liability:

(a) To the fullest extent permitted under the DLA, as it existed on the date this Section 5.2 was adopted or, except as provided in subsection 5.2(e), as such law may thereafter be amended, a director of this Corporation shall not be personally liable for monetary damages as a result of any action or failure to act unless both: (1) the director has breached or failed to perform the duties of his office under Section 8363 of the DLA; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(b) The provisions of this Section 5.2 shall not apply to: (1) the responsibility or liability of a director pursuant to any criminal statute; or (2) the liability of a director for the payment of taxes pursuant to local, state or federal law.

(c) The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere, or its equivalent, shall not, of itself, create a presumption that the director breached or failed to perform the duties of his office under Section 8363 of the DLA and that the breach or failure to perform constituted self-dealing, willful misconduct or recklessness.

(d) Notwithstanding the date of adoption of this Section 5.2, the provisions of Section 5.2 shall apply to any actions filed or breaches of performance of duty or any failure of performance of duty by any director on or after January 27, 1987.

(e) No amendment to or repeal of this Section 5.2 or the relevant provisions of the DLA shall reduce the limitation on directors' personal liability for or with respect to any events, acts or omissions of such director occurring prior to such amendment or repeal, including, without limitation, the limitation on personal liability with respect to any Proceedings commenced after such repeal or modification based in whole or in part upon any such event, act or omission.

INTELLIGENT ELECTRONICS, INC.

BY-LAWS

ARTICLE I. Offices.

1.1 Principal Office. The principal office of the Corporation shall be located at 333 Gordon Drive, Lionville, Pennsylvania 19353. The Corporation may also have offices at such other places as the Board of Directors may from time to time appoint or as the business of the Corporation may require.

1.2 Registered Office. The registered office of the Corporation in the Commonwealth of Pennsylvania need not be identical with the said principal office, but may be changed from time to time as the Board of Directors may determine.

ARTICLE II. Shareholders.

2.1 Annual Meeting. The annual meeting of the shareholders shall be held at such date and at such time within any particular calendar year as the Board of Directors may determine. If the day fixed for the annual meeting shall be a legal holiday in the Commonwealth of Pennsylvania, such meeting shall be held on the next succeeding business day. If the annual meeting has not been held during a calendar year, any shareholder may call such meeting by following the procedure set forth in Section 2.2 hereof.

At the annual meeting, the shareholders shall elect Directors for the ensuing year and may transact such other business as may properly come before the meeting.

2.2 Special Meetings. Special meetings of the shareholders may be called at any time by the President, or by the Board of Directors, or by the shareholders entitled to cast at least one- fifth (1/5) of the votes which all shareholders are entitled to cast at the particular meeting. Upon written request of any person or persons who have duly called a special meeting, the Secretary shall fix the date of the meeting to be held not more than sixty (60) days after receipt of the request and give due notice thereof to the shareholders entitled to vote thereat. If the Secretary shall neglect or refuse to fix such date or give such notice, the person or persons calling the meeting may do so.

2.3 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Pennsylvania, as the place of meeting for any annual or special meeting of the stockholders. If no designation is made by the Board of Directors, the place of meeting shall be at the principal office of the Corporation in the State of Pennsylvania.

2.4 Notice of Meeting. Written notice shall, unless otherwise provided by statute, be given to stockholders entitled to vote at the meeting who are stockholders as of the record date as provided in Section 2.6 hereof, not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by sending a copy thereof through the mail, or by telegram, charges prepaid, to the address of the stockholder appearing on the books of the Corporation, or supplied by the stockholder to the Corporation for the purpose of notice. Such notice shall state the place, date and hour of the meeting. When required by these By-Laws or by statute, such notice shall also state the general nature of the business to be transacted.

2.5 Sufficiency of Notice. Any notice required hereunder shall be deemed to have been given to the person entitled thereto (a) if sent by mail, when deposited in the United States mail, postage prepaid, or (b) when lodged with a telegraph office for transmission with charges prepaid, or (c) when delivered personally.

Whenever notice is required to be given, a waiver thereof in writing signed by the person or persons entitled to such notice, whether signed before or after the time stated, shall be deemed equivalent to the giving of such notice. Attendance of a person at any meeting, either in person or by proxy, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express and stated purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

2.6 Record Date. The Board of Directors may fix in advance a date as the record date for the determination of stockholders entitled to notice of, or to vote at, any meeting of stockholders, or stockholders entitled to receive payment of any dividend or distribution, or in order to make a determination of stockholders for any other proper purpose, such date in any case to be not more than sixty (60) days and, in case of a meeting of stockholders, not less than ten (10) days, prior to the date for which such

determination of stockholders is necessary or proper. If no record date is fixed for the determination of stockholders entitled to receive notice of, or to vote at, a meeting of stockholders, or stockholders entitled to receive payment of a dividend or such other entitlement, the date on which notice of the meeting is mailed, or the date on which the resolution of the Board of Directors declaring such dividend or other entitlement is adopted, as the case may be, shall be the record date for such determination of stockholders.

2.7 Voting List. The officer or agent having charge of the transfer book for shares of the Corporation shall make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, with the address and the number of shares held by each. The list shall be kept on file at the principal office of the Corporation and shall be subject to inspection by any stockholder at any time during usual business hours, and shall also be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any stockholder during the whole time of the meeting. The stock ledger shall be used to determine who are the stockholders entitled to examine such list or stock ledger or to vote, in person, or by proxy, at any meeting of the stockholders.

2.8 Quorum. Except as otherwise required by law, the presence of stockholders, in person or by proxy, entitled to cast at least a majority of the votes which all Common Stockholders (plus such other stockholders who may from time to time be entitled to vote with the holders of Common Shares) are entitled to cast shall constitute a quorum. With respect to the consideration of any particular matter as to which the stockholders of any class or series shall be entitled to cast a vote separate from the vote of the Common Stockholders, the presence of stockholders, in person or by proxy, entitled to cast at least a majority of the votes which all such class or series of stockholders are entitled to cast on such particular matter shall constitute a quorum of such class or series of stockholders for the purpose of considering such matters. The stockholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine. When a meeting called for the election

of Directors has been once adjourned because a quorum had not attended, those stockholders entitled to vote in the election of Directors who attend the second of such adjourned meetings, although less than a quorum as fixed in these By-Laws or in the Articles of Incorporation or by statute, shall nevertheless constitute a quorum for the purpose of electing Directors.

2.9 Acts of Stockholders. Unless a greater or different vote shall be required as to a particular matter by the Articles of Incorporation or by these By-Laws or by applicable statute, an act authorized by the vote of the holders of a majority of those Common Shares (plus the holders of such other shares which may from time to time be entitled to vote with the holders of Common Shares) present in person or by proxy at a duly organized meeting shall be the act of the stockholders.

2.10 Adjournment. Adjournment or adjournments at any annual or special meeting may be taken as may be directed by a majority of votes cast by the stockholders present in person, or by proxy entitled to cast the votes which the Common Stockholders (plus such other stockholders who shall at the time be entitled to vote with the holders of Common Shares on the matters to be considered at the meeting) may cast. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which such adjournment is taken. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.11 Proxies. At all meetings of stockholders, a stockholder entitled to vote on a particular matter may vote in person or may authorize another person or persons to act for him by proxy. Every proxy shall be executed in writing by the stockholder, or by his duly authorized attorney in fact. Such proxies shall be filed with the Secretary of the Corporation before or at the time of the meeting. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of the proxy shall not be effective until notice thereof has been given to the Secretary of the Corporation. The Secretary may treat any proxy delivered to him as valid, unless before the vote is counted or the authority is exercised, written notice of any invalidity, together with such supporting information as shall enable a judgment to be rendered, is given to the Secretary.

2.12 Voting Rights. Unless otherwise provided in the Articles of Incorporation or in a duly filed statement establishing the rights of classes or series, only the holders of Common Stock shall be entitled to vote at a meeting of the stockholders, and every stockholder having the right to vote shall be entitled to one vote for every share of Common Stock standing in his name on the books of the Corporation.

2.13 Nomination of Directors. Nominations for election to the office of Director at an annual or special meeting of stockholders shall be made by the Board of Directors, or by the Executive Committee, or by petition in writing delivered to the Secretary of the Corporation not fewer than thirty-five (35) days prior to such stockholders' meeting, signed by the holders of at least one percent (1%) of the stockholders' shares entitled to be voted in the election of Directors. Unless nominations shall have been made as aforesaid, they shall not be considered at such stockholders' meeting unless the number of persons nominated as aforesaid shall be fewer than the number of persons to be elected to the office of Director at such meeting, in which events nominations may be made at the stockholders' meeting by any person entitled to vote in the election of Directors.

2.14 Election by Ballot. The election of Directors shall be by ballot upon demand before the voting begins by a stockholder entitled to vote at such election. Unless so demanded, voting need not be by ballot.

2.15 Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election, who need not be stockholders, to act at such meeting or any adjournment thereof. The number of Inspectors shall be one or three. The Inspectors of Election shall determine the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum, the authenticity, validity and effect of proxies; hear and determine all challenges and questions arising in connection with the right to vote; receive, count and tabulate all votes or ballots, and determine the result; and do such other acts as may be necessary and proper to conduct the election or vote with fairness to all stockholders. On request of the Chairman of the Meeting, or of any stockholder or his proxy, the Inspectors shall make a report in writing of any challenge of question or matter determined by them, and execute a certificate of any fact found by them. If there be three Inspectors of Election, the decision, act or certificate of

a majority shall be effective in all respects as the decision and/or certificate of all. Any report or certificate made by the Inspectors of Election shall be prima facie evidence of the facts stated therein.

2.16 Consent of Shareholders in Lieu of Meeting. Any action which may be taken at any annual or special meeting of the stockholders or of a class of stockholders may be taken without a meeting, if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the shareholders who would be entitled to vote at a meeting for such purpose and shall be filed with the Secretary of the Corporation.

ARTICLE III. Board of Directors.

3.1 Number, Tenure and Qualifications. The business and affairs of the Corporation shall be managed by its Board of Directors, such Board being constituted of such number of directors as may be determined from time to time by the stockholders and who shall be natural persons of full age and who need not be stockholders in the Corporation.

3.2 Powers and Authorization. In addition to the powers and authority by these By-Laws expressly conferred, the Board of Directors may exercise all the powers of the Corporation and do all lawful acts not by statute or by the Articles or by these By-Laws directed or required to be exercised or done only by the stockholders. The Board shall have the power to delegate any of the powers exercised or exercisable by the Board to any standing or special committee, or to any Officer or Agent, or to appoint any person to be the Agent of the Corporation, with such powers, including the power to subdelegate, and upon such terms as the Board shall deem appropriate.

3.3 Meetings. Meetings of the Board of Directors shall be held at such times and places, either within or without the State of Pennsylvania, as may be fixed by resolution of the Board, or by the President.

3.4 Notice. Notice of a meeting of Directors or of any Committee of the Board of Directors shall be delivered at least one day prior to such meeting by oral, telegraphic or written notice. If mailed, such notice shall be deemed to be delivered on the second day following the day deposited in the United States mail, addressed to the Director at his business address, with postage

thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered on the day the telegram is delivered prepaid to the telegraph company, addressed to the Director at his business office. Notice of a meeting need only state the place, day and hour of the said meeting.

