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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2021

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

For the transition period from to

XEROX HOLDINGS CORPORATION
XEROX CORPORATION

(Exact Name of Registrant as specified in its charter)

New York New York	001-39013 001-04471	83-3933743 16-0468020
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box 4505, 201 Merritt 7
Norwalk, Connecticut 06851-1056
(Address of principal executive offices)

(203) 849-5216
(Registrant's telephone number, including area code)

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

Xerox Holdings Corporation Common Stock, $1 par value	XRX	New York Stock Exchange
Title of each class	Trading Symbol	Name of each exchange on which registered

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Xerox Holdings Corporation Yes ☒ No ☐ **Xerox Corporation** Yes ☒ No ☐

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

Xerox Holdings Corporation		**Xerox Corporation**	
Large accelerated filer	☒	Large accelerated filer	☐
Accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Non-accelerated filer	☒
Smaller reporting company	☐	Smaller reporting company	☐
Emerging growth company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Xerox Holdings Corporation o **Xerox Corporation** o

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Xerox Holdings Corporation Yes ☐ No ☒ **Xerox Corporation** Yes ☐ No ☒

Class	Outstanding at July 31, 2021
Xerox Holdings Corporation Common Stock, $1 par value	178,485,529 shares

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document, and other written or oral statements made from time to time by management contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: the effects of the COVID-19 pandemic on our and our customers' businesses and the duration and extent to which this will impact our future results of operations and overall financial performance; our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; our ability to attract and retain key personnel; changes in economic and political conditions, trade protection measures, licensing requirements and tax laws in the United States and in the foreign countries in which we do business; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; changes in foreign currency exchange rates; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; the risk that partners, subcontractors and software vendors will not perform in a timely, quality manner; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring actions; the risk that confidential and/or individually identifiable information of ours, our customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems due to cyber attacks or other intentional acts; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; the exit of the United Kingdom from the European Union; our ability to manage changes in the printing environment and expand equipment placements; interest rates, cost of borrowing and access to credit markets; funding requirements associated with our employee pension and retiree health benefit plans; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; any impacts resulting from the restructuring of our relationship with Fujifilm Holdings Corporation; and the shared services arrangements entered into by us as part of Project Own It. Additional risks that may affect Xerox’s operations and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of this combined Quarterly Report on Form 10-Q, Xerox Holdings Corporation’s and Xerox Corporation’s combined Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and Xerox Holdings Corporation’s and Xerox Corporation’s combined 2020 Annual Report on Form 10-K, as well as in Xerox Holdings Corporation’s and Xerox Corporation’s Current Reports on Form 8-K filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this document or as of the date to which they refer, and Xerox assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

Throughout this combined Quarterly Report on Form 10-Q (combined Form 10-Q), references to “Xerox Holdings” refer to Xerox Holdings Corporation and its consolidated subsidiaries while references to “Xerox” refer to Xerox Corporation and its consolidated subsidiaries. References herein to “we,” “us,” “our,” the “Company” refer collectively to both Xerox Holdings and Xerox unless the context suggests otherwise. References to “Xerox Holdings Corporation” refer to the stand-alone parent company and do not include its subsidiaries. References to “Xerox Corporation” refer to the stand-alone company and do not include subsidiaries.

Xerox Holdings Corporation's primary direct operating subsidiary is Xerox and therefore Xerox reflects nearly all of Xerox Holdings' operations.

XEROX HOLDINGS CORPORATION
XEROX CORPORATION
FORM 10-Q
June 30, 2021

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For additional information about Xerox Holdings Corporation and Xerox Corporation and access to our Annual Reports to Shareholders and SEC filings, free of charge, please visit our website at www.xerox.com/investor. The content of our website is not incorporated by reference into this combined Form 10-Q unless expressly noted.

PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in millions, except per-share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues				
Sales	$ 670	$ 460	$ 1,272	$ 1,025
Services, maintenance and rentals	1,067	949	2,120	2,185
Financing	56	56	111	115
Total Revenues	1,793	1,465	3,503	3,325
Costs and Expenses				
Cost of sales	468	338	888	725
Cost of services, maintenance and rentals	658	533	1,309	1,264
Cost of financing	28	30	56	60
Research, development and engineering expenses	79	76	153	160
Selling, administrative and general expenses	434	426	882	967
Restructuring and related costs, net	12	3	29	44
Amortization of intangible assets	14	10	29	21
Transaction and related costs, net	—	7	—	24
Other expenses, net	1	7	5	30
Total Costs and Expenses	1,694	1,430	3,351	3,295
Income before Income Taxes and Equity Income	99	35	152	30
Income tax expense	9	8	23	7
Equity in net income of unconsolidated affiliates	1	—	1	2
Net Income	91	27	130	25
Less: Net income attributable to noncontrolling interests	—	—	—	—
Net Income Attributable to Xerox Holdings	$ 91	$ 27	$ 130	$ 25
Basic Earnings per Share	$ 0.47	$ 0.11	$ 0.64	$ 0.08
Diluted Earnings per Share	$ 0.46	$ 0.11	$ 0.64	$ 0.08

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

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Net Income	$ 91	$ 27	$ 130	$ 25
Less: Net income attributable to noncontrolling interests	—	—	—	—
Net Income Attributable to Xerox Holdings	91	27	130	25
Other Comprehensive Income (Loss), Net[1]				
Translation adjustments, net	54	25	3	(172)
Unrealized (losses) gains, net	—	(2)	(7)	3
Changes in defined benefit plans, net	16	80	71	134
Other Comprehensive Income (Loss), Net Attributable to Xerox Holdings	70	103	67	(35)
Comprehensive Income (Loss), Net Attributable to Xerox Holdings	$ 161	$ 130	$ 197	$ (10)

(1) Refer to Note 18 - Other Comprehensive Income (Loss) for gross components of Other comprehensive income (loss), net, reclassification adjustments out of Accumulated other comprehensive loss and related tax effects.

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

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 2,124	$ 2,625
Accounts receivable (net of allowance of $68 and $69, respectively)	846	883
Billed portion of finance receivables (net of allowance of $3 and $4, respectively)	89	99
Finance receivables, net	1,057	1,082
Inventories	815	843
Other current assets	244	251
Total current assets	5,175	5,783
Finance receivables due after one year (net of allowance of $130 and $129, respectively)	1,971	1,984
Equipment on operating leases, net	271	296
Land, buildings and equipment, net	372	407
Intangible assets, net	230	237
Goodwill	4,104	4,071
Deferred tax assets	491	508
Other long-term assets	1,496	1,455
Total Assets	$ 14,110	$ 14,741
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 642	$ 394
Accounts payable	935	983
Accrued compensation and benefits costs	263	261
Accrued expenses and other current liabilities	851	840
Total current liabilities	2,691	2,478
Long-term debt	3,597	4,050
Pension and other benefit liabilities	1,436	1,566
Post-retirement medical benefits	340	340
Other long-term liabilities	537	497
Total Liabilities	8,601	8,931
Commitments and Contingencies (See Note 20)		
Convertible Preferred Stock	214	214
Common stock	189	198
Additional paid-in capital	2,214	2,445
Treasury stock, at cost	(159)	—
Retained earnings	6,308	6,281
Accumulated other comprehensive loss	(3,265)	(3,332)
Xerox Holdings shareholders' equity	5,287	5,592
Noncontrolling interests	8	4
Total Equity	5,295	5,596
Total Liabilities and Equity	$ 14,110	$ 14,741
Shares of common stock issued	188,817	198,386
Treasury stock	(6,641)	—
Shares of Common Stock Outstanding	182,176	198,386

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

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash Flows from Operating Activities				
Net Income	$ 91	$ 27	$ 130	$ 25
Adjustments required to reconcile Net income to Cash flows from operating activities				
Depreciation and amortization	84	88	170	182
Provisions	14	21	34	101
Net gain on sales of businesses and assets	(1)	—	(1)	(1)
Stock-based compensation	14	13	30	24
Restructuring and asset impairment charges	4	(2)	25	27
Payments for restructurings	(22)	(17)	(49)	(52)
Defined benefit pension cost	(2)	13	(2)	37
Contributions to defined benefit pension plans	(34)	(31)	(69)	(64)
(Increase) decrease in accounts receivable and billed portion of finance receivables	(55)	262	37	428
Decrease (increase) in inventories	22	(99)	4	(225)
Increase in equipment on operating leases	(35)	(23)	(63)	(55)
(Increase) decrease in finance receivables	(25)	97	12	190
Decrease (increase) in other current and long-term assets	48	1	66	(15)
Decrease in accounts payable	(2)	(210)	(33)	(159)
Increase (decrease) in accrued compensation	1	(21)	(35)	(129)
Increase (decrease) in other current and long-term liabilities	127	(92)	92	(130)
Net change in income tax assets and liabilities	(4)	13	2	3
Net change in derivative assets and liabilities	(5)	(10)	(2)	(2)
Other operating, net	(6)	4	(17)	22
Net cash provided by operating activities	214	34	331	207
Cash Flows from Investing Activities				
Cost of additions to land, buildings, equipment and software	(16)	(19)	(33)	(42)
Proceeds from sales of businesses and assets	1	—	1	2
Acquisitions, net of cash acquired	(37)	—	(37)	(193)
Other investing, net	(3)	1	(3)	1
Net cash used in investing activities	(55)	(18)	(72)	(232)
Cash Flows from Financing Activities				
Proceeds from issuance of long-term debt	—	3	—	5
Payments on long-term debt	(114)	(313)	(209)	(313)
Dividends	(54)	(57)	(108)	(115)
Payments to acquire treasury stock, including fees	(251)	—	(413)	—
Other financing, net	(10)	(5)	(17)	(9)
Net cash used in financing activities	(429)	(372)	(747)	(432)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	12	5	—	(24)
Decrease in cash, cash equivalents and restricted cash	(258)	(351)	(488)	(481)
Cash, cash equivalents and restricted cash at beginning of period	2,461	2,665	2,691	2,795
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 2,203	$ 2,314	$ 2,203	$ 2,314