A Director may waive notice of any meeting in a writing signed either before or after the time stated. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

3.5 Quorum. A majority of the Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Directors shall be deemed present at a meeting of the Board of Directors if by means of conference telephone or similar communications equipment all persons participating in the meeting can hear each other.

The act of the majority of the Directors voting at a meeting at which a quorum is present shall be the act of the Board of Directors.

3.6 Unanimous Consent. Any action which may be taken at the meeting of the Directors, or by action of the members of the Executive Committee or by the members of any other Committee appointed by the Board, may be taken without a meeting, if a consent or consents in writing setting forth the action so taken shall be signed by all of the Directors or the members of the Committee, as the case may be, and filed with the Secretary of the Corporation.

3.7 Compensation. Directors as such need not receive any compensation for their services. By resolution of the Board, a stated salary may be fixed for the Directors, or a fixed sum for, and expenses of, attendance may be allowed for attendance at each regular or special meeting of the Board. Nothing herein contained shall be construed to preclude any Director from serving the Corporation as a member of a Committee or an officer or in any other capacity and receiving compensation therefor.

3.8 Committees of the Board. The Board may, by resolution adopted by a majority of the whole Board, delegate two or more of its number to constitute an Executive Committee, which, unless otherwise provided in such resolution, shall have and exercise the authority of the Board of Directors in the management of the business and affairs of the Corporation. The Board may by resolution adopted by a majority of the whole Board delegate two or more of its members to act as a committee to exercise all power and authority which the Board might exercise in matters as to which the Committee is authorized to act.

The presence in person or as hereafter provided of one- half (1/2) of the members of the Executive Committee or any other Committee shall constitute a quorum for the transaction of business at any meeting of such Committee, and the act of a majority of those members of such Committee voting at a meeting at which a quorum is present shall be the act of the Committee. Members of the Executive Committee or any other Committee shall be deemed as being present at a meeting of such Committee if by means of conference telephone or similar communications equipment all persons participating in the meeting can hear each other. In the absence or disqualification of any member of such Committee or Committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

3.9 Removal of Directors. Any individual Director may be removed from office without assigning any cause by the vote of stockholders entitled to cast at least a majority of the votes which all stockholders would be entitled to cast at any annual election of Directors, but such removal shall not occur if the votes of a sufficient number of shares are cast against the resolution for his removal which, if cumulatively voted at an annual meeting of stockholders, would be sufficient to elect one or more Directors.

The entire Board of Directors may be removed from office without assigning any cause by the vote of stockholders entitled to cast at least a majority of the votes stockholders would be entitled to cast at any annual election of Directors.

The Board of Directors may declare vacant the office of a Director if he be declared of unsound mind by an Order of Court,

or convicted of a felony or other crime, or for any other proper cause.

3.10 Vacancies. Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of Directors, shall be filled by a majority vote of the remaining members of the Board though less than a quorum. A Director elected to fill a vacancy shall be a Director until a successor is elected by the stockholders, who may make such election at the next annual meeting of the stockholders or any special meeting duly called for that purpose and held prior thereto.

ARTICLE IV. Officers.

4.1 Executive Officers. The Executive Officers of the Corporation shall be chosen by the Directors and shall be a President, Secretary, and Treasurer. The Board of Directors may also choose a Chairman of the Board, one or more Vice Presidents and such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall have such authority and shall perform such duties as from time to time shall be prescribed by the Board.

4.2 Qualifications. Any number of offices may be held by the same person. The President and Secretary shall be natural persons of full age. The Treasurer, if a natural person, shall be of full age. It shall not be necessary for the officers to be Directors.

4.3 Salaries. The salaries of the President, any Chairman of the Board and Vice President, the Secretary and the Treasurer of the Corporation shall be fixed by the Board of Directors.

4.4 Term of Office; Removal. The officers of the Corporation shall hold office for one year and until their successors are chosen and qualify.

Notwithstanding the foregoing, every officer and agent may be removed at any time by the Board of Directors, without assigning any cause therefor.

4.5 Duties of the President. The President shall be the Chief Executive Officer of the Corporation; he shall preside at all meetings of the stockholders; if there is no Chairman of the Board, or in his absence, the President shall preside at all meetings of the Board of Directors; he shall have general and active management

of the business of the Corporation, and shall see that all orders and resolutions of the Board are carried into effect, subject, however, to the right of the Directors to delegate any specific powers, except such as may be by statute exclusively conferred on the President, to any other officer or officers of the Corporation. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation. He shall be ex-officio a member of all Committees, and shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation. He shall have the power to appoint and discharge, subject to the approval of the Directors, employees and agents of the Corporation and fix their compensation, make and sign contracts and agreements in the name and behalf of the Corporation and while the Directors and Executive Committee are not in session, he shall have general management and control of the business and affairs of the Corporation; he shall see that the books, reports, statements and certificates required by the statute under which the Corporation is organized or any other laws applicable thereto are properly kept, made, and filed according to law; he shall generally do and perform all acts incident to the office of President of a corporation, or which are authorized or required by law.

4.6 Duties of Secretary. The Secretary shall attend all sessions of the Board and all meetings of the Stockholders and act as clerk thereof, and record all the votes of the Corporation and the minutes of all its transactions in a book to be kept for that purpose; and shall perform like duties for all Committees of the Board of Directors when required. He shall give, or cause to be given, notice of all meetings of the stockholders and the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, and under whose supervision he shall be. He shall keep in safe custody the corporate seal of the Corporation, and when authorized by the Board or President affix the same to any instrument requiring it.

4.7 Duties of the Treasurer. The Treasurer shall have the custody of all funds, securities, evidences of indebtedness and other valuable documents of the Corporation; he shall receive and give or cause to be given receipts and acquittances for money paid in on account of the Corporation and shall pay out of the funds on hand all just debts of the Corporation of whatever nature upon maturity of the same; he shall enter or cause to be entered in the books of the Corporation to be kept for that purpose full and accurate accounts of all monies received and paid out on account of

the Corporation and, whenever required by the President or the Directors, he shall render to the President and Board of Directors, at the regular meetings of the Board, or whenever they may require it, a statement of his cash accounts and an account of all his transactions as Treasurer and of the financial condition of the Corporation; he shall keep or cause to be kept such other books as will show a true record of the expenses, losses, gains, assets and liabilities of the Corporation; he shall, unless otherwise determined by the Directors, have charge of the original stock books, transfer books and stock ledgers and act as transfer agent in respect to the stock securities of the Corporation: and he shall perform all the other duties incident to the office of Treasurer of a corporation. He shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board shall prescribe.

4.8 Vacancies. If the office of any officer or agent, one or more, becomes vacant for any reason, the Board of Directors may choose a successor or successors, who shall hold office at the pleasure of the Board.

ARTICLE V. Indemnifications of Directors and Officers

5.1 Definitions. Certain terms used in this Article V shall be defined as follows or, where so indicated, shall include the following meanings in addition to their normal and their statutory meanings.

(a) “Authorized Representative” shall mean a director or officer, employee or agent of the Corporation, acting solely in such capacity, or a person serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, committee or other enterprise 50% or more of whose voting stock or equitable interest shall be owned by this Corporation.

(b) “Criminal Third Party Proceedings” shall include any Third Party Proceedings involving potential criminal liability.

(c) “Derivative Action” shall mean any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in favor of the Corporation and/or its shareholders.

(d) “Disinterested Directors” shall include directors of the Corporation who are not parties or have no economic or other collateral personal benefit relating to a Third Party Proceeding or Derivative Action.

(e) “Party” shall include any person who is required to give testimony or becomes similarly involved, whether or not named in the action as a party thereto.

(f) “Third Party Proceeding” shall mean any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, quasi-administrative or investigative, other than an action by or in the right of the Corporation.

5.2 Directors and Officers — Third Party Proceedings. The Corporation shall indemnify any director and any officer of the Corporation who was or is a party or is threatened to be made a party to any Third Party Proceeding by reason of the fact that he or she was or is an Authorized Representative of the Corporation against his or her expenses and liabilities (including attorneys’ fees), actually and reasonably incurred by him or her in connection with the Third Party Proceeding if he or she acted in good faith and in a manner reasonably believed by him or her to be in, or not opposed to, the best interests of the Corporation and, with respect to any Criminal Third Party Proceeding, had no reasonable cause to believe his or her conduct was unlawful or in violation of applicable rules. The termination of any Third Party Proceeding by judgment, order, settlement, consent, filing of a criminal complaint or information, indictment, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation or, with respect to any Criminal Third Party Proceeding, had reasonable cause to believe that his or her conduct was unlawful.

5.3 Directors and Officers — Derivative Actions. The Corporation shall indemnify any director or officer of the Corporation who was or is a party or is threatened to be made a party to any Derivative Action by reason of the fact that the director or officer was or is an Authorized Representative of the Corporation, against his or her expenses (including attorneys’ fees) actually and reasonably incurred by the director or officer in the action if he or she acted in good faith and in a manner reasonably believed by him or her to be in, or not opposed to, the

best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court of common pleas, or other similarly constituted state court, located in the county where the registered office of the Corporation is located or the court in which such Derivative Action is or was pending, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper.

5.4 Authorized Representatives Not Directors or Officers. An Authorized Representative of the Corporation other than a director or officer of the Corporation may be indemnified by the Corporation or have his or her expenses advanced in accordance with the procedures set forth in paragraphs 5.2, 5.3, 5.5, 5.6 and 5.7 of this Article. To the extent that an Authorized Representative of the Corporation has been successful on the merits or otherwise in defense of any Third Party Proceeding or Derivative Action or in defense of any claim, issue or matter therein, the Authorized Representative shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

5.5 Procedure for Effecting Indemnification. Indemnification under paragraphs 5.2, 5.3 or 5.4 of this Article (unless ordered by a court, in which case the expenses, including attorneys' fees of the Authorized Representative in enforcing indemnification shall be added to and included in the final judgment against the Corporation) shall be made by the Corporation only as authorized in the specific case upon a determination that the indemnification of the Authorized Representative is required or proper in the circumstances because he or she has met the applicable standard of conduct set forth in paragraphs 5.2 or 5.3 of this Article or has been successful on the merits or as otherwise set forth in paragraph 5.4 of this Article and that the amount requested has been actually and reasonably incurred. Such determination shall be made:

(a) By the Board of Directors or a committee thereof, acting by a majority vote of a quorum consisting of Disinterested Directors; or

(b) If a quorum is not obtainable or, even if obtainable, a majority vote of a quorum of Disinterested Directors so directs, by independent legal counsel in a written opinion.

5.6 Independent Legal Counsel. Independent legal counsel may be appointed by the Board of Directors, even if a quorum of Disinterested Directors is not available, or by persons designated by the Board of Directors. Independent legal counsel shall not include any employee of the Corporation or any person who has been or is a member or employee of any firm which has rendered services for a fee to the Corporation during the one year immediately preceding the appointment. If independent legal counsel shall determine in a written opinion that indemnification is proper under this Article, indemnification shall be made without further action of the Board of Directors.