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues				
Sales	$ 670	$ 460	$ 1,272	$ 1,025
Services, maintenance and rentals	1,067	949	2,120	2,185
Financing	56	56	111	115
Total Revenues	1,793	1,465	3,503	3,325
Costs and Expenses				
Cost of sales	468	338	888	725
Cost of services, maintenance and rentals	658	533	1,309	1,264
Cost of financing	28	30	56	60
Research, development and engineering expenses	78	76	152	160
Selling, administrative and general expenses	430	426	877	967
Restructuring and related costs, net	12	3	29	44
Amortization of intangible assets	13	10	27	21
Transaction and related costs, net	—	7	—	24
Other expenses, net	2	7	6	30
Total Costs and Expenses	1,689	1,430	3,344	3,295
Income before Income Taxes and Equity Income	104	35	159	30
Income tax expense	9	8	23	7
Equity in net income of unconsolidated affiliates	1	—	1	2
Net Income	96	27	137	25
Less: Net income attributable to noncontrolling interests	—	—	—	—
Net Income Attributable to Xerox	$ 96	$ 27	$ 137	$ 25

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Net Income	$ 96	$ 27	$ 137	$ 25
Less: Net income attributable to noncontrolling interests	—	—	—	—
Net Income Attributable to Xerox	96	27	137	25
Other Comprehensive Income (Loss), Net[(1)]				
Translation adjustments, net	54	25	3	(172)
Unrealized (losses) gains, net	—	(2)	(7)	3
Changes in defined benefit plans, net	16	80	71	134
Other Comprehensive Income (Loss), Net Attributable to Xerox	70	103	67	(35)
Comprehensive Income (Loss), Net Attributable to Xerox	$ 166	$ 130	$ 204	$ (10)

(1) Refer to Note 18 - Other Comprehensive Income (Loss) for gross components of Other comprehensive income (loss), net, reclassification adjustments out of Accumulated other comprehensive loss and related tax effects.

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

XEROX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 2,124	$ 2,625
Accounts receivable (net of allowance of $68 and $69, respectively)	846	883
Billed portion of finance receivables (net of allowance of $3 and $4, respectively)	89	99
Finance receivables, net	1,057	1,082
Inventories	815	843
Other current assets	250	251
Total current assets	5,181	5,783
Finance receivables due after one year (net of allowance of $130 and $129, respectively)	1,971	1,984
Equipment on operating leases, net	271	296
Land, buildings and equipment, net	372	407
Intangible assets, net	224	229
Goodwill	4,102	4,068
Deferred tax assets	491	508
Other long-term assets	1,492	1,455
Total Assets	$ 14,104	$ 14,730
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 642	$ 394
Accounts payable	935	983
Accrued compensation and benefits costs	263	261
Accrued expenses and other current liabilities	797	750
Total current liabilities	2,637	2,388
Long-term debt	2,103	2,557
Related party debt	1,494	—
Pension and other benefit liabilities	1,436	1,566
Post-retirement medical benefits	340	340
Other long-term liabilities	535	494
Total Liabilities	8,545	7,345
Commitments and Contingencies (See Note 20)		
Additional paid-in capital	3,404	4,879
Retained earnings	5,412	5,834
Accumulated other comprehensive loss	(3,265)	(3,332)
Xerox shareholder's equity	5,551	7,381
Noncontrolling interests	8	4
Total Equity	5,559	7,385
Total Liabilities and Equity	$ 14,104	$ 14,730

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash Flows from Operating Activities				
Net Income	$ 96	$ 27	$ 137	$ 25
Adjustments required to reconcile Net income to Cash flows from operating activities				
Depreciation and amortization	83	88	168	182
Provisions	14	21	34	101
Net gain on sales of businesses and assets	(1)	—	(1)	(1)
Stock-based compensation	14	13	30	24
Restructuring and asset impairment charges	4	(2)	25	27
Payments for restructurings	(22)	(17)	(49)	(52)
Defined benefit pension cost	(2)	13	(2)	37
Contributions to defined benefit pension plans	(34)	(31)	(69)	(64)
(Increase) decrease in accounts receivable and billed portion of finance receivables	(54)	262	38	428
Decrease (increase) in inventories	22	(99)	4	(225)
Increase in equipment on operating leases	(35)	(23)	(63)	(55)
(Increase) decrease in finance receivables	(25)	97	12	190
Decrease (increase) in other current and long-term assets	42	1	60	(15)
Decrease in accounts payable	(2)	(210)	(33)	(159)
Increase (decrease) in accrued compensation	1	(21)	(35)	(129)
Increase (decrease) in other current and long-term liabilities	128	(92)	92	(130)
Net change in income tax assets and liabilities	(4)	13	2	3
Net change in derivative assets and liabilities	(5)	(10)	(2)	(2)
Other operating, net	(6)	4	(17)	22
Net cash provided by operating activities	214	34	331	207
Cash Flows from Investing Activities				
Cost of additions to land, buildings, equipment and software	(16)	(19)	(33)	(42)
Proceeds from sales of businesses and assets	1	—	1	2
Acquisitions, net of cash acquired	(37)	—	(37)	(193)
Other investing, net	—	1	—	1
Net cash used in investing activities	(52)	(18)	(69)	(232)
Cash Flows from Financing Activities				
Proceeds from issuance of long-term debt	—	3	—	5
Payments on long-term debt	(114)	(313)	(209)	(313)
Distributions to parent	(322)	(67)	(542)	(125)
Other financing, net	4	5	1	1
Net cash used in financing activities	(432)	(372)	(750)	(432)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	12	5	—	(24)
Decrease in cash, cash equivalents and restricted cash	(258)	(351)	(488)	(481)
Cash, cash equivalents and restricted cash at beginning of period	2,461	2,665	2,691	2,795
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 2,203	$ 2,314	$ 2,203	$ 2,314

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

Note 1 – Basis of Presentation

References to “Xerox Holdings” refer to Xerox Holdings Corporation and its consolidated subsidiaries while references to “Xerox” refer to Xerox Corporation and its consolidated subsidiaries. References herein to “we,” “us,” “our,” the “Company” refer collectively to both Xerox Holdings and Xerox unless the context suggests otherwise. References to "Xerox Holdings Corporation" refer to the stand-alone parent company and do not include its subsidiaries. References to "Xerox Corporation" refer to the stand-alone company and do not include its subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements and footnotes represent the respective, consolidated results and financial results of Xerox Holdings and Xerox and all respective companies that each registrant directly or indirectly controls, either through majority ownership or otherwise. This is a combined report of Xerox Holdings and Xerox, which includes separate unaudited Condensed Consolidated Financial Statements for each registrant.

The accompanying unaudited Condensed Consolidated Financial Statements of both Xerox Holdings and Xerox have been prepared in accordance with the accounting policies described in the Combined 2020 Annual Report on Form 10-K (2020 Annual Report), except as noted herein, and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. You should read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements included in the Combined 2020 Annual Report.

In our opinion, all adjustments, which are necessary for a fair statement of financial position, operating results and cash flows for the interim periods presented, have been made. These adjustments consist of normal recurring items. Interim results of operations are not necessarily indicative of the results of the full year.

As of June 30, 2021 we are seeing improvement in our financial results as regions and countries continue to progress in controlling the COVID-19 pandemic and businesses resume investments in new printing technology and increase their level of printing services as compared to the prior year. However, the pandemic continues to have varying and divergent impacts across various regions and countries and a high degree of economic uncertainty still remains. We expect the pandemic's effects will likely continue to impact our financial results over the remainder of the year. Accordingly, many of our estimates and assumptions continue to require an increased level of judgment and may have to change in the future as events continue to evolve and additional information becomes available.

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

Notes to the Condensed Consolidated Financial Statements reflect the activity for both Xerox Holdings and Xerox for all periods presented, unless otherwise noted.

Goodwill

Interim Impairment Evaluation

We perform our annual Goodwill impairment testing in the fourth quarter of each year. After completing our quantitative impairment review in the fourth quarter 2020, we concluded that Goodwill was not impaired. Based on various forecast models, which we believe reflected the inherent uncertainty of the future, we estimated that the excess of fair value over carrying value ranged between 15% and 20%.

During the six months ended June 30, 2021, although business performance continued to improve, we determined that the continued negative impacts on our current operations resulting from the COVID-19 pandemic, as well as a market capitalization that remains less than book value, required us to qualitatively assess whether a triggering event had occurred and whether it was more likely than not that our Goodwill was impaired as of June 30, 2021. Based on our interim qualitative assessment as of June 30, 2021, we determined that it was more-likely-than-not that the fair value of the Company was greater than the net book value and that we did not have a “triggering event” requiring a quantitative or Step 1 assessment of Goodwill. Our review of macroeconomic and industry considerations, as well as the Company's financial results for the first half of 2021 and projections for the full year

2021, were consistent with the expectations and sensitivities assessed as part of our review performed in the fourth quarter 2020. Further, although our market capitalization remained below our net book value, the Company's market capitalization remained fairly constant in relation to book value during the second quarter 2021.

If assumptions or estimates in the fair value calculations change or if future cash flows vary from what was expected, including those assumptions relating to the duration and severity of the financial impact from the COVID-19 pandemic, this may impact the impairment analysis and could reduce the underlying cash flows used to estimate fair values and result in a decline in fair value that may trigger future impairment charges.

Note 2 – Recent Accounting Pronouncements

Xerox Holdings and Xerox consider the applicability and impact of all Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB). The ASUs listed below apply to both registrants. ASUs not listed below were assessed and determined to be not applicable to the Condensed Consolidated Financial Statements of either registrant.

Accounting Standard Updates to be Adopted:

Debt

In August 2020, the FASB issued **ASU 2020-06**, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40).* This update simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and convertible preferred stock. This update also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions and requires the application of the if-converted method for calculating diluted earnings per share. This update is effective for our fiscal year beginning January 1, 2022. We are currently evaluating the impact of the adoption of this standard on the Company's consolidated financial statements and related disclosures.

Reference Rate Reform

In March 2020, the FASB issued **ASU 2020-04**, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate (LIBOR) or by another reference rate expected to be discontinued. In January 2021, the FASB issued **ASU 2021-01**, *Reference Rate Reform (Topic 848): Scope*, which provided clarification guidance to ASU 2020-04. These ASUs were effective commencing with our quarter ended March 31, 2020 through December 31, 2022. There has been no impact to date as a result of ASU 2020-04 or ASU 2021-01 and subsequent amendments on reference rate reform. However, we continue to evaluate potential future impacts that may result from the discontinuation of LIBOR or other reference rates as well as the accounting provided in this update on our financial condition, results of operations, and cash flows.

Accounting Standard Updates Adopted in 2021:

Income Taxes

In December 2019, the FASB issued **ASU 2019-12**, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which was intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. We adopted this update effective for our fiscal year beginning January 1, 2021. The adoption did not have nor is expected to have a material impact on our results of operations, financial position or disclosures.

Other Updates

In 2021 and 2020, the FASB also issued the following ASUs, which impact the Company but did not have or are not expected to have a material impact on our financial condition, results of operations or cash flows upon adoption. Those updates are as follows:

- ***Investments:*** **ASU 2020-01**, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323) and Derivatives and Hedging (Topic 815).* We adopted this update effective for our fiscal year beginning January 1, 2021.
- ***Equity Instruments:*** **ASU 2021-04**, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic470-50), Compensation—Stock Compensation(Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) Issuer's Accounting for Certain Modifications*

or Exchanges of Freestanding Equity-Classified Written Call Options). This update is effective for our fiscal year beginning January 1, 2022.

- ***Leases:*** **ASU 2021-05**, *Leases - Certain Lease Payments with Variable Lease Payments (ASC 842).* This update is effective for our fiscal year beginning January 1, 2022.

Note 3 – Revenue

Revenues disaggregated by primary geographic markets, major product lines, and sales channels are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Primary geographical markets[1]:				
United States	$ 1,015	$ 925	$ 1,989	$ 2,039
Europe	514	356	1,013	837
Canada	104	76	197	184
Other	160	108	304	265
Total Revenues	$ 1,793	$ 1,465	$ 3,503	$ 3,325
Major product and services lines:				
Equipment	$ 429	$ 310	$ 810	$ 635
Supplies, paper and other sales	241	150	462	390
Maintenance agreements[2]	448	366	883	895
Service arrangements[3]	508	460	997	1,026
Rental and other	111	123	240	264
Financing	56	56	111	115
Total Revenues	$ 1,793	$ 1,465	$ 3,503	$ 3,325
Sales channels:				
Direct equipment lease[4]	$ 189	$ 111	$ 336	$ 237
Distributors & resellers[5]	289	136	543	359
Customer direct	192	213	393	429
Total Sales	$ 670	$ 460	$ 1,272	$ 1,025

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(1) Geographic area data is based upon the location of the subsidiary reporting the revenue.
(2) Includes revenues from maintenance agreements on sold equipment as well as revenues associated with service agreements sold through our channel partners as Xerox Partner Print Services (XPPS).
(3) Primarily includes revenues from our Managed Services offerings. Also includes revenues from embedded operating leases, which were not significant.
(4) Primarily reflects sales through bundled lease arrangements.
(5) Primarily reflects sales through our two-tier distribution channels.

Contract Assets and Liabilities: We normally do not have contract assets, which are primarily unbilled accounts receivable that are conditional on something other than the passage of time. Our contract liabilities, which represent billings in excess of revenue recognized, are primarily related to advanced billings for maintenance and other services to be performed and were approximately $129 and $130 at June 30, 2021 and December 31, 2020, respectively. The majority of the balance at June 30, 2021 is expected to be amortized to revenue over approximately the next 30 months.

Contract Costs: Incremental direct costs of obtaining a contract primarily include sales commissions paid to sales people and agents in connection with the placement of equipment with associated post sale services arrangements. These costs are deferred and amortized on the straight-line basis over the estimated contract term, which is currently estimated to be approximately four years. We pay commensurate sales commissions upon customer renewals, therefore our amortization period is aligned to our initial contract term.

Incremental direct costs are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Incremental direct costs of obtaining a contract	$ 17	$ 13	$ 30	$ 28
Amortization of incremental direct costs	18	20	37	41

The balance of deferred incremental direct costs net of accumulated amortization at June 30, 2021 and December 31, 2020 was $139 and $145, respectively. This amount is expected to be amortized over its estimated period of benefit, which we currently estimate to be approximately four years.

We may also incur costs associated with our services arrangements to generate or enhance resources and assets that will be used to satisfy our future performance obligations included in these arrangements. These costs are considered contract fulfillment costs and are amortized over the contractual service period of the arrangement to cost of services. In addition, we provide inducements to certain customers in various forms, including contractual credits, which are capitalized and amortized as a reduction of revenue over the term of the contract. As of June 30, 2021 and December 31, 2020 amounts deferred associated with contract fulfillment costs and inducements were $16 and $13, respectively. The related amortization was $2 and $1 for the three months ended June 30, 2021 and 2020, respectively, and $3 and $2 for the six months ended June 30, 2021 and 2020, respectively.

Equipment and software used in the fulfillment of service arrangements, and where the Company retains control, are capitalized and depreciated over the shorter of their useful life or the term of the contract if an asset is contract specific.

Note 4 – Lessor

Revenue from sales-type leases is presented on a gross basis when the Company enters into a lease to realize value from a product that it would otherwise sell in its ordinary course of business, whereas in transactions where the Company enters into a lease for the purpose of generating revenue by providing financing, the profit or loss, if any, is presented on a net basis. In addition, we have elected to account for sales tax and other similar taxes collected from a lessee as lessee costs and therefore we exclude these costs from contract consideration and variable consideration and present revenue net of these costs.

The components of lease income are as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
	Location in Statements of Income	2021	2020	2021	2020
Revenue from sales type leases	Sales	$ 189	$ 111	$ 336	$ 237
Interest income on lease receivables	Financing	56	56	111	115
Lease income - operating leases	Services, maintenance and rentals	58	79	118	165
Variable lease income	Services, maintenance and rentals	16	14	31	36
Total Lease income		$ 319	$ 260	$ 596	$ 553

Profit at lease commencement on sales type leases was estimated to be $57 and $42 for the three months ended June 30, 2021 and 2020, respectively, and $101 and $86 for the six months ended June 30, 2021 and 2020, respectively.

Note 5 – Acquisitions and Investments

Acquisition

In 2021, Xerox continued its strategy of focusing on further penetrating the small-to-medium sized business (SMB) market through acquisitions of local area resellers and partners (including multi-brand dealers). During the second quarter of 2021, business acquisitions associated with this initiative totaled $37, net of cash acquired, and included an office equipment dealer in Canada for approximately $30 and a document solutions provider in the U.S. for approximately $7.

The operating results of these acquisitions are not material to our financial statements and are included within our results from the acquisition date. The purchase prices were all cash for 100% ownership of the acquired companies and were primarily allocated to Intangible assets, net (approximately $21) and Goodwill (approximately $18), with the remainder to tangible net assets. The allocations are based on preliminary management estimates, which continue to be reviewed, and are expected to be finalized by the end of 2021 and may include input and support from third-party valuations. Any adjustments to the preliminary allocations are not expected to be material.