5.7 Advancing Expenses. Expenses incurred in defending a Third Party Proceeding or Derivative Action shall be paid on behalf of a director or officer, and may be paid on behalf of any Authorized Representative, by the Corporation in advance of the final disposition of the action as authorized in the manner provided by paragraph 5.5 of this Article (except that the person(s) making the determination thereunder need not make a determination on whether the applicable standard of conduct has been met unless a judicial determination has been made with respect thereto, or the person seeking indemnification has conceded that he or she has not met such standard) upon receipt of an undertaking by or on behalf of the Authorized Representative to repay the amount to be advanced unless it shall ultimately be determined that the Authorized Representative is entitled to be indemnified by the Corporation as required in this Article or authorized by law. The financial ability of any Authorized Representative to make repayment shall not be a prerequisite to the making of an advance.

5.8 Conditions. The Corporation may impose reasonable restrictions upon any persons seeking indemnification (including advanced expenses) under this Article including, but not limited to, a condition to the effect that, except to the extent differing interests compel another result, persons to be indemnified under this paragraph may be required to share the same counsel and other services.

5.9 Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was an Authorized Representative against any expenses and

liabilities asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such expenses and liabilities under the provisions of this Article.

5.10 Scope of Article. Each person who shall act as an Authorized Representative of the Corporation shall be deemed to be doing so in reliance upon the rights of indemnification provided in this Article.

The indemnification provided by this Article shall not be deemed exclusive of any other right to which a person seeking indemnification may be entitled under any statute, agreement, vote of Disinterested Directors, or otherwise, regardless of whether the event giving rise to indemnification occurred before or after the effectiveness thereof, both as to action taken in the official capacity of such person and as to action in another capacity while holding his or her office or position, and shall continue as to a person who has ceased to be an Authorized Representative of the Corporation and shall inure to the benefit of his or her heirs and personal representatives.

ARTICLE VI. Corporate Records and Statement.

6.1 Records. There shall be kept at the principal office of the Corporation an original or duplicate record of the proceedings of the stockholders and of the Directors, and the original or copy of its By-Laws, including all amendments or alterations thereto to date. An original or duplicate share register shall also be kept at the principal office and at the office of its transfer agent or registrar, giving the names of the stockholders, their respective addresses, and the number and classes of shares held by each. The Corporation shall also keep appropriate, complete and accurate books or records of account, which may be kept at its registered office, or at its principal place of business.

6.2 Annual Statement. The President and Board of Directors shall present at each annual meeting of stockholders such statement of the business and affairs of the Corporation for the preceding year as they shall deem appropriate. No financial or other statement of the Corporation need be sent to stockholders unless the Board of Directors shall so determine. Such statements shall be prepared and presented in whatever manner the Board of Directors

shall deem advisable and need not be verified by a Certified Public Accountant.

ARTICLE VII. Share Certificates, Transfer of Stock, Etc.

7.1 Issuance. The Board of Directors shall have the power, by Resolution duly adopted, to issue from time to time, in whole or in part, the kinds or classes of shares authorized in the Articles of Incorporation.

Share certificates shall bear the signature of the President and Secretary and the corporate seal, which may be a facsimile, engraved or printed. Where such certificate is signed by a transfer agent or a registrar, the signature of the President or Secretary upon such certificate may be a facsimile, engraved or printed.

7.2 Transfers of Shares. Transfers of shares shall be made on the books of the Corporation upon surrender of the certificates therefor, endorsed by the person named in the certificate or by attorney, lawfully constituted in writing. No transfer need be made inconsistent with the provisions of the Uniform Commercial Code or other applicable Federal, State or local law.

No transfer or assignment shall affect the right of the Corporation to pay any dividend due upon the stock, or to treat the registered holder as the holder in fact, until such transfer assignment is registered on the books of the Corporation.

7.3 Absolute Owner. The Corporation shall be entitled to treat the registered holder of any shares as the absolute owner thereof, and, accordingly, shall not be bound to recognize any equitable or other person, whether or not it shall have express or other notice thereof.

7.4 Lost, Destroyed or Mutilated Certificates. In the event that a share certificate shall be lost, destroyed or mutilated, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

ARTICLE VIII. Miscellaneous Provisions.

8.1 Signatures on Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers as the Board of Directors may from time to time designate.

8.2 Securities of Other Corporations. The President, or the Secretary, shall have full power to vote, appoint proxies, or otherwise perform any act as a shareholder with respect to any shares or other securities of any corporation owned by this Corporation, including the power to sell, convert, exchange, pledge or encumber such securities.

8.3 Fiscal Year. The fiscal year shall be as determined by resolution of the Board of Directors.

ARTICLE IX. Amendments.

9.1 These By-Laws may be altered, amended or repealed by a majority of the members of the Board of Directors, or by the holders of a majority of Common Shares (plus the holders of such other shares as may then be entitled to vote with the holders of Common Shares) present in person or by proxy at any regular or special meeting duly convened.

9.2 Record of Amendments.

Section Amended	Manner in Which Amendment Effected	Date of Amendment
3.1 (see attached rider)	Vote of Shareholders	5/13/87
Article V (see attached rider)	Vote of Shareholders	5/13/87

Exhibit 5.1

[Letterhead of Skadden, Arps, Slate, Meagher & Flom LLP]

July 24, 2003

Xerox Corporation
800 Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06904-1600

Re: Xerox Corporation Registration Statement on Form S-4

Ladies and Gentlemen:

We have acted as special counsel to Xerox Corporation, a New York corporation (the "Company"), in connection with the public offering by the Company of $600,000,000 aggregate principal amount of the Company's 9 ¾% Senior Notes due 2009 (the "Dollar Exchange Notes") and €225,000,000 aggregate principal amount of the Company's 9 ¾% Senior Notes due 2009 (the "Euro Exchange Notes" and, together with the Dollar Exchange Notes, the "Exchange Notes"), which are unconditionally guaranteed on a senior basis (the "Guarantee") by Xerox International Joint Marketing, Inc., a Delaware corporation (the "Delaware Guarantor"), and Intelligent Electronics, Inc., a Pennsylvania corporation (the "Pennsylvania Guarantor" and together with the Delaware Guarantor, the "Guarantors"), each of which is a wholly-owned subsidiary of the Company.

The Dollar Exchange Notes are to be issued pursuant to an exchange offer (the "Exchange Offer") in exchange for like principal amounts of the Company's issued and outstanding $600,000,000 aggregate principal amount of 9 ¾% Senior Notes due 2009 (the "Original Dollar Notes") under the Indenture, dated as of January 17, 2002, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (the "Dollar Notes Trustee"), as supplemented by the First Supplemental Indenture, dated as of June 21, 2002, among the Company, the guarantors named therein and the Dollar Notes Trustee, the Second Supplemental Indenture, dated as of July 30, 2002, among the Company, the guarantors named therein and the Dollar Notes Trustee and the Third Supplemental Indenture, dated as of June 25, 2003, among the Company, the guarantors named therein and the Dollar Notes Trustee (as so supplemented, the "Dollar Indenture"), as contemplated by the Registration Rights Agreement, dated as of January 17, 2002 (the "Dollar Registration Rights Agreement"), by and among the Company and the initial purchasers named therein.

The Euro Exchange Notes are to be issued pursuant to the Exchange Offer in exchange for like principal amounts of the Company's issued and outstanding €225,000,000 aggregate principal amount of 9 ¾% Senior Notes due 2009 (the "Original Euro Notes" and, together with the Original Dollar Notes, the "Original Notes") under the Indenture, dated as of January 17, 2002, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (the "Euro Notes Trustee" and, together with the Dollar Notes Trustee, the "Trustees"), as supplemented by the First Supplemental Indenture, dated as of June 21, 2002, among the Company, the guarantors named therein and the Euro Notes Trustee, the Second Supplemental Indenture, dated as of July 30, 2002, among the Company, the guarantors named therein and the Euro Notes Trustee and the Third Supplemental Indenture, dated as of June 25, 2003, among the Company, the guarantors named therein and the Euro Notes Trustee (as so supplemented, the "Euro Indenture" and, together with the Dollar Indenture, the "Indentures"), as contemplated by the Registration Rights Agreement, dated as of January 17, 2002 (the "Euro Registration Rights Agreement" and, together with the Dollar Registration Rights Agreement, the "Registration Rights Agreements"), by and among the Company and the initial purchasers named therein.

This opinion is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Act").

In rendering the opinions set forth herein, we have examined and relied on originals or copies of the following:

(i) the Registration Statement on Form S-4 (File No. 333-86456) as filed with the Securities and Exchange Commission (the "Commission") under the Act on April 17, 2002, and Amendment No. 1 thereto as filed with the Commission on July 24, 2003 (as so amended, the "Registration Statement");

(ii) an executed copy of the Dollar Registration Rights Agreement;

(iii) an executed copy of the Euro Registration Rights Agreement;

(iv) an executed copy of the Dollar Indenture;

(v) an executed copy of the Euro Indenture;

(vi) the Restated Certificate of Incorporation of the Company, as amended and certified by the Secretary of State of the State of New York as being currently in effect;

(vii) the Certificate of Incorporation of the Delaware Guarantor, as certified by the Secretary of State of the State of Delaware as being currently in effect;

(viii) the Amended and Restated By-Laws of the Company, certified by the Secretary of the Company as currently in effect;

(ix) the By-laws of the Delaware Guarantor, certified by the Delaware Guarantor as currently in effect;

(x) certain resolutions adopted by the Board of Directors of the Company relating to, among other things, the Registration Rights Agreements, the Exchange Offer, the issuance of the Original Notes and the Exchange Notes, the Indentures and related matters;

(xi) certain resolutions of the Board of Directors of the Delaware Guarantor relating to, among other things, the Exchange Offer, the issuance of the Guarantee by the Delaware Guarantor and related matters;

(xii) the Statements of Eligibility and Qualification under the Trust Indenture Act of 1939, as amended, on Form T-1, of the Trustees filed as exhibits to the Registration Statement;

(xiii) the forms of the Exchange Notes.

We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and the Delaware Guarantor, and such agreements, certificates and receipts of public officials, certificates of officers or other representatives of the Company, the Delaware Guarantor and others, and such other documents as we have deemed necessary or appropriate as a basis for the opinions set forth below.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies, and the authenticity of the originals of such documents. In making our examination of executed documents or documents to be executed, and for the purposes of this opinion, we have assumed that the parties thereto, other than the Company and the Delaware Guarantor, had or will have the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and the execution and delivery by such parties of such documents and the validity and binding effect thereof on such parties. As to any facts material to the opinions expressed herein that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and of public officials and others. We have also assumed that the Pennsylvania Guarantor has been duly incorporated and is remains subsisting under the laws of the Commonwealth of Pennsylvania, and has complied with all aspects of applicable laws of jurisdictions other than the United States of America and the State of New York in connection with the transactions contemplated by the Exchange Offer.