Joint Venture Formation

In May 2021, Xerox and the Victorian Government (AU) (VicGov) announced that they have partnered to launch Eloque, a venture to commercialize new technology that will remotely monitor the structural health of critical infrastructure assets, such as road and railway bridges. Under the terms of the agreement, Xerox contributed approximately $5 in cash, along with technology and intellectual property for a controlling interest in the entity, whereas VicGov contributed approximately $5 in cash, along with technology and intellectual property for a noncontrolling interest in the entity. As a result of Xerox's controlling interest in the newly formed entity, beginning with the second quarter 2021, Xerox consolidated the new entity and the VicGov investment was reported as a noncontrolling interest. The revenues and expenses of the new entity post formation did not materially impact the Company's reported results for the three months ended June 30, 2021.

Note 6 – Supplementary Financial Information

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash amounts were as follows:

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 2,124	$ 2,625
Restricted cash		
Litigation deposits in Brazil	44	42
Escrow and cash collections related to secured borrowing arrangements(1)	34	22
Other restricted cash	1	2
Total Restricted cash	79	66
Cash, cash equivalents and restricted cash	$ 2,203	$ 2,691

(1) Represents collections on finance receivables pledged for secured borrowings that will be remitted to lenders in the following month.

Restricted cash primarily relates to escrow cash deposits made in Brazil associated with ongoing litigation as well as cash collections on finance receivables that were pledged for secured borrowings. As more fully discussed in Note 20 - Contingencies and Litigation, various litigation matters in Brazil require us to make cash deposits to escrow as a condition of continuing the litigation. Restricted cash amounts are classified in our Condensed Consolidated Balance Sheets based on when the cash will be contractually or judicially released.

Restricted cash was reported in the Condensed Consolidated Balance Sheets as follows:

	June 30, 2021	December 31, 2020
Other current assets	$ 35	$ 23
Other long-term assets	44	43
Total Restricted cash	$ 79	$ 66

Supplemental Cash Flow Information

Summarized cash flow information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Provision for receivables	$ 4	$ 13	$ 15	$ 87
Provision for inventory	10	8	19	14
Provision for product warranty	2	1	4	3
Depreciation of buildings and equipment	19	22	38	43
Depreciation and obsolescence of equipment on operating leases	41	46	83	97
Amortization of internal use software	10	10	20	21
Amortization of acquired intangible assets[(1)]	14	10	29	21
Amortization of customer contract costs[(2)]	20	21	40	43
Cost of additions to land, buildings and equipment	4	9	12	27
Cost of additions to internal use software	12	10	21	15
Common stock dividends - Xerox Holdings Corporation	51	54	101	108
Preferred stock dividends - Xerox Holdings Corporation	3	3	7	7
Repurchases related to stock-based compensation - Xerox Holdings Corporation	10	3	14	10

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(1) *Amortization of acquired intangible assets of Xerox was $13 and $27 for the three and six months ended June 30, 2021, respectively.*
(2) *Amortization of customer contract costs is reported in* Decrease (increase) in other current and long-term assets *in the Condensed Consolidated Statements of Cash Flows. Refer to Note 3 - Revenue - Contract Costs for additional information.*

Fuji Xerox Technology Agreement (TA)

As previously disclosed, our TA with Fuji Xerox (now known as FUJIFILM Business Innovation Corp.) expired on March 31, 2021. The TA included a provision that allowed Fuji Xerox continued use of the Xerox brand trademark for two years after the date of termination of the TA as it transitions to a new brand in exchange for an upfront prepaid fixed royalty of $100. Fuji Xerox elected to continue its use of the Xerox brand trademark over the next two years and, therefore, made the upfront payment due under the TA of $100 in April 2021, which is included in Operating cash flows for the six month period ended June 30, 2021.

We expect to recognize the revenue associated with this extended brand license ratably over the two year transition period. Accordingly, any potential entry by Xerox for Xerographic products into the Fuji Xerox territory under the Xerox brand will be deferred to at least April 1, 2023. The product supply agreements with Fuji Xerox will continue to be effective despite the termination of the TA, and Fuji Xerox and Xerox will continue to operate as each other's product supplier under existing or new purchase/supply agreements.

Note 7 – Accounts Receivable, Net

Accounts receivable, net were as follows:

	June 30, 2021	December 31, 2020
Invoiced	$ 695	$ 735
Accrued[(1)]	219	217
Allowance for doubtful accounts	(68)	(69)
Accounts receivable, net	$ 846	$ 883

(1) Accrued receivables include amounts to be invoiced in the subsequent quarter for current services provided.

The allowance for doubtful accounts was as follows:

	2021	2020
Balance at December 31st	$ 69	$ 55
Provision	4	8
Charge-offs	(5)	(2)
Recoveries and other[(1)]	—	(1)
Balance at March 31st	$ 68	$ 60
Provision	1	9
Charge-offs	(2)	(8)
Recoveries and other[(1)]	1	(1)
Balance at June 30th	$ 68	$ 60

(1) Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.

We perform ongoing credit evaluations of our customers and adjust credit limits based upon customer payment history and current creditworthiness. The allowance for uncollectible accounts receivable is determined based on an assessment of past collection experience as well as consideration of current and future economic conditions and changes in our customer collection trends. Based on that assessment the allowance for doubtful accounts as a percent of gross accounts receivable was 7.4% at June 30, 2021 and 7.2% at December 31, 2020. The allowance for doubtful accounts as a percent of gross accounts receivable remains at an elevated level as compared to historical levels primarily as a result of the macroeconomic and market disruption caused by COVID-19.

Accounts Receivable Sales Arrangements

Accounts receivable sales arrangements are utilized in the normal course of business as part of our cash and liquidity management. The accounts receivable sold are generally short-term trade receivables with payment due dates of less than 60 days. We have one facility in Europe that enables us to sell accounts receivable associated with our distributor network on an ongoing basis, without recourse. Under this arrangement, we sell our entire interest in the related accounts receivable for cash and no portion of the payment is held back or deferred by the purchaser.

Of the accounts receivable sold and derecognized from our balance sheet, $107 and $136 remained uncollected as of June 30, 2021 and December 31, 2020, respectively.

Accounts receivable sales activity was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Accounts receivable sales[(1)]	$ 125	$ 14	$ 232	$ 67

(1) Losses on sales were not material. Customers may also enter into structured-payable arrangements that require us to sell our receivables from that customer to a third-party financial institution, which then makes payments to us to settle the customer's receivable. In these instances, we ensure the sale of the receivables are bankruptcy-remote and the payment made to us is without recourse. The activity associated with these arrangements is not reflected in this disclosure, as payments under these arrangements have not been material and these are customer directed arrangements.

Note 8 - Finance Receivables, Net

Finance receivables include sales-type leases and installment loans arising from the marketing of our equipment. These receivables are typically collateralized by a security interest in the underlying assets.

Finance receivables, net were as follows:

	June 30, 2021	December 31, 2020
Gross receivables	$ 3,640	$ 3,691
Unearned income	(390)	(393)
Subtotal	3,250	3,298
Residual values	—	—
Allowance for doubtful accounts	(133)	(133)
Finance receivables, net	3,117	3,165
Less: Billed portion of finance receivables, net	89	99
Less: Current portion of finance receivables not billed, net	1,057	1,082
Finance receivables due after one year, net	$ 1,971	$ 1,984

Finance Receivables – Allowance for Credit Losses and Credit Quality

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

The allowance for credit losses is principally determined based on an assessment of origination year and past collection experience as well as consideration of current and future economic conditions and changes in our customer collection trends. Based on that assessment, the allowance for doubtful credit losses as a percentage of gross finance receivables (net of unearned income) was 4.1% at June 30, 2021 and 4.0% at December 31, 2020. In determining the level of reserve required, we had to critically assess current and forecasted economic conditions in light of the COVID-19 pandemic to ensure we objectively included those expected impacts in the determination of our reserve. Our assessment also included a review of current portfolio credit metrics and the level of write-offs incurred over the past year of the COVID-19 pandemic.

The allowance for doubtful accounts and provision for credit losses represent estimates of the losses expected to be incurred from the Company's finance receivable portfolio. The level of the allowance is determined on a collective basis by applying projected loss rates to our different portfolios by country, which represent our portfolio segments. This is the level at which we develop and document our methodology to determine the allowance for credit losses. These projected loss rates are primarily based upon historical loss experience adjusted for judgments about the probable effects of relevant observable data including current and future economic conditions as well as delinquency trends, resolution rates, the aging of receivables, credit quality indicators and the financial health of specific customer classes or groups.

The allowance for doubtful finance receivables is inherently more difficult to estimate than the allowance for trade accounts receivable because the underlying lease portfolio has an average maturity, at any time, of approximately two to three years and contains past due billed amounts, as well as unbilled amounts. We consider all available information in our quarterly assessments of the adequacy of the allowance for doubtful accounts. We believe our estimates, including any qualitative adjustments, are reasonable and have considered all reasonably available information about past events, current conditions, and reasonable and supportable forecasts of future events and economic conditions. The identification of account-specific exposure is not a significant factor in establishing the allowance for doubtful finance receivables. Our policy and methodology used to establish our allowance for doubtful accounts has been consistently applied over all periods presented.

Our allowance for doubtful finance receivables is effectively determined by geography, the risk characteristics in our finance receivable portfolio segments will generally be consistent with the risk factors associated with the economies of the countries/regions included in those geographies. Since EMEA is comprised of various countries and regional economies, the risk profile within that portfolio segment is somewhat more diversified due to the varying economic conditions among and within the countries.

The bad debt provision of $2 for the second quarter 2021 included a reserve reduction of approximately $6 reflecting improvements in the macroeconomic environment as well as lower write-offs. Actual write-offs incurred to date have lagged expectations but remain in line with our original projections over the life of the lease portfolio and are consistent with future expectations regarding our estimated impacts from the COVID-19 pandemic. Despite improvement in the global economy, economies continue to recover from the impacts of the COVID-19 pandemic including the cessation of government support as well as labor, interest rate and inflation risks and the potential for higher taxes. As a result of these uncertainties, we continue to consider various adverse macroeconomic scenarios in our models. Accordingly, our reserves as a percent of receivables have remained fairly consistent subsequent to the first quarter 2020 when we recorded a charge of approximately $60 to initially record expected losses from the COVID-19 pandemic. We continue to monitor developments regarding the pandemic, including business reopenings and mitigating government support actions as well as future economic conditions, and as a result, our reserves may need to be updated in future periods.

The allowance for doubtful accounts as well as the related investment in finance receivables were as follows:

	United States	Canada	EMEA[1]	Total
Balance at December 31, 2020	$ 77	$ 15	$ 41	$ 133
Provision	2	1	3	6
Charge-offs	(2)	—	(1)	(3)
Recoveries and other[2]	1	—	(2)	(1)
Balance at March 31, 2021	$ 78	$ 16	$ 41	$ 135
Provision	6	(1)	(3)	2
Charge-offs	(3)	(1)	(1)	(5)
Recoveries and other[3]	—	1	—	1
Balance at June 30, 2021	$ 81	$ 15	$ 37	$ 133
Finance receivables as of June 30, 2021 collectively evaluated for impairment [3]	$ 1,845	$ 283	$ 1,122	$ 3,250
Balance at December 31, 2019	$ 59	$ 10	$ 20	$ 89
Provision	35	6	25	66
Charge-offs	(3)	(1)	(4)	(8)
Recoveries and other[2]	—	—	(1)	(1)
Balance at March 31, 2020	$ 91	$ 15	$ 40	$ 146
Provision	3	1	—	4
Charge-offs	(5)	(1)	(2)	(8)
Recoveries and other[3]	—	1	—	1
Balance at June 30, 2020	$ 89	$ 16	$ 38	$ 143
Finance receivables as of June 30, 2020 collectively evaluated for impairment[3]	$ 1,824	$ 289	$ 1,100	$ 3,213

(1) Includes developing market countries.
(2) Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.
(3) Total Finance receivables exclude the allowance for credit losses of $133 and $143 at June 30, 2021 and 2020, respectively.

In the U.S., customers are further evaluated by class based on the type of lease origination. The primary categories are direct, which primarily includes leases originated directly with end customers through bundled lease arrangements, and indirect, which primarily includes leases originated through our XBS sales channel that utilizes a combination of internal and third party leasing in its lease arrangements with end customers. Indirect also includes lease financing to end-user customers who purchased equipment we sold to distributors or resellers.

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

- **Low Credit Risk:** This rating includes accounts with excellent to good business credit, asset quality and capacity to meet financial obligations. These customers are less susceptible to adverse effects due to shifts in economic conditions or changes in circumstance. The rating generally equates to a Standard & Poor's (S&P) rating of BBB- or better. Loss rates in this category in the normal course are generally less than 1%.
- **Average Credit Risk:** This rating includes accounts with average credit risk that are more susceptible to loss in the event of adverse business or economic conditions. This rating generally equates to a BB S&P rating. Although we experience higher loss rates associated with this customer class, we believe the risk is somewhat mitigated by the fact that our leases are fairly well dispersed across a large and diverse customer base. In addition, the higher loss rates are largely offset by the higher rates of return we obtain with such leases. Loss rates in this category in the normal course are generally in the range of 2% to 5%.
- **High Credit Risk:** This rating includes accounts that have marginal credit risk such that the customer’s ability to make repayment is impaired or may likely become impaired. We use numerous strategies to mitigate risk including higher rates of interest, prepayments, personal guarantees, etc. Accounts in this category include customers who were downgraded during the term of the lease from low and average credit risk evaluation when the lease was originated. Accordingly, there is a distinct possibility for a loss of principal and interest or customer default. The loss rates in this category in the normal course are generally in the range of 7% to 10%.

Credit quality indicators are updated at least annually, or more frequently to the extent required by economic conditions, and the credit quality of any given customer can change during the life of the portfolio.

Details about our finance receivables portfolio based on geography, origination year and credit quality indicators are as follows:

	June 30, 2021						
	2021	2020	2019	2018	2017	Prior	Total Finance Receivables
United States (Direct)							
Low Credit Risk	$ 101	$ 142	$ 124	$ 94	$ 43	$ 12	$ 516
Average Credit Risk	42	45	73	36	15	4	215
High Credit Risk	41	81	36	20	9	3	190
Total	$ 184	$ 268	$ 233	$ 150	$ 67	$ 19	$ 921
United States (Indirect)							
Low Credit Risk	$ 119	$ 166	$ 121	$ 60	$ 21	$ 2	$ 489
Average Credit Risk	107	115	94	48	18	2	384
High Credit Risk	16	18	9	6	2	—	51
Total	$ 242	$ 299	$ 224	$ 114	$ 41	$ 4	$ 924
Canada							
Low Credit Risk	$ 21	$ 33	$ 29	$ 19	$ 6	$ 2	$ 110
Average Credit Risk	21	41	34	20	11	3	130
High Credit Risk	5	15	8	8	6	1	43
Total	$ 47	$ 89	$ 71	$ 47	$ 23	$ 6	$ 283
EMEA[(1)]							
Low Credit Risk	$ 123	$ 170	$ 148	$ 102	$ 41	$ 12	$ 596
Average Credit Risk	94	137	122	74	29	7	463
High Credit Risk	10	19	17	10	5	2	63
Total	$ 227	$ 326	$ 287	$ 186	$ 75	$ 21	$ 1,122
Total Finance Receivables							
Low Credit Risk	$ 364	$ 511	$ 422	$ 275	$ 111	$ 28	$ 1,711
Average Credit Risk	264	338	323	178	73	16	1,192
High Credit Risk	72	133	70	44	22	6	347
Total	$ 700	$ 982	$ 815	$ 497	$ 206	$ 50	$ 3,250

	December 31, 2020						
	2020	2019	2018	2017	2016	Prior	Total Finance Receivables
United States (Direct)							
Low Credit Risk	$ 164	$ 151	$ 128	$ 71	$ 32	$ 4	$ 550
Average Credit Risk	54	95	52	26	8	2	237
High Credit Risk	90	42	27	13	5	3	180
Total	$ 308	$ 288	$ 207	$ 110	$ 45	$ 9	$ 967
United States (Indirect)							
Low Credit Risk	$ 193	$ 140	$ 79	$ 33	$ 7	$ —	$ 452
Average Credit Risk	129	124	71	31	8	—	363
High Credit Risk	19	9	9	3	1	—	41
Total	$ 341	$ 273	$ 159	$ 67	$ 16	$ —	$ 856
Canada							
Low Credit Risk	$ 37	$ 34	$ 24	$ 10	$ 5	$ 1	$ 111
Average Credit Risk	46	39	26	17	6	1	135
High Credit Risk	18	10	10	10	3	—	51
Total	$ 101	$ 83	$ 60	$ 37	$ 14	$ 2	$ 297
EMEA(1)							
Low Credit Risk	$ 197	$ 177	$ 131	$ 62	$ 20	$ 4	$ 591
Average Credit Risk	170	160	108	51	17	4	510
High Credit Risk	23	24	15	10	4	1	77
Total	$ 390	$ 361	$ 254	$ 123	$ 41	$ 9	$ 1,178
Total Finance Receivables							
Low Credit Risk	$ 591	$ 502	$ 362	$ 176	$ 64	$ 9	$ 1,704
Average Credit Risk	399	418	257	125	39	7	1,245
High Credit Risk	150	85	61	36	13	4	349
Total	$ 1,140	$ 1,005	$ 680	$ 337	$ 116	$ 20	$ 3,298

(1) Includes developing market countries.