Our opinions set forth herein are limited to Delaware corporate law and the laws of the State of New York that are normally applicable to transactions of the type contemplated by the Exchange Offer and to the extent that judicial or regulatory orders or decrees or consents, approvals, licenses, authorizations, validations, filings, recordings or registrations with governmental authorities are relevant, to those required under such laws (all of the foregoing being referred to as “Opined on Law”). We do not express any opinion with respect to the law of any jurisdiction other than Opined on Law or as to the effect of any such non-opined on law on the opinions herein stated. The opinions expressed herein are based on laws in effect on the date hereof, which laws are subject to change with possible retroactive effect.

The opinions set forth below are subject to the following qualifications, further assumptions and limitations:

(a) the validity or enforcement of any agreements or instruments may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law);

(b) we do not express any opinion as to the applicability or effect of any fraudulent transfer, preference or similar law on each of the Indentures or the Guarantee or any transaction contemplated thereby; and

(c) to the extent any opinion relates to the enforceability of the choice of New York law and choice of New York forum provisions of the Transaction Documents, it is rendered in reliance upon N.Y. Gen. Oblig. Law §§ 5-1401, 5-1402 (McKinney 2001) and N.Y. C.P.L.R. 327(b) (McKinney 2001) and is subject to the qualifications that such enforceability (i) may be limited by public policy considerations of any jurisdiction, other than the courts of the State of New York, in which enforcement of such provisions, or of a judgment upon an agreement containing such provisions, is sought and (ii) does not apply to the extent provided to the contrary in subsection two of Section 1-105 of the New York Uniform Commercial Code.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that:

1. When (i) the Registration Statement becomes effective under the Act and (ii) the Exchange Notes (in the forms examined by us) have been duly executed and authenticated in accordance with the terms of the respective Indenture and have been delivered upon consummation of the Exchange Offer against receipt of Original Notes surrendered in exchange therefor in accordance with the terms of the Exchange Offer, the Exchange Notes will constitute valid and binding obligations of the Company, entitled to the benefits of the respective Indenture, and enforceable against the Company in accordance with their terms.

2. The Guarantee has been duly authorized by the Delaware Guarantor, and assuming that the Guarantee has been duly authorized, executed and delivered by the Pennsylvania Guarantor under the laws of the Commonwealth of Pennsylvania, when (i) the Registration Statement becomes effective under the Act and (ii) the Exchange Notes (in the forms examined by us) have been duly executed and authenticated in accordance with the terms of the respective Indenture and have been delivered upon consummation of the Exchange Offer against receipt of Original Notes surrendered in exchange therefor in accordance with the terms of the Exchange Offer, each Guarantee will constitute the valid and binding obligation of the applicable Guarantor, and will be entitled to the benefits of the respective Indenture and enforceable against such Guarantor in accordance with its terms.

In rendering the opinions set forth above, we have assumed that the execution and delivery by the Company and the Guarantors of the Indentures, the Exchange Notes and the Guarantee, as applicable, and the performance by the Company and the Guarantors of their respective obligations thereunder do not and will not violate, conflict with or constitute a default

under any agreement or instrument to which the Company, the Guarantors or their respective properties is subject, except we do not make such assumption with respect to those agreements and instruments that have been identified to us by the Company as being material to it and the Guarantors and that have been filed as exhibits to the Registration Statement.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the caption “Legal Matters” in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Skadden, Arps, Slate, Meagher & Flom LLP

Exhibit 5.2

[LETTERHEAD OF BLANK ROME LLP]

July 24, 2003

Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904

Re: **Xerox Corporation Registration Statement on Form S-4**

Ladies and Gentlemen:

We have acted as special Pennsylvania counsel to Xerox Corporation, a New York corporation ("Company"), with respect to its wholly owned subsidiary Intelligent Electronics, Inc., a Pennsylvania corporation ("IEI"), in connection with the public offering by the Company of $600,000,000 aggregate principal amount of the Company's 9 ¾% Senior Notes due 2009 (the "Dollar Exchange Notes") and €225,000,000 aggregate principal amount of the Company's 9 ¾% Senior Notes due 2009 (the "Euro Exchange Notes" and, together with the Dollar Exchange Notes, the "Exchange Notes"), which are unconditionally guaranteed on a senior basis by Xerox International Joint Marketing, Inc., a Delaware corporation (the "Delaware Guarantor") and IEI (IEI together with the Delaware Guarantor, the "Guarantors"), each of which is a wholly-owned subsidiary of the Company.

The Dollar Exchange Notes are to be issued pursuant to an exchange offer (the "Exchange Offer") in exchange for like principal amounts of the Company's issued and outstanding $600,000,000 aggregate principal amount of 9 ¾% Senior Notes due 2009 (the "Original Dollar Notes") under an Indenture, dated as of January 17, 2002, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (the "Dollar Notes Trustee"), as supplemented by the First Supplemental Indenture, dated as of June 21, 2002, among the Company, the guarantors named therein and the Dollar Notes Trustee (the "First Supplemental Dollar Indenture"), the Second Supplemental Indenture, dated as of July 30, 2002, among the Company, the guarantors named therein and the Dollar Notes Trustee (the "Second Supplemental Dollar Indenture"), and the Third Supplemental Indenture, dated as of June 25, 2003, among the Company, the guarantors named therein and the Dollar Notes Trustee (the "Third Supplemental Dollar Indenture" and, collectively with the First Supplemental Dollar Indenture and the Second Supplemental Dollar Indenture, and as supplemented, the "Dollar Indenture"), as contemplated by the Registration Rights Agreement, dated as of January 17, 2002 (the "Dollar Registration Rights Agreement"), by and among the Company and the initial purchasers named therein.

The Euro Exchange Notes are to be issued pursuant to the Exchange Offer in exchange for like principal amounts of the Company's issued and outstanding €225,000,000 aggregate

principal amount of 9 ¾% Senior Notes due 2009 (the "Original Euro Notes" and, together with the Original Dollar Notes, the "Original Notes") under an Indenture, dated as of January 17, 2002, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (the "Euro Notes Trustee" and, together with the Dollar Notes Trustee, the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of June 21, 2002, among the Company, the guarantors named therein and the Euro Notes Trustee (the "First Supplemental Euro Indenture", and together with the First Supplemental Dollar Indenture, the "First Supplemental Indentures"), the Second Supplemental Indenture, dated as of July 30, 2002, among the Company, the guarantors named therein and the Euro Notes Trustee (the "Second Supplemental Euro Indenture" and together with Second Supplemental Dollar Indenture, the "Second Supplemental Indentures") and the Third Supplemental Indenture, dated as of June 25, 2003, among the Company, the guarantors named therein and the Euro Notes Trustee (the "Third Supplemental Euro Indenture" and, together with the Third Supplemental Dollar Indenture, the "Third Supplemental Indentures" and, collectively with the First Supplemental Euro Indenture and the Second Supplemental Euro Indenture, and as supplemented, the "Euro Indenture" and, together with the Dollar Indenture, the "Indentures"), as contemplated by the Registration Rights Agreement, dated as of January 17, 2002 (the "Euro Registration Rights Agreement" and, together with the Dollar Registration Rights Agreement, the "Registration Rights Agreements"), by and among the Company and the initial purchasers named therein. Section 2 of each Third Supplemental Indenture provides for the guarantee by IEI of obligations of the Company under the Indentures and the Exchange Notes as set forth therein (the "IEI Guaranty").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Act").

Although as special counsel to the Company, we have advised it in connection with certain matters referred to us by it, our services to the Company are limited to specific matters so referred. Consequently, we do not have knowledge of other transactions or matters in which the Company is engaged or its day-to-day business or other activities.

In rendering the opinion set forth herein, we have examined and relied on originals or copies of the documents listed in Exhibit A attached hereto (the "Transaction Documents") and such other instruments, documents and certificates, including certificates of public officials and officers of IEI, as we have deemed necessary or appropriate. In rendering the opinion expressed below, we have assumed that: (a) all the Transaction Documents and other documents referred to in this opinion letter have been or will be duly executed, delivered and authenticated by (except to the extent set forth below as to IEI) and constitute legal, valid, binding and enforceable obligations of all of the parties to such documents, (b) all of the signatories to such documents (except to the extent set forth below as to IEI) have been or will be duly authorized, and (c) all the parties to such documents (except to the extent set forth below as to IEI) have been duly organized and are validly existing and have the power and authority (corporate and otherwise) to execute and perform such documents.

In addition, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to

original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies, and the authenticity of the originals of such copies. We have not made any independent investigation in providing this opinion letter other than the document examination described above.

Based upon and subject to the assumptions, limitations and qualifications heretofore and hereafter set forth in this opinion letter, in our opinion, the IEI Guaranty has been duly authorized, executed and delivered by IEI under the laws of the Commonwealth of Pennsylvania ("Commonwealth").

In addition to the assumptions, limitations and qualifications set forth above, the opinion set forth above is also subject to the following additional assumptions, limitations and qualifications:

A. The rights of the parties to the Transaction Documents may be subject to the requirement that such parties act in good faith and in a commercially reasonable manner.

B. The subsistence of IEI in the Commonwealth is based solely on the Certificate of the Commonwealth of Pennsylvania Department of State dated as of July 2, 2003. On July 24, 2003, we also contacted by telephone the Corporation Bureau of the Commonwealth of Pennsylvania Department of State which then confirmed that IEI is duly incorporated under the laws of the Commonwealth and remains subsisting.

C. The form and terms of the Exchange Notes will be identical to the form and terms of the Exchange Notes set forth in the Indentures, except that the Exchange Notes will be registered under the Act.

D. We express no opinion as to whether IEI is in compliance with any federal, state or local law, rule or regulation.

The opinion expressed herein is limited to the laws of the Commonwealth, and we express no opinion as to the applicability or the effect of the laws of any jurisdiction other than the laws of the Commonwealth. Notwithstanding the foregoing, no opinion is expressed with regard to, or as to the effect on the opinion expressed herein of, any law, rule or regulation of the Commonwealth relating to (a) pollution or protection of the environment, (b) labor, employee rights and benefits, or occupational safety and health, or (c) (1) antitrust matters, (2) tax matters, (3) anti-fraud matters or (4) securities regulation.

The opinion expressed herein is based on laws in effect on the date hereof, which laws are subject to change with possible retroactive effect. We assume no obligation to supplement this opinion letter if any applicable law, rule or regulation changes after the date of this opinion letter or if we become aware of any facts that might change the opinion expressed above after the date of this opinion letter.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission (the "Commission") as an exhibit to the Registration Statement (as defined in Exhibit A attached hereto). In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission.