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

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

The aging of our billed finance receivables is as follows:

	June 30, 2021						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Direct	$ 29	$ 6	$ 7	$ 42	$ 879	$ 921	$ 60
Indirect	20	4	3	27	897	924	—
Total United States	49	10	10	69	1,776	1,845	60
Canada	6	2	—	8	275	283	12
EMEA[(1)]	11	2	2	15	1,107	1,122	17
Total	$ 66	$ 14	$ 12	$ 92	$ 3,158	$ 3,250	$ 89

	December 31, 2020						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Direct	$ 33	$ 6	$ 9	$ 48	$ 919	$ 967	$ 74
Indirect	21	4	3	28	828	856	—
Total United States	54	10	12	76	1,747	1,823	74
Canada	8	2	—	10	287	297	12
EMEA[(1)]	12	3	2	17	1,161	1,178	23
Total	$ 74	$ 15	$ 14	$ 103	$ 3,195	$ 3,298	$ 109

(1) Includes developing market countries

Secured Borrowings and Collateral

In July 2020, we sold $355 of U.S. based finance receivables to a consolidated special purpose entity (SPE), which funded the purchase through a secured loan agreement with a financial institution. As of June 30, 2021 the SPE holds $214 of total Finance receivables, net, which are included in our Condensed Consolidated Balance Sheet as collateral for the secured loan agreement.

In December 2020, we sold $610 of U.S. based finance receivables to a consolidated SPE, which funded the purchase through a secured loan agreement with a financial institution. As of June 30, 2021 the SPE holds $485 of total Finance receivables, net, which are included in our Condensed Consolidated Balance Sheet as collateral for the secured loan agreement.

Refer to Note 12 - Debt, for additional information related to this arrangement including the related secured loan agreement.

Note 9 – Inventories and Equipment on Operating Leases, Net

The following is a summary of Inventories by major category:

	June 30, 2021	December 31, 2020
Finished goods	$ 670	$ 707
Work-in-process	49	43
Raw materials	96	93
Total Inventories	$ 815	$ 843

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

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

	June 30, 2021	December 31, 2020
Equipment on operating leases	$ 1,321	$ 1,376
Accumulated depreciation	(1,050)	(1,080)
Equipment on operating leases, net	$ 271	$ 296

Total contingent rentals on operating leases, consisting principally of usage charges in excess of minimum contracted amounts, were $16 and $14 for the three months ended June 30, 2021 and 2020, respectively and $31 and $36 for the six months ended June 30, 2021 and 2020, respectively.

Note 10 – Lessee

Operating Leases

We have operating leases for real estate and vehicles in our domestic and international operations and for certain equipment in our domestic operations. Additionally, we have identified embedded operating leases within certain supply chain contracts for warehouses, primarily within our domestic operations. Our leases have remaining terms of up to eleven years and a variety of renewal and/or termination options.

The components of lease expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease expense	$ 27	$ 28	$ 54	$ 56
Short-term lease expense	6	5	11	10
Variable lease expense[(1)]	11	10	23	22
Sublease income	(1)	(1)	(2)	(1)
Total Lease expense	$ 43	$ 42	$ 86	$ 87

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(1) *Variable lease expense is related to our leased real estate for offices and warehouses and primarily includes labor and operational costs as well as taxes and insurance.*

Operating lease ROU assets, net and operating lease liabilities were reported in the Condensed Consolidated Balance Sheets as follows:

	June 30, 2021	December 31, 2020
Other long-term assets	$ 280	$ 310
Accrued expenses and other current liabilities	$ 79	$ 83
Other long-term liabilities	223	250
Total Operating lease liabilities	$ 302	$ 333

Note 11 – Restructuring Programs

We engage in restructuring actions through Project Own It as well as other transformation efforts in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the off-shoring and/or outsourcing of certain operations, services and other functions, as well as reducing our real estate footprint.

During the six months ended June 30, 2021, we recorded net restructuring and asset impairment charges of $25, which included $20 of severance costs related to headcount reductions of approximately 400 employees worldwide, $2 of other contractual termination costs and $12 of asset impairment charges. These costs were partially offset by $9 of net reversals, primarily resulting from changes in estimated reserves from prior period initiatives.

Information related to restructuring program activity is outlined below:

	Severance and Related Costs	Other Contractual Termination Costs[2]	Asset Impairments[3]	Total
Balance at December 31, 2020	$ 78	$ 4	$ —	$ 82
Provision	14	1	10	25
Reversals	(4)	—	—	(4)
Net current period charges[1]	10	1	10	21
Charges against reserve and currency	(29)	(1)	(10)	(40)
Balance at March 31, 2021	$ 59	$ 4	$ —	$ 63
Provision	6	1	2	9
Reversals	(3)	(1)	(1)	(5)
Net current period charges[1]	3	—	1	4
Charges against reserve and currency	(20)	(1)	(1)	(22)
Balance at June 30, 2021	$ 42	$ 3	$ —	$ 45

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(1) Represents net amount recognized within the Condensed Consolidated Statements of Income for the period shown for restructuring and asset impairment charges.
(2) Primarily includes additional costs incurred upon the exit from our facilities including decommissioning costs and associated contractual termination costs.
(3) Primarily relates to the exit and abandonment of leased and owned facilities. The charges include the accelerated write-off of $2 for leased ROU assets and $9 for owned assets upon exit from the facilities, net of any potential sublease income and other recoveries, including potential sales.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Charges against reserve and currency	$ (22)	$ (13)	$ (62)	$ (48)
Effects of foreign currency and other non-cash items	—	(4)	13	(4)
Restructuring cash payments	$ (22)	$ (17)	$ (49)	$ (52)

In connection with our restructuring programs, we also incurred certain related costs as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Retention related severance/bonuses[1]	$ 3	$ 4	$ (1)	$ 11
Contractual severance costs	3	—	3	4
Consulting and other costs[2]	2	1	2	2
Total	$ 8	$ 5	$ 4	$ 17

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(1) Includes retention related severance and bonuses for employees expected to continue working beyond their minimum notification period before termination. The credit for the six months ended June 30, 2021 reflects a change in estimate.
(2) Represents professional support services associated with our business transformation initiatives.

Cash paid for restructuring related costs were approximately $3 and $8 for the three months ended June 30, 2021 and 2020, respectively, and $6 and $8 for the six months ended June 30, 2021 and 2020, respectively. The restructuring related costs reserve was $18 and $21 at June 30, 2021 and December 31, 2020, respectively. The balance at June 30, 2021 is expected to be paid over the next twelve months.

Note 12 – Debt

Xerox Holdings Corporation / Xerox Corporation Intercompany Loan

In August 2020, Xerox Holdings Corporation issued $550 of 5.00% Senior Notes due August 2025 (the "2025 Senior Notes") at par and $550 of 5.50% Senior Notes due August 2028 (the "2028 Senior Notes") at par resulting in aggregate net proceeds (after fees and expenses) of approximately $1,089. On August 24, 2020, Xerox Holdings Corporation issued an additional $200 of the 2025 Senior Notes at 100.75% of par and an additional $200 of the 2028 Senior Notes at 102.50% of par resulting in additional aggregate net proceeds (after premium, fees and expenses) of approximately $405 for total aggregate net proceeds from both issuances of approximately $1,494. In 2020, the net debt proceeds were contributed by Xerox Holdings Corporation to Xerox Corporation and recorded as Additional paid-in capital by Xerox Corporation.

In February 2021, Xerox Holdings Corporation and Xerox Corporation entered into an Intercompany Loan agreement for the net proceeds of $1,494 contributed by Xerox Holdings Corporation to Xerox Corporation in 2020. The intercompany loan, which did not involve the exchange of cash in the current period, resulted in capitalization of the amount as Related Party Debt for Xerox Corporation. The amount was originally recorded as Additional paid-in capital in 2020 when the cash was contributed by Xerox Holdings Corporation.

The intercompany loan was established to mirror the terms included in Xerox Holdings Corporation's 2025 and 2028 Senior Notes, including interest rates and payment dates. The intercompany interest expense also includes a ratable amount to reimburse Xerox Holdings Corporation for its debt issuance costs and premium.

At June 30, 2021, the balance of the Intercompany Loan reported in Xerox Corporation's Condensed Consolidated Balance Sheet was $1,494, which is net of related debt issuance costs, and the intercompany interest payable was $30. Xerox Corporation's interest expense for the three and six months ended June 30, 2021 included $19 and $39, respectively, of interest expense associated with this Intercompany Loan.

Secured Borrowings and Collateral

In July 2020, we entered into a secured loan agreement with a financial institution where we sold $355 of U.S. based finance receivables and the rights to payments under operating leases with an equipment net book value of $10 to a special purpose entity (SPE). The purchase by the SPE was funded through an amortizing secured loan to the SPE from the financial institution of $340. The debt has a variable interest rate based on LIBOR plus a spread (current rate of 1.67% at June 30, 2021).

In December 2020, we entered into a second secured loan agreement with a financial institution where we sold $610 of U.S. based finance receivables to an SPE. The purchase by the SPE was funded through an amortizing secured loan to the SPE from the financial institution of $500. The debt has a variable interest rate based on the financial institution's cost of funds plus a spread (current rate of 1.68% at June 30, 2021).

Below are the assets and liabilities held by the consolidated SPEs, which are included in our Condensed Consolidated Balance Sheets. As a result of the above sales, the assets of the SPEs are not available to satisfy any of our other obligations. Conversely, the credit holders of these SPEs' borrowings do not have legal recourse to the Company's general credit or other assets.