Very truly yours,

/S/ BLANK ROME LLP

BLANK ROME LLP

Exhibit A

(a) The Registration Statement on Form S-4 (File No. 333-86456) as filed with the Commission under the Act on April 17, 2002, and Amendment No. 1 (File No. 333-86456) thereto to be filed with the Commission on or about July 24, 2003, (as so amended, the "Registration Statement");

(b) an executed copy of each of the Indentures (including each of the First Supplemental Indentures, each of the Second Supplemental Indentures and each of the Third Supplemental Indentures);

(c) an executed copy of the Dollar Registration Rights Agreement;

(d) an executed copy of the Euro Registration Rights Agreement;

(e) the form of Exchange Notes contained in the Indentures:

(f) the Articles of Incorporation of IEI, as certified by the Secretary of IEI (the "IEI Certificate of Incorporation");

(g) the By-Laws of IEI, as certified by the Secretary of IEI, as being in full force and effect on the date hereof (the "IEI By-Laws");

(h) resolutions of the Board of Directors of IEI adopted on June 4, 2002, July 26, 2002, November 26, 2002 and June 19, 2003 relating to, among other things, the issuance of the IEI Guaranty, execution of the First Supplemental Indentures, the Second Supplemental Indentures and the Third Supplemental Indentures and the Exchange Offer, as certified by the Secretary of IEI;

(i) an Officer's Certificate of IEI, dated as of July 24, 2003; and

(j) a Secretary's Certificate of IEI, dated as of July 24, 2003.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-4 of our report dated January 28, 2003, except for Notes 9, 15 and 20, which are as of April 30, 2003, March 27, 2003 and June 25, 2003, respectively, relating to the financial statements, which appears in the Company's Current Report on Form 8-K dated July 23, 2003. We also consent to the incorporation by reference of our report dated January 28, 2003 relating to the financial statement schedule, which appears in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Stamford, CT
July 24, 2003

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Amendment No. 1 to the Registration Statement (Form S-4 No. 333-86456) and related Prospectus of Xerox Corporation of our report dated April 21, 2003 with respect to the consolidated financial statements of Fuji Xerox Co., Ltd. and Subsidiaries included in the Xerox Corporation Annual Report (Amendment No. 1 Form 10-K/A) for the year ended December 31, 2002, filed with the Securities and Exchange Commission.

/s/ Ernst & Young

Tokyo, Japan
July 24, 2003

Exhibit 24.3

CERTIFICATE

I, Martin S. Wagner, Assistant Secretary of Xerox Corporation, a New York Corporation (the "Company"), DO HEREBY CERTIFY that Exhibit A is a true and correct copy of the Action By Unanimous Written Consent, duly adopted by the Board of Directors of Xerox International Joint Marketing, Inc., a wholly-owned subsidiary of the Company on November 26, 2002, and that such Action By Unanimous Written Consent has not been modified, rescinded or revoked and is at present in full force and effect.

IN WITNESS HEREOF, the undersigned has executed this Certificate and affixed the corporate seal of the Company hereto this 24th day of July, 2003

/S/ MARTIN S. WAGNER

By: Martin S. Wagner
Title: Assistant Secretary

ACTION BY UNANIMOUS WRITTEN CONSENT

OF

THE BOARD OF DIRECTORS

OF

XEROX INTERNATIONAL JOINT MARKETING, INC.

The undersigned, being the sole member of the Board of Directors of Xerox International Joint Marketing, Inc., a Delaware corporation (the "Company"), acting pursuant to Section 141(f) of the General Corporation Law of the State of Delaware, hereby adopts, by this written consent, the following resolutions with the same force and effect as if they had been unanimously adopted at a duly convened meeting of the Board of Directors of the Company and direct that this written consent be filed with the minutes of the proceedings of the Board of Directors of the Company:

RESOLVED, that each of the Chairman of the Board, any Vice President, the Treasurer, the Controller, the Secretary, any Assistant Controller, any Assistant Treasurer and any Assistant Secretary of the Company (each a "proper officer") be, and each of them individually hereby is, authorized, in the name and on behalf of the Company, to register the Company's unconditional guarantee (the "Guarantee") of the senior notes (the "Exchange Notes") to be issued by Xerox Corporation ("Xerox") in an exchange offer (the "Exchange Offer") with substantially identical terms to the 9 ¾% Senior Notes due 2009 of Xerox (the "Old Notes") pursuant to a registration statement on Form S-4 filed under the Securities Act of 1933, as amended (the "Securities Act").

RESOLVED: that each proper officer, with the assistance of the Company's and Xerox's accountants and legal counsel, is hereby authorized to prepare, execute and file, in electronic or paper form, with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 and any and all amendments, and such exhibits, supplements and schedules relating thereto, including post-effective amendments, under the Securities Act and the Securities and Exchange Act of 1934, as amended, for the purpose of registering the Guarantee (collectively, the "Registration Statement"), as any such proper officer, on advice of counsel, shall deem advisable.

RESOLVED: that each proper officer, with the assistance of the Company's and Xerox's counsel, is hereby authorized to from time to time for and on behalf of the Company execute and deliver, file, record and register all such agreements, certificates, instruments and other documents and take all such other actions as any

proper officer may determine to be necessary or advisable to obtain such orders, consents, approvals, licenses and authorizations, or to maintain such orders, consents, approvals, licenses and authorizations, with any domestic or foreign governmental or regulatory authority, including, without limitation, the SEC, as such officer may determine to be advisable in connection with the registration of the Guarantee and the Exchange Offer and/or the execution and delivery of any agreements or any certificates, instruments and documents relating thereto, the performance of obligations thereunder and the consummation of the transactions contemplated thereby.

RESOLVED: that each proper officer is hereby authorized to take such actions and execute and deliver such documents (including but not limited to one or more listing applications and any amendments or supplements thereto) on behalf of the Company or otherwise as such officer shall determine to be advisable, in connection with the listing of the Exchange Notes (including the Guarantee) on The New York Stock Exchange, Inc., the London Stock Exchange, the Paris Bourse, the Luxembourg Stock Exchange and/or such other exchange or exchanges, domestic and/or foreign, as any proper officer shall determine to be advisable, the taking of any such action and the execution and delivery of any such documents to be conclusive evidence of such determination.

RESOLVED: that Martin S. Wagner, Assistant Secretary of Xerox Corporation, or such other person as the proper officers may from time to time appoint, including themselves, be and hereby is appointed and designated as the person duly authorized on behalf of the Company to receive communications and notices from the SEC and as agent for service with respect to the Registration Statement.

RESOLVED: that each officer and director of the Company who may be required to execute the Registration Statement or any amendment thereto (whether on behalf of the Company or as an officer or director thereof) be and hereby is authorized to execute a power of attorney appointing A. M. Mulcahy, L. A. Zimmerman, M. S. Wagner and D. H. Marshall, and each of them, as true and lawful attorneys and agents to execute in his or her name, place and stead (in any such capacity) the Registration Statement and any and all amendments thereto, and any and all documents in connection therewith, and to file the same, in electronic or paper form, with the SEC, each of said attorneys and agents to have power to act with or without the other and to have the full power and authority to do and perform in the name and on behalf of each of said officers and directors, or both, as the case may be, every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any such officer and director might or could do in person.

RESOLVED: that each proper officer be and hereby is authorized to do or cause to be done all such acts and things and to make, execute and deliver, or cause to be made, executed and delivered, all such agreements, amendments, documents, instruments and certificates, in the name and on behalf of the Company or otherwise, as any proper officer may determine to be necessary or advisable to effectuate the transactions contemplated in the preceding resolutions and to perform the Company’s obligations

under the Guarantee, the Exchange Offer, the Exchange Notes, the Old Notes, and the other agreements and documents entered into pursuant thereto, the doing of such acts or things and the making, execution and delivery of any such agreements, amendments, documents, instruments or certificates to be conclusive evidence of such determination.

General Authorization

RESOLVED, that all actions previously taken by any officer or director of the Company in connection with the matters referred to in the foregoing resolutions are hereby approved, adopted, ratified and confirmed in all respects; and further

RESOLVED, that any person dealing with any officer or officers of the Company in connection with any of the foregoing matters shall be conclusively entitled to rely upon the authority of such officer and by his or her execution of any document or agreement, the same shall be a valid and binding obligation of the Company enforceable in accordance with its terms.

[Remainder of page intentionally blank.]

IN WITNESS WHEREOF, the undersigned, being the sole member of the Board of Directors of the Company, has executed this written consent as of this 26th day of November, 2002.

/S/ JAMES A. FIRESTONE

James A. Firestone

Exhibit 24.5

CERTIFICATE

I, Martin S. Wagner, Assistant Secretary of Xerox Corporation, a New York Corporation (the "Company"), DO HEREBY CERTIFY that Exhibit A is a true and correct copy of the Action By Unanimous Written Consent, duly adopted by the Board of Directors of Intelligent Electronics, Inc., a wholly-owned subsidiary of the Company on November 26th, 2002, and that such Action By Unanimous Written Consent has not been modified, rescinded or revoked and is at present in full force and effect.

IN WITNESS HEREOF, the undersigned has executed this Certificate and affixed the corporate seal of the Company hereto this 24th day of July, 2003

/S/ MARTIN S. WAGNER

By: Martin S. Wagner
Title: Assistant Secretary

ACTION BY UNANIMOUS WRITTEN CONSENT

OF

THE BOARD OF DIRECTORS

OF

INTELLIGENT ELECTRONICS, INC.

The undersigned, being all of the members of the Board of Directors of Intelligent Electronics, Inc., a Pennsylvania corporation (the "Company"), acting pursuant to Section 1727(b) of the Business Corporation Law of the Commonwealth of Pennsylvania, hereby adopt, by this written consent, the following resolutions with the same force and effect as if they had been unanimously adopted at a duly convened meeting of the Board of Directors of the Company and direct that this written consent be filed with the minutes of the proceedings of the Board of Directors of the Company:

RESOLVED, that each of the Chairman of the Board, any Vice President, the Treasurer, the Controller, the Secretary, any Assistant Controller, any Assistant Treasurer and any Assistant Secretary of the Company (each a "proper officer") be, and each of them individually hereby is, authorized, in the name and on behalf of the Company, to register the Company's unconditional guarantee (the "Guarantee") of the senior notes (the "Exchange Notes") to be issued by Xerox Corporation ("Xerox") in an exchange offer (the "Exchange Offer") with substantially identical terms to the 9 ¾% Senior Notes due 2009 of Xerox (the "Old Notes") pursuant to a registration statement on Form S-4 filed under the Securities Act of 1933, as amended (the "Securities Act").

RESOLVED: that each proper officer, with the assistance of the Company's and Xerox's accountants and legal counsel, is hereby authorized to prepare, execute and file, in electronic or paper form, with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 and any and all amendments, and such exhibits, supplements and schedules relating thereto, including post-effective amendments, under the Securities Act and the Securities and Exchange Act of 1934, as amended, for the purpose of registering the Guarantee (collectively, the "Registration Statement"), as any such proper officer, on advice of counsel, shall deem advisable.

RESOLVED: that each proper officer, with the assistance of the Company's and Xerox's counsel, is hereby authorized to from time to time for and on behalf of the Company execute and deliver, file, record and register all such agreements,

certificates, instruments and other documents and take all such other actions as any proper officer may determine to be necessary or advisable to obtain such orders, consents, approvals, licenses and authorizations, or to maintain such orders, consents, approvals, licenses and authorizations, with any domestic or foreign governmental or regulatory authority, including, without limitation, the SEC, as such officer may determine to be advisable in connection with the registration of the Guarantee and the Exchange Offer and/or the execution and delivery of any agreements or any certificates, instruments and documents relating thereto, the performance of obligations thereunder and the consummation of the transactions contemplated thereby.

RESOLVED: that each proper officer is hereby authorized to take such actions and execute and deliver such documents (including but not limited to one or more listing applications and any amendments or supplements thereto) on behalf of the Company or otherwise as such officer shall determine to be advisable, in connection with the listing of the Exchange Notes (including the Guarantee) on The New York Stock Exchange, Inc., the London Stock Exchange, the Paris Bourse, the Luxembourg Stock Exchange and/or such other exchange or exchanges, domestic and/or foreign, as any proper officer shall determine to be advisable, the taking of any such action and the execution and delivery of any such documents to be conclusive evidence of such determination.

RESOLVED: that Martin S. Wagner, Assistant Secretary of Xerox Corporation, or such other person as the proper officers may from time to time appoint, including themselves, be and hereby is appointed and designated as the person duly authorized on behalf of the Company to receive communications and notices from the SEC and as agent for service with respect to the Registration Statement.

RESOLVED: that each officer and director of the Company who may be required to execute the Registration Statement or any amendment thereto (whether on behalf of the Company or as an officer or director thereof) be and hereby is authorized to execute a power of attorney appointing A. M. Mulcahy, L. A. Zimmerman, M. S. Wagner and D. H. Marshall, and each of them, as true and lawful attorneys and agents to execute in his or her name, place and stead (in any such capacity) the Registration Statement and any and all amendments thereto, and any and all documents in connection therewith, and to file the same, in electronic or paper form, with the SEC, each of said attorneys and agents to have power to act with or without the other and to have the full power and authority to do and perform in the name and on behalf of each of said officers and directors, or both, as the case may be, every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any such officer and director might or could do in person.

RESOLVED: that each proper officer be and hereby is authorized to do or cause to be done all such acts and things and to make, execute and deliver, or cause to be made, executed and delivered, all such agreements, amendments, documents, instruments and certificates, in the name and on behalf of the Company or otherwise, as any proper officer may determine to be necessary or advisable to effectuate the transactions

contemplated in the preceding resolutions and to perform the Company's obligations under the Guarantee, the Exchange Offer, the Exchange Notes, the Old Notes, and the other agreements and documents entered into pursuant thereto, the doing of such acts or things and the making, execution and delivery of any such agreements, amendments, documents, instruments or certificates to be conclusive evidence of such determination.

General Authorization

RESOLVED, that all actions previously taken by any officer or director of the Company in connection with the matters referred to in the foregoing resolutions are hereby approved, adopted, ratified and confirmed in all respects; and further

RESOLVED, that any person dealing with any officer or officers of the Company in connection with any of the foregoing matters shall be conclusively entitled to rely upon the authority of such officer and by his or her execution of any document or agreement, the same shall be a valid and binding obligation of the Company enforceable in accordance with its terms.

IN WITNESS WHEREOF, the undersigned, being all of the members of the Board of Directors of the Company, have executed this written consent as of this 26th day of November, 2002.

/S/ THOMAS J. DOLAN

Thomas J. Dolan

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

☐ CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b) (2)

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

(Exact name of trustee as specified in its charter)

A U.S. National Banking Association (Jurisdiction of incorporation or organization if not a U.S. national bank)	**41-1592157** (I.R.S. Employer Identification No.)
Sixth Street and Marquette Avenue Minneapolis, Minnesota (Address of principal executive offices)	**55479** (Zip code)

Stanley S. Stroup, General Counsel
WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
(612) 667-1234
(Name, address and telephone number of agent for service)

XEROX CORPORATION

(Exact name of obligor as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	**16-0468020** (I.R.S. Employer Identification No.)
800 Long Ridge Road **P.O. Box 1600** **Stamford, Connecticut** (Address of principal executive offices)	**06904-1600** (Zip code)

$600,000,000 9 ¾% Senior Notes due 2009
(Title of the indenture securities)

Item 1. General Information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

The Board of Governors of the Federal Reserve System
Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor. If the obligor is an affiliate of the trustee, describe each such affiliation.

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. Foreign Trustee. Not applicable.

Item 16. List of Exhibits. List below all exhibits filed as a part of this Statement of Eligibility. Wells Fargo Bank incorporates by reference into this Form T-1 the exhibits attached hereto.

Exhibit 1.	a.	A copy of the Articles of Association of the trustee now in effect.**
Exhibit 2.	a.	A copy of the certificate of authority of the trustee to commence business issued June 28, 1872, by the Comptroller of the Currency to The Northwestern National Bank of Minneapolis. *
	b.	A copy of the certificate of the Comptroller of the Currency dated January 2, 1934, approving the consolidation of The Northwestern National Bank of Minneapolis and The Minnesota Loan and Trust Company of Minneapolis, with the surviving entity being titled Northwestern National Bank and Trust Company of Minneapolis.*
	c.	A copy of the certificate of the Acting Comptroller of the Currency dated January 12, 1943, as to change of corporate title of Northwestern National Bank and Trust Company of Minneapolis to Northwestern National Bank of Minneapolis. *

d. A copy of the letter dated May 12, 1983 from the Regional Counsel, Comptroller of the Currency, acknowledging receipt of notice of name change effective May 1, 1983 from Northwestern National Bank of Minneapolis to Norwest Bank Minneapolis, National Association.*

e. A copy of the letter dated January 4, 1988 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation and merger effective January 1, 1988 of Norwest Bank Minneapolis, National Association with various other banks under the title of "Norwest Bank Minnesota, National Association."*

f. A copy of the letter dated July 10, 2000 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation effective July 8, 2000 of Norwest Bank Minnesota, National Association with various other banks under the title of "Wells Fargo Bank Minnesota, National Association."***

Exhibit 3. A copy of the authorization of the trustee to exercise corporate trust powers issued January 2, 1934, by the Federal Reserve Board.*

Exhibit 4. Copy of By-laws of the trustee as now in effect.**

Exhibit 5. Not applicable.

Exhibit 6. The consent of the trustee required by Section 321(b) of the Act.

Exhibit 7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.****

Exhibit 8. Not applicable.

Exhibit 9. Not applicable.

* Incorporated by reference to exhibit number 25 filed with registration statement number 33-66026.

** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 99.T3G to the Form T-3 dated July 13, 2000 of GB Property Funding Corp. file number 022-22473.

*** Incorporated by reference to exhibit number 2f to the trustee's Form T-1 filed as exhibit 25.1 to the Current Report Form 8-K dated September 8, 2000 of NRG Energy Inc. file number 001-15891.

**** Incorporated by reference to exhibit number 7 to the trustee's Form T-1 filed as exhibit 25 to the Current Report Form 8-K dated July 3, 2003 of Xerox Corporation file number 001-04471.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wells Fargo Bank Minnesota, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Minneapolis and State of Minnesota on the 7th day of July 2003.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

/S/ JANE SCHWEIGER

Jane Y. Schweiger
Vice President

EXHIBIT 6

July 7, 2003

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

/S/ JANE SCHWEIGER

Jane Y. Schweiger
Vice President

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

☐ CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b) (2)

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

(Exact name of trustee as specified in its charter)

A U.S. National Banking Association (Jurisdiction of incorporation or organization if not a U.S. national bank)	**41-1592157** (I.R.S. Employer Identification No.)
Sixth Street and Marquette Avenue **Minneapolis, Minnesota** (Address of principal executive offices)	**55479** (Zip code)

Stanley S. Stroup, General Counsel
WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
(612) 667-1234
(Name, address and telephone number of agent for service)

XEROX CORPORATION

(Exact name of obligor as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	**16-0468020** (I.R.S. Employer Identification No.)
800 Long Ridge Road **P.O. Box 1600** **Stamford, Connecticut** (Address of principal executive offices)	**06904-1600** (Zip code)

€225,000,000 9¾% Senior Notes due 2009
(Title of the indenture securities)

Item 1. General Information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

The Board of Governors of the Federal Reserve System
Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor. If the obligor is an affiliate of the trustee, describe each such affiliation.

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. Foreign Trustee. Not applicable.

Item 16. List of Exhibits. List below all exhibits filed as a part of this Statement of Eligibility. Wells Fargo Bank incorporates by reference into this Form T-1 the exhibits attached hereto.

Exhibit 1.	a.	A copy of the Articles of Association of the trustee now in effect.**
Exhibit 2.	a.	A copy of the certificate of authority of the trustee to commence business issued June 28, 1872, by the Comptroller of the Currency to The Northwestern National Bank of Minneapolis.*
	b.	Comptroller of the Currency dated January 2, 1934, approving the consolidation of The Northwestern National Bank of Minneapolis and The Minnesota Loan and Trust Company of Minneapolis, with the surviving entity being titled Northwestern National Bank and Trust Company of Minneapolis.*
	c.	A copy of the certificate of the Acting Comptroller of the Currency dated January 12, 1943, as to change of corporate title of Northwestern National Bank and Trust Company of Minneapolis to Northwestern National Bank of Minneapolis.*

d. A copy of the letter dated May 12, 1983 from the Regional Counsel, Comptroller of the Currency, acknowledging receipt of notice of name change effective May 1, 1983 from Northwestern National Bank of Minneapolis to Norwest Bank Minneapolis, National Association.*

e. A copy of the letter dated January 4, 1988 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation and merger effective January 1, 1988 of Norwest Bank Minneapolis, National Association with various other banks under the title of "Norwest Bank Minnesota, National Association."*

f. A copy of the letter dated July 10, 2000 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation effective July 8, 2000 of Norwest Bank Minnesota, National Association with various other banks under the title of "Wells Fargo Bank Minnesota, National Association."***

Exhibit 3. A copy of the authorization of the trustee to exercise corporate trust powers issued January 2, 1934, by the Federal Reserve Board.*

Exhibit 4. Copy of By-laws of the trustee as now in effect.**

Exhibit 5. Not applicable.

Exhibit 6. The consent of the trustee required by Section 321(b) of the Act.

Exhibit 7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.****

Exhibit 8. Not applicable.

Exhibit 9. Not applicable.

* Incorporated by reference to exhibit number 25 filed with registration statement number 33-66026.

** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 99.T3G to the Form T-3 dated July 13, 2000 of GB Property Funding Corp. file number 022-22473.

*** Incorporated by reference to exhibit number 2f to the trustee's Form T-1 filed as exhibit 25.1 to the Current Report Form 8-K dated September 8, 2000 of NRG Energy Inc. file number 001-15891.