	June 30, 2021	December 31, 2020
Assets held by SPEs		
Billed portion of finance receivables, net	$ 24	$ 28
Finance receivables, net	301	350
Finance receivables due after one year, net	374	510
Equipment on operating leases, net	5	8
Restricted cash[(1)]	34	22
Total Assets	$ 738	$ 918
Liabilities held by SPEs		
Current portion of long-term debt, net[(2)]	$ 344	$ 394
Long term debt, net[(2)]	213	370
Total Liabilities	$ 557	$ 764

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(1) Restricted cash is included in Other current assets in our Condensed Consolidated Balance Sheet.
(2) Net of debt issuance costs of $2.

Interest Expense and Income

Interest expense and income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest expense[(1)(2)]	$ 52	$ 48	$ 104	$ 99
Interest income[(3)]	57	59	113	126

(1) Includes Cost of financing as well as non-financing interest expense that is included in Other expenses, net in the Condensed Consolidated Statements of Income.
(2) Interest expense of Xerox Corporation for the three and six months ended June 30, 2021 includes $19 and $39, respectively, of intercompany interest expense for the Xerox Holdings Corporation / Xerox Corporation Intercompany Loan.
(3) Includes Financing revenue as well as other interest income that is included in Other expenses, net in the Condensed Consolidated Statements of Income.

Note 13 – Financial Instruments

Interest Rate Risk Management

We use interest rate swap and interest rate cap agreements to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. These derivatives may be designated as **fair value hedges** or **cash flow hedges** depending on the nature of the risk being hedged. At June 30, 2021, there were no interest rate derivative contracts outstanding.

Foreign Exchange Risk Management

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

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

At June 30, 2021 and December 31, 2020, we had outstanding forward exchange and purchased option contracts with gross notional values of $1,073 and $1,161 respectively, with terms of less than 12 months. Approximately 81% of the contracts at June 30, 2021 mature within three months, 10% mature in three to six months and 9% in six to twelve months. The decrease in hedge position from December 31, 2020 is primarily for GBP and YEN exposures due to lower requirements. There have not been any material changes in our hedging strategy.

Foreign Currency Cash Flow Hedges

We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency-denominated inventory purchases, sales and expenses. The net (liability) asset fair value of these contracts were $(4) and $2 as of June 30, 2021 and December 31, 2020, respectively.

Summary of Derivative Instruments Fair Value

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

Designation of Derivatives	Balance Sheet Location	June 30, 2021	December 31, 2020
Derivatives Designated as Hedging Instruments			
Foreign exchange contracts - forwards	Other current assets	$ 3	$ 3
	Accrued expenses and other current liabilities	(7)	(2)
Foreign currency options	Other current assets	—	1
	Net designated derivative (liability) asset	$ (4)	$ 2
Derivatives NOT Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 2	$ 3
	Accrued expenses and other current liabilities	(2)	(3)
	Net undesignated derivative liability	$ —	$ —
Summary of Derivatives	Total Derivative assets	$ 5	$ 7
	Total Derivative liabilities	(9)	(5)
	Net Derivative (liability) asset	$ (4)	$ 2

Summary of Derivative Instruments Gains (Losses)

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

Designated Derivative Instruments Gains (Losses)

The following table provides a summary of gains (losses) on derivative instruments:

	Three Months Ended June 30,		Six Months Ended June 30,	
Gain (Loss) on Derivative Instruments	2021	2020	2021	2020
Fair Value Hedges - Interest Rate Contracts				
Derivative loss recognized in interest expense	$ —	$ —	$ —	$ (1)
Hedged item gain recognized in interest expense	—	—	—	1
Cash Flow Hedges - Foreign Exchange Forward Contracts and Options				
Derivative (loss) gain recognized in OCI (effective portion)	$ (2)	$ (3)	$ (12)	$ 4
Derivative (loss) gain reclassified from AOCL to income - Cost of sales (effective portion)	(2)	2	(3)	1

During the three and six months ended June 30, 2021 and 2020, no amount of ineffectiveness was recorded in the Condensed Consolidated Statements of Income for these designated cash flow hedges and all components of each derivative's gain or (loss) were included in the assessment of hedge effectiveness. In addition, no amount was recorded for an underlying exposure that did not occur or was not expected to occur.

As of June 30, 2021, a net after-tax loss of $5 was recorded in Accumulated other comprehensive loss associated with our cash flow hedging activity. The entire balance is expected to be reclassified into net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

Non-Designated Derivative Instruments Gains (Losses)

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

The following table provides a summary of gains and (losses) on non-designated derivative instruments:

		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives NOT Designated as Hedging Instruments	Location of Derivative (Loss) Gain	2021	2020	2021	2020
Foreign exchange contracts – forwards	Other expense – Currency (losses) gains, net	$ (4)	$ 3	$ (22)	$ 17

Currency losses, net were $1 and $2 for the three months ended June 30, 2021 and 2020, respectively and $3 and $4 for six months ended June 30, 2021 and 2020, respectively. Net currency gains and losses include the mark-to-market adjustments of the derivatives not designated as hedging instruments and the related cost of those derivatives as well as the remeasurement of foreign currency-denominated assets and liabilities and are included in Other expenses, net.

Note 14 – Fair Value of Financial Assets and Liabilities

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

	June 30, 2021	December 31, 2020
Assets		
Foreign exchange contracts - forwards	$ 5	$ 6
Foreign currency options	—	1
Deferred compensation plan investments in mutual funds	18	18
Total	$ 23	$ 25
Liabilities		
Foreign exchange contracts - forwards	$ 9	$ 5
Deferred compensation plan liabilities	17	17
Total	$ 26	$ 22

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

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

Summary of Other Financial Assets and Liabilities

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

	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 2,124	$ 2,124	$ 2,625	$ 2,625
Accounts receivable, net	846	846	883	883
Short-term debt and current portion of long-term debt	642	652	394	396
Long-term Debt				
Xerox Holdings Corporation	1,494	1,569	1,493	1,596
Xerox Corporation	1,890	1,996	2,187	2,298
Xerox - Other Subsidiaries[(1)]	213	213	370	372
Long-term debt	$ 3,597	$ 3,778	$ 4,050	$ 4,266

(1) Represents subsidiaries of Xerox Corporation

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

Note 15 – Employee Benefit Plans

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

	Three Months Ended June 30,					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Retiree Health	
Components of Net Periodic Benefit Costs:	2021	2020	2021	2020	2021	2020
Service cost	$ 1	$ —	$ 5	$ 5	$ —	$ —
Interest cost	19	21	22	26	2	4
Expected return on plan assets	(27)	(26)	(52)	(46)	—	—
Recognized net actuarial loss (gain)	4	7	14	14	—	(1)
Amortization of prior service credit	(1)	(1)	—	—	(16)	(19)
Recognized settlement loss	13	13	—	—	—	—
Defined benefit plans	9	14	(11)	(1)	(14)	(16)
Defined contribution plans	—	6	5	5	n/a	n/a
Net Periodic Benefit Cost (Credit)	9	20	(6)	4	(14)	(16)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss):						
Net actuarial (gain) loss [(1)]	(25)	(92)	—	—	2	(6)
Amortization of net actuarial (loss) gain	(17)	(20)	(14)	(14)	—	1
Amortization of net prior service credit	1	1	—	—	16	19
Total Recognized in Other Comprehensive Income (Loss)[(2)]	(41)	(111)	(14)	(14)	18	14
Total Recognized in Net Periodic Benefit (Credit) Cost and Other Comprehensive Income (Loss)	$ (32)	$ (91)	$ (20)	$ (10)	$ 4	$ (2)

	Six Months Ended June 30,					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Retiree Health	
Components of Net Periodic Benefit Costs:	2021	2020	2021	2020	2021	2020
Service cost	$ 1	$ 1	$ 10	$ 10	$ 1	$ 1
Interest cost	37	44	44	55	4	6
Expected return on plan assets	(55)	(52)	(104)	(93)	—	—
Recognized net actuarial loss (gain)	9	14	29	28	—	(1)
Amortization of prior service credit	(1)	(1)	—	—	(33)	(38)
Recognized settlement loss	28	32	—	—	—	—
Recognized curtailment gain	—	—	—	(1)	—	—
Defined benefit plans	19	38	(21)	(1)	(28)	(32)
Defined contribution plans	—	11	10	10	n/a	n/a
Net Periodic Benefit Cost (Credit)	19	49	(11)	9	(28)	(32)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss):						
Net actuarial (gain) loss[(1)]	(69)	(80)	1	—	2	(6)
Amortization of net actuarial (loss) gain	(37)	(46)	(29)	(28)	—	1
Amortization of prior service credit	1	1	—	—	33	38
Total Recognized in Other Comprehensive Income (Loss)[(2)]	(105)	(125)	(28)	(28)	35	33
Total Recognized in Net Periodic Benefit (Credit) Cost and Other Comprehensive Income (Loss)	$ (86)	$ (76)	$ (39)	$ (19)	$ 7	$ 1

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(1) *The net actuarial (gain) loss for U.S. Plans primarily reflects (i) the remeasurement of our primary U.S. pension plans as a result of the payment of periodic settlements and (ii) adjustments for the actuarial valuation results based on the January 1st plan census data.*

(2) *Amounts represent the pre-tax effect included within Other Comprehensive Income (Loss). Refer to Note 18 - Other Comprehensive Income (Loss) for related tax effects and the after-tax amounts.*

Contributions

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

	Six Months Ended June 30,		Year Ended December 31,	
	2021	2020	Estimated 2021	2020
U.S. plans	$ 12	$ 12	$ 25	$ 35
Non-U.S. plans	57	52	105	104
Total Pension	$ 69	$ 64	$ 130	$ 139
Retiree Health	$ 11	$ 9	$ 30	$ 25

There are no mandatory contributions required in 2021 for our U.S. tax-qualified defined benefit plans to meet the minimum funding requirements.