**** Incorporated by reference to exhibit number 7 to the trustee's Form T-1 filed as exhibit 25 to the Current Report Form 8-K dated July 3, 2003 of Xerox Corporation file number 001-04471.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wells Fargo Bank Minnesota, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Minneapolis and State of Minnesota on the 7th day of July 2003.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

/S/ JANE SCHWEIGER

Jane Y. Schweiger
Vice President

EXHIBIT 6

July 7, 2003
Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

/S/ JANE SCHWEIGER

Jane Y. Schweiger
Vice President

LETTER OF TRANSMITTAL

XEROX CORPORATION

OFFER FOR ALL OUTSTANDING 9¾% DOLLAR-DENOMINATED SENIOR NOTES DUE 2009 IN EXCHANGE FOR 9¾% DOLLAR-DENOMINATED SENIOR NOTES 2009 WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, PURSUANT TO THE PROSPECTUS, DATED JULY , 2003

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON AUGUST , 2003, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

Delivery To: **WELLS FARGO BANK MINNESOTA, N.A.,** ***Exchange Agent***

By Registered or Certified Mail:
Wells Fargo Bank Minnesota, N.A.
Corporate Trust Operations
MAC N9303-121
P.O. Box 1517
Minneapolis, MN 55480
Attention: Xerox Administrator

By Hand Before 4:30 p.m.:
Wells Fargo Bank Minnesota, N.A.
Corporate Trust Operations
MAC N9303-121
6th & Marquette Avenue
Minneapolis, MN 55479
Attention: Xerox Administrator

For Information Call:
(800) 344-5128

By Facsimile Transmission
(for Eligible Institutions only):
(612) 667-4927

Confirm by Telephone:
(612) 667-9764

By Overnight Courier:
Wells Fargo Bank Minnesota, N.A.
Northstar East Building
608 2nd Avenue South
12th Floor—Corporate Trust Services
Minneapolis, MN 55402
Attention: Xerox Administrator

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges that he or she has received the Prospectus, dated July , 2003 (the "Prospectus"), of Xerox Corporation, a New York corporation incorporated in New York (the "Company"), and this Letter of Transmittal (the "Letter"), which together constitute the Company's offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $600,000,000 of the Company's 9¾% Dollar-Denominated Senior Notes due 2009 (the "New Notes") which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of the Company's issued and outstanding 9¾% Dollar-Denominated Senior Notes due 2009 (the "Outstanding Notes") from the registered holders thereof (the "Holders").

For each Outstanding Note accepted for exchange, the Holder of such Outstanding Note will receive a New Note having a principal amount equal to that of the surrendered Outstanding Note. The New Notes will bear interest from the most recent date to which interest has been paid on the Outstanding Notes or, if no interest has been paid on the Outstanding Notes, from January 17, 2002. Accordingly, registered Holders of New Notes on the relevant record date for the first interest payment date following the consummation of the Exchange Offer

(Continued on the Next Page)

will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from January 17, 2002. Outstanding Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Outstanding Notes whose Outstanding Notes are accepted for exchange will not receive any payment in respect of accrued interest on such Outstanding Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer.

This Letter is to be completed by a holder of Outstanding Notes either if certificates are to be forwarded herewith or if a tender of certificates for Outstanding Notes, if available, is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in "The Exchange Offer—Book-Entry Transfers" section of the Prospectus and an Agent's Message is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Exchange Agent and forming a part of a Book-Entry Confirmation (as defined below), which states that the Book-Entry Transfer Facility has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by this Letter and that the Company may enforce this Letter against such participant. Holders of Outstanding Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Outstanding Notes into the Exchange Agent's account at the Book-Entry Transfer Facility (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Outstanding Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus. See Instruction 1.

Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Outstanding Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Outstanding Notes should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OUTSTANDING NOTES	**1**	**2**	**3**
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	**Certificate Number(s)***	**Aggregate Principal Amount of Outstanding Note(s)**	**Principal Amount Tendered****
	Total		

* Need not be completed if Outstanding Notes are being tendered by book-entry transfer.
** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL the Outstanding Notes represented by the Outstanding Notes indicated in column 2. See Instruction 2. Outstanding Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. See Instruction 1.

☐ **CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution _____

Account Number _____ Transaction Code Number _____

By crediting the Outstanding Notes to the Exchange Agent's account at the Book-Entry Transfer Facility's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting to the Exchange Agent a computer-generated Agent's Message in which the holder of the Outstanding Notes acknowledges and agrees to be bound by the terms of, and makes the representations and warranties contained in, this Letter, the participant in the Book-Entry Transfer Facility confirms on behalf of itself and the beneficial owners of such Outstanding Notes all provisions of this Letter (including all representations and warranties) applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter to the Exchange Agent.

☐ **CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Holder(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution Which Guaranteed Delivery _____

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number _____ Transaction Code Number _____

☐ **CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name: _____

Address: _____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that such Outstanding Notes were acquired by such broker-dealer as a result of market-making or other trading activities and, that it must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the New Notes; however, by so acknowledging and by delivering such a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. If the undersigned is a broker-dealer that will receive New Notes, it represents that the Outstanding Notes to be exchanged for the New Notes were acquired as a result of market-making activities or other trading activities.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Outstanding Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Outstanding Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Outstanding Notes as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the undersigned's true and lawful agent and attorney-in-fact with respect to such tendered Outstanding Notes, with full power of substitution, among other things, to cause the Outstanding Notes to be assigned, transferred and exchanged. The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Outstanding Notes, and to acquire New Notes issuable upon the exchange of such tendered Outstanding Notes, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Outstanding Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the Holder of such Outstanding Notes nor any such other person is participating in, intends to participate in or has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the Holder of such Outstanding Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act, of the Company.

The undersigned acknowledges that this Exchange Offer is being made in reliance on interpretations by the staff of the Securities and Exchange Commission (the "SEC"), as set forth in no-action letters issued to third parties, that the New Notes issued pursuant to the Exchange Offer in exchange for the Outstanding Notes may be offered for resale, resold and otherwise transferred by Holders thereof (other than any such Holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such New Notes. However, the SEC has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in other circumstances. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes and has no arrangement or understanding to participate in a distribution of New Notes. If any Holder is an affiliate of the Company, is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the SEC and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Outstanding Notes, it represents that the Outstanding Notes to be exchanged for the New Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Outstanding Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy

and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer—Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the New Notes (and, if applicable, substitute certificates representing Outstanding Notes for any Outstanding Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Outstanding Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Notes (and, if applicable, substitute certificates representing Outstanding Notes for any Outstanding Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Outstanding Notes."

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OUTSTANDING NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OUTSTANDING NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Outstanding Notes not exchanged and/or New Notes are to be issued in the name of and sent to someone other than the person or persons whose signature(s) appear(s) on this Letter above, or if Outstanding Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue New Notes and/or Outstanding Notes to:

Name(s)_____
(Please Type or Print)

_____
(Please Type or Print)

Address_____

_____
(Zip Code)

(Complete Substitute Form W-9)

☐ Credit unexchanged Outstanding Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

_____
Book-Entry Transfer Facility
Account Number, if applicable)

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Outstanding Notes not exchanged and/or New Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter above or to such person or persons at an address other than shown in the box entitled "Description of Outstanding Notes" on this Letter above.

Mail New Notes and/or Outstanding Notes to:

Name(s)_____
(Please Type or Print)

_____
(Please Type or Print)

Address_____

_____
(Zip Code)

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR OUTSTANDING NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(Complete Accompanying Substitute Form W-9 Below)

Dated: _____, 2003

X _____ _____, 2003

X _____ _____, 2003
(Signature(s) of Owner) **(Date)**

Area Code and Telephone Number _____

If a holder is tendering any Outstanding Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Outstanding Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s): _____
(Please Type or Print)

Capacity: _____

Address: _____
(Including Zip Code)

SIGNATURE GUARANTEE
(If required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution: _____
(Authorized Signature)

_____
(Title)

_____
(Name and Firm)

Dated: _____, 2003

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Exchange Offer for the 9 3/4% Dollar-Denominated Senior Notes due 2009 of Xerox Corporation in Exchange for the 9 3/4% Dollar-Denominated Senior Notes due 2009 of Xerox Corporation Which Have Been Registered Under the Securities Act of 1933, as Amended

1. Delivery of this Letter and Notes; Guaranteed Delivery Procedures.

This Letter is to be completed by holders of Outstanding Notes either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer—Book-Entry Transfers" section of the Prospectus and an Agent's Message is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to and received by the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by the Letter of Transmittal and that the Company may enforce the Letter of Transmittal against such participant. Certificates for all physically tendered Outstanding Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile hereof or Agent's Message in lieu thereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Outstanding Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof.

Holders whose certificates for Outstanding Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Outstanding Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution, (ii) prior to 5:00 P.M., New York City time, on the Expiration Date, the (as defined below) Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Outstanding Notes and the amount of Outstanding Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Outstanding Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) with any required signature guarantees and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Outstanding Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) with any required signature guarantees and all other documents required by this Letter, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Outstanding Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Outstanding Notes are sent by mail, it is suggested that the mailing be registered mail, properly insured, with return receipt requested, made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 P.M., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

2. Partial Tenders (not applicable to noteholders who tender by book-entry transfer).

If less than all of the Outstanding Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Outstanding Notes to be tendered in the box above entitled "Description of Outstanding Notes—Principal Amount Tendered." A reissued certificate representing the balance of nontendered Outstanding Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. **All of the Outstanding Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.**

3. Signatures on this Letter; Bond Powers and Endorsements; Guarantee of Signatures.

If this Letter is signed by the registered holder of the Outstanding Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Outstanding Notes are owned of record by two or more joint owners, all of such owners must sign this Letter.

If any tendered Outstanding Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder or holders of the Outstanding Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Notes are to be issued, or any untendered Outstanding Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s) and signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

Endorsements on certificates for Outstanding Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm that is a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program (each an "Eligible Institution").

Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Outstanding Notes are tendered: (i) by a registered holder of Outstanding Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Outstanding Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.

4. Special Issuance and Delivery Instructions.

Tendering holders of Outstanding Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and or substitute certificates evidencing Outstanding Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this

Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Noteholders tendering Outstanding Notes by book-entry transfer may request that Outstanding Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such noteholder may designate hereon. If no such instructions are given, such Outstanding Notes not exchanged will be returned to the name and address of the person signing this Letter.

5. Taxpayer Identification Number.

Federal income tax law generally requires that a tendering holder whose Outstanding Notes are accepted for exchange must provide the Company (as payor) with such holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which in the case of a tendering holder who is an individual, is his or her social security number. If the Company is not provided with the current TIN or an adequate basis for an exemption from backup withholding, such tendering holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, the Exchange Agent may be required to withhold 31% of the amount of any reportable payments made after the exchange to such tendering holder of New Notes. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders of Outstanding Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering holder of Outstanding Notes must provide its correct TIN by completing the Substitute Form W-9 set forth below, certifying, under penalties of perjury, that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, or (ii) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Outstanding Notes is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Exchange Agent a completed Form W-8, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Outstanding Notes are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9 and write "applied for" in lieu of its TIN. Note: Checking this box and writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If the box in Part 2 of the Substitute Form W-9 is checked, the Exchange Agent will retain 31% of reportable payments made to a holder during the sixty (60) day period following the date of the Substitute Form W-9. If the holder furnishes the Exchange Agent with his or her TIN within sixty (60) days of the Substitute Form W-9, the Exchange Agent will remit such amounts retained during such sixty (60) day period to such holder and no further amounts will be retained or withheld from payments made to the holder thereafter. If, however, such holder does not provide its TIN to the Exchange Agent within such sixty (60) day period, the Exchange Agent will remit such previously withheld amounts to the Internal Revenue Service as backup withholding and will withhold 31% of all reportable payments to the holder thereafter until such holder furnishes its TIN to the Exchange Agent.

6. Transfer Taxes.

The Company will pay all transfer taxes, if any, applicable to the transfer of Outstanding Notes to it or its order pursuant to the Exchange Offer. If, however, New Notes and/or substitute Outstanding Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Outstanding Notes tendered hereby, or if tendered Outstanding Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other

than the transfer of Outstanding Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Outstanding Notes specified in this letter.

7. Waiver of Conditions.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

8. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Outstanding Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Outstanding Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Outstanding Notes nor shall any of them incur any liability for failure to give any such notice.

9. Mutilated, Lost, Stolen or Destroyed Outstanding Notes.

Any holder whose Outstanding Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. Withdrawal Rights.

Tenders of Outstanding Notes may be withdrawn at any time prior to 5:00 P.M., New York City time, on the Expiration Date.

For a withdrawal of a tender of Outstanding Notes to be effective, a written notice of withdrawal must be received by the Exchange Agent at the address set forth above prior to 5:00 P.M., New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having tendered the Outstanding Notes to be withdrawn (the "Depositor"), (ii) identify the Outstanding Notes to be withdrawn (including certificate number or numbers and the principal amount of such Outstanding Notes), (iii) contain a statement that such holder is withdrawing his election to have such Outstanding Notes exchanged, (iv) be signed by the holder in the same manner as the original signature on the Letter by which such Outstanding Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer to have the Trustee with respect to the Outstanding Notes register the transfer of such Outstanding Notes in the name of the person withdrawing the tender and (v) specify the name in which such Outstanding Notes are registered, if different from that of the Depositor. If Outstanding Notes have been tendered pursuant to the procedure for book-entry transfer set forth in "The Exchange Offer—Book-Entry Transfer" section of the Prospectus, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Outstanding Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Outstanding Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer and no New Notes will be issued with respect thereto unless the Outstanding Notes so withdrawn are validly retendered. Any Outstanding Notes that have been tendered for exchange but which are not exchanged for any reason will be

returned to the Holder thereof without cost to such Holder (or, in the case of Outstanding Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures set forth in "The Exchange Offer—Book-Entry Transfer" section of the Prospectus, such Outstanding Notes will be credited to an account maintained with the Book-Entry Transfer Facility for the Outstanding Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Outstanding Notes may be retendered by following the procedures described above at any time on or prior to 5:00 P.M., New York City time, on the Expiration Date.

11. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, and requests for Notices of Guaranteed Delivery and other related documents may be directed to the Exchange Agent, at the address and telephone number indicated above.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(See Instruction 5)

PAYOR'S NAME: WELLS FARGO BANK MINNESOTA, N.A.

SUBSTITUTE **Form W-9** **Department of the Treasury** **Internal Revenue Service** **Payer's Request for Taxpayer Identification Number ("TIN") and Certification**	**Part 1**—PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	**TIN:** _____ **Social Security Number or Employer Identification Number**
	Part 2—TIN Applied For ☐	
	CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT: (1) the number shown on this form is my correct TIN (or I am waiting for a number to be issued to me), (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding and (3) any other information provided on this form is true and correct. Signature _____ Date _____	

You must cross out item(2) of the above certification if you have been notified by the IRS that you are subject to backup with holding because of underreporting of interest or dividends on your tax return and you have not been notified by the IRS that you are no longer subject to backup withholding.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of the exchange, 28 percent of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature _____ Date _____

XEROX CORPORATION

OFFER FOR ALL OUTSTANDING 9 3/4% DOLLAR-DENOMINATED SENIOR NOTES DUE 2009 IN EXCHANGE FOR 9 3/4% DOLLAR-DENOMINATED SENIOR NOTES DUE 2009 WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Xerox Corporation (the "Company") is offering, upon and subject to the terms and conditions set forth in the Prospectus, dated July , 2003 (the "Prospectus"), and the enclosed letter of transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") its 9 3/4% Dollar-Denominated Senior Notes due 2009, which have been registered under the Securities Act of 1933, as amended (the "New Notes"), for its outstanding 9 3/4% Dollar-Denominated Senior Notes due 2009 (the "Outstanding Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement dated January 17, 2002 by and among the Company and the initial purchasers referred to therein.

We are requesting that you contact your clients for whom you hold Outstanding Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Outstanding Notes registered in your name or in the name of your nominee, or who hold Outstanding Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated July , 2003;
2. The Letter of Transmittal for your use and for the information of your clients;
3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Outstanding Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis;
4. A form of letter which may be sent to your clients for whose account you hold Outstanding Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;
5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and
6. Return envelopes addressed to Wells Fargo Bank Minnesota, N.A., National Association, the Exchange Agent for the Exchange Offer.

YOUR PROMPT ACTION IS REQUESTED. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON AUGUST , 2003, UNLESS EXTENDED BY THE COMPANY (THE "EXPIRATION DATE"). OUTSTANDING NOTES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME BEFORE THE EXPIRATION DATE.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Outstanding Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If a registered holder of Outstanding Notes desires to tender, but such Outstanding Notes are not immediately available, or time will not permit such holder's Outstanding Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be

completed on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under the caption “Guaranteed Delivery Procedures For the Dollar Notes.”

The Company will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the Prospectus and the related documents to the beneficial owners of Outstanding Notes held by them as nominee or in a fiduciary capacity. The Company will pay or cause to be paid all stock transfer taxes applicable to the exchange of Outstanding Notes pursuant to the Exchange Offer, except as set forth in Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to Wells Fargo Bank Minnesota, N.A., the Exchange Agent for the Exchange Offer, at its address and telephone number set forth on the front of the Letter of Transmittal.

Very truly yours,

XEROX CORPORATION

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.

Enclosures

XEROX CORPORATION

OFFER FOR ALL OUTSTANDING
9 3/4% DOLLAR-DENOMINATED SENIOR NOTES DUE 2009
IN EXCHANGE FOR
9 3/4% DOLLAR-DENOMINATED SENIOR NOTES DUE 2009
WHICH HAVE BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933, AS AMENDED

To Our Clients:

Enclosed for your consideration is a Prospectus, dated July , 2003 (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Xerox Corporation, a New York corporation (the "Company") to exchange its 9 3/4% Dollar-Denominated Senior Notes due 2009, which have been registered under the Securities Act of 1933, as amended (the "New Notes"), for its outstanding 9 3/4% Dollar-Denominated Senior Notes due 2009 (the "Outstanding Notes"), upon the terms and subject to the conditions described in the Prospectus and the Letter of Transmittal. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement dated January 17, 2002, by and among the Company and the initial purchasers referred to therein.

This material is being forwarded to you as the beneficial owner of the Outstanding Notes held by us for your account but not registered in your name. A TENDER OF SUCH OUTSTANDING NOTES MAY ONLY BE MADE BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Outstanding Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Outstanding Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 P.M., New York City time, on August , 2003, unless extended by the Company. Any Outstanding Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Outstanding Notes.
2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer—Conditions to the Exchange Offer."
3. Any transfer taxes incident to the transfer of Outstanding Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.
4. The Exchange Offer expires at 5:00 P.M., New York City time, on August , 2003, unless extended by the Company.

If you wish to have us tender your Outstanding Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR INFORMATION ONLY AND MAY NOT BE USED DIRECTLY BY YOU TO TENDER OUTSTANDING NOTES.

INSTRUCTIONS WITH RESPECT TO THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by Xerox Corporation with respect to its Outstanding Notes.

This will instruct you to tender the Outstanding Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal.

The undersigned expressly agrees to be bound by the enclosed Letter of Transmittal and that such Letter of Transmittal may be enforced against the undersigned.

☐ Please tender the Outstanding Notes held by you for my account as indicated below:

9 3/4% Dollar-Denominated Senior Notes due 2009

$ _____

(Aggregate Principal Amount of Outstanding Notes)

☐ Please do not tender any Outstanding Notes held by you for my account.

Dated: _____, 2003

Signature(s):_____

Print Name(s) here: _____

Print Address(es): _____

Area Code and Telephone Number(s): _____

Tax Identification or Social Security Number(s): _____

None of the Outstanding Notes held by us for your account will be tendered unless we receive written instructions from you to do so. Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all the Outstanding Notes held by us for your account.

NOTICE OF GUARANTEED DELIVERY

FOR TENDER OF
9 3/4% DOLLAR-DENOMINATED SENIOR NOTES DUE 2009
(including those in Book-Entry Form)
OF

XEROX CORPORATION

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Xerox Corporation (the "Company") made pursuant to the Prospectus, dated July , 2003 (the "Prospectus"), if certificates for the outstanding 9¾% Dollar-Denominated Senior Notes due 2009 of the Company (the "Outstanding Notes") are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent prior to 5:00 p.m., New York City time, on August , 2003 (the "Expiration Date"). Such form may be delivered or transmitted by telegram, telex, facsimile transmission, mail or hand delivery to Wells Fargo Bank Minnesota, N.A. (the "Exchange Agent") as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Outstanding Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof) must also be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

Delivery To: **WELLS FARGO BANK MINNESOTA, N.A.,** ***Exchange Agent***

By Registered or Certified Mail:
Wells Fargo Bank Minnesota, N.A.
Corporate Trust Operations
MAC N9303-121
P.O. Box 1517
Minneapolis, MN 55480
Attention: Xerox Administrator

For Information Call:
(800) 344-5128

By Facsimile Transmission
(for Eligible Institutions only):
(612) 667-4927

Confirm by Telephone:
(612) 667-9764

By Hand Before 4:30 p.m.:
Wells Fargo Bank Minnesota, N.A.
Corporate Trust Operations
MAC N9303-121
6th & Marquette Avenue
Minneapolis, MN 55479
Attention: Xerox Administrator

By Overnight Courier:
Wells Fargo Bank Minnesota, N.A.
Northstar East Building
608 2nd Avenue South
12th Floor—Corporate Trust Services
Minneapolis, MN 55402
Attention: Xerox Administrator

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS INSTRUMENT IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION (AS DEFINED IN THE PROSPECTUS), SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Outstanding Notes set forth below, pursuant to the guaranteed delivery procedure described in "—Guaranteed Delivery Procedures for Dollar Notes" section of the Prospectus.

Principal Amount of Outstanding Notes Tendered:*

$ _____

* Must be in denominations of principal amount of $1,000, and any integral multiple thereof.

Certificate Nos. (if available):

Total Principal Amount Represented by Certificate(s):

$ _____

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

PLEASE SIGN HERE

Signature(s) of Holder(s) or Authorized Signatory	**Date**

Area Code and Telephone Number:

Must be signed by the Holder(s) of Outstanding Notes as their name(s) appear(s) on certificates for Outstanding Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. If Outstanding Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number.

Please print name(s) and address(es)

Name(s):

Capacity:

Address(es):

Account:

Number:

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program, hereby guarantees that the undersigned will deliver to the Exchange Agent the certificates representing the Outstanding Notes being tendered hereby or confirmation of book-entry transfer of such Outstanding Notes into the Exchange Agent's account at The Depository Trust Company, in proper form for transfer, together with any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the Expiration Date.

Name of Firm:

_____

Address:

_____

Area Code and Telephone Number:

_____

Authorized Signature:

_____

Name:

_____

(Please Print or Type)

Title:

_____

Date:

_____

NOTE: DO NOT SEND CERTIFICATES OF OUTSTANDING NOTES WITH THIS FORM. CERTIFICATES OF OUTSTANDING NOTES SHOULD BE SENT ONLY WITH A COPY OF THE PREVIOUSLY EXECUTED LETTER OF TRANSMITTAL.