Defined Contribution Plans

In the first quarter 2021, the Company suspended and will not make its full year 2021 employer match/contribution for its U.S. based 401(k) saving plans for salaried employees. The suspension is expected to result in savings of approximately $20 for the year ending December 31, 2021.

Note 16 – Shareholders' Equity of Xerox Holdings

(shares in thousands)

The shareholders' equity information presented below reflects the consolidated activity of Xerox Holdings.

	Common Stock[1]	Additional Paid-in Capital	Treasury Stock	Retained Earnings	AOCL[2]	Xerox Holdings Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at March 31, 2021	$ 199	$ 2,456	$ (162)	$ 6,267	$ (3,335)	$ 5,425	$ 4	$ 5,429
Comprehensive income, net	—	—	—	91	70	161	—	161
Cash dividends declared - common[3]	—	—	—	(47)	—	(47)	—	(47)
Cash dividends declared - preferred[4]	—	—	—	(3)	—	(3)	—	(3)
Stock option and incentive plans, net	—	5	—	—	—	5	—	5
Payments to acquire treasury stock, including fees	—	—	(251)	—	—	(251)	—	(251)
Cancellation of treasury stock	(10)	(244)	254	—	—	—	—	—
Investment from noncontrolling interests[5]	—	1	—	—	—	1	4	5
Other	—	(4)	—	—	—	(4)	—	(4)
Balance at June 30, 2021	$ 189	$ 2,214	$ (159)	$ 6,308	$ (3,265)	$ 5,287	$ 8	$ 5,295

	Common Stock[1]	Additional Paid-in Capital	Treasury Stock	Retained Earnings	AOCL[2]	Xerox Holdings Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at March 31, 2020	$ 213	$ 2,712	$ —	$ 6,252	$ (3,784)	$ 5,393	$ 7	$ 5,400
Comprehensive income, net	—	—	—	27	103	130	—	130
Cash dividends declared - common[3]	—	—	—	(53)	—	(53)	—	(53)
Cash dividends declared - preferred[4]	—	—	—	(3)	—	(3)	—	(3)
Stock option and incentive plans, net	—	10	—	—	—	10	—	10
Distributions to noncontrolling interests	—	—	—	—	—	—	(3)	(3)
Balance at June 30, 2020	$ 213	$ 2,722	$ —	$ 6,223	$ (3,681)	$ 5,477	$ 4	$ 5,481

	Common Stock(1)		Additional Paid-in Capital		Treasury Stock		Retained Earnings		AOCL(2)		Xerox Holdings Shareholders' Equity		Non-controlling Interests		Total Equity
Balance at December 31, 2020	$	198	$	2,445	$	—	$	6,281	$	(3,332)	$	5,592	$	4	$	5,596
Comprehensive income, net		—		—		—		130		67		197		—		197
Cash dividends declared - common(3)		—		—		—		(96)		—		(96)		—		(96)
Cash dividends declared - preferred(4)		—		—		—		(7)		—		(7)		—		(7)
Stock option and incentive plans, net		1		16		—		—		—		17		—		17
Payments to acquire treasury stock, including fees		—		—		(413)		—		—		(413)		—		(413)
Cancellation of treasury stock		(10)		(244)		254		—		—		—		—		—
Investment from noncontrolling interests(5)		—		1		—		—		—		1		4		5
Other		—		(4)		—		—		—		(4)		—		(4)
Balance at June 30, 2021	$	189	$	2,214	$	(159)	$	6,308	$	(3,265)	$	5,287	$	8	$	5,295

	Common Stock(1)		Additional Paid-in Capital		Treasury Stock		Retained Earnings		AOCL(2)		Xerox Holdings Shareholders' Equity		Non-controlling Interests		Total Equity
Balance at December 31, 2019	$	215	$	2,782	$	(76)	$	6,312	$	(3,646)	$	5,587	$	7	$	5,594
Comprehensive income (loss), net		—		—		—		25		(35)		(10)		—		(10)
Cash dividends declared - common(3)		—		—		—		(107)		—		(107)		—		(107)
Cash dividends declared - preferred(4)		—		—		—		(7)		—		(7)		—		(7)
Stock option and incentive plans, net		—		14		—		—		—		14		—		14
Cancellation of treasury stock		(2)		(74)		76		—		—		—		—		—
Distributions to noncontrolling interests		—		—		—		—		—		—		(3)		(3)
Balance at June 30, 2020	$	213	$	2,722	$	—	$	6,223	$	(3,681)	$	5,477	$	4	$	5,481

(1) Common Stock has a par value of $1 per share.
(2) Refer to Note 18 - Other Comprehensive Income (Loss) for the components of AOCL.
(3) Cash dividends declared on common stock for the three and six months ended June 30, 2021 and 2020 were $0.25 per share, respectively, and $0.50 per share, respectively.
(4) Cash dividends declared on preferred stock for the three and six months ended June 30, 2021 and 2020 were $20.00 per share, respectively, and $40.00 per share, respectively.
(5) Refer to Note 5 - Acquisitions and Investments for additional information regarding this noncontrolling investment.

Treasury Stock

The following is a summary of the purchases of Common Stock during 2021:

	Shares		Amount
Balance at December 31, 2020	—	$	—
Purchases(1)	17,067		413
Cancellations	(10,426)		(254)
Balance at June 30, 2021	6,641	$	159

(1) Includes associated fees.

Note 17 – Shareholder's Equity of Xerox

The shareholder's equity information presented below reflects the consolidated activity of Xerox.

	Additional Paid-in Capital	Retained Earnings	AOCL[1]	Xerox Shareholder's Equity	Non-controlling Interests	Total Equity
Balance at March 31, 2021	$ 3,351	$ 5,674	$ (3,335)	$ 5,690	$ 4	$ 5,694
Comprehensive income, net	—	96	70	166	—	166
Dividends declared to parent	—	(358)	—	(358)	—	(358)
Transfers from parent	52	—	—	52	—	52
Investment from noncontrolling interests[2]	1	—	—	1	4	5
Balance at June 30, 2021	$ 3,404	$ 5,412	$ (3,265)	$ 5,551	$ 8	$ 5,559

	Additional Paid-in Capital	Retained Earnings	AOCL[1]	Xerox Shareholder's Equity	Non- controlling Interests	Total Equity
Balance at March 31, 2020	$ 3,504	$ 5,955	$ (3,784)	$ 5,675	$ 7	$ 5,682
Comprehensive income, net	—	27	103	130	—	130
Dividends declared to parent	—	(57)	—	(57)	—	(57)
Transfers from parent	11	—	—	11	—	11
Distributions to noncontrolling interests	—	—	—	—	(3)	(3)
Balance at June 30, 2020	$ 3,515	$ 5,925	$ (3,681)	$ 5,759	$ 4	$ 5,763

	Additional Paid-in Capital	Retained Earnings	AOCL[1]	Xerox Shareholder's Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2020	$ 4,879	$ 5,834	$ (3,332)	$ 7,381	$ 4	$ 7,385
Comprehensive income, net	—	137	67	204	—	204
Dividends declared to parent	—	(559)	—	(559)	—	(559)
Intercompany loan capitalization[3]	(1,494)	—	—	(1,494)	—	(1,494)
Transfers from parent	18	—	—	18	—	18
Investment from noncontrolling interests[2]	1	—	—	1	4	5
Balance at June 30, 2021	$ 3,404	$ 5,412	$ (3,265)	$ 5,551	$ 8	$ 5,559

	Additional Paid-in Capital	Retained Earnings	AOCL[1]	Xerox Shareholder's Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2019	$ 3,266	$ 6,247	$ (3,646)	$ 5,867	$ 7	$ 5,874
Comprehensive income (loss), net	—	25	(35)	(10)	—	(10)
Dividends declared to parent	—	(347)	—	(347)	—	(347)
Transfers from parent	249	—	—	249	—	249
Distributions to noncontrolling interests	—	—	—	—	(3)	(3)
Balance at June 30, 2020	$ 3,515	$ 5,925	$ (3,681)	$ 5,759	$ 4	$ 5,763

(1) Refer to Note 18 - Other Comprehensive Income (Loss) for the components of AOCL.
(2) Refer to Note 5 - Acquisitions and Investments for additional information regarding this noncontrolling investment.
(3) Refer to Note 12 - Debt for information regarding capitalization of balance to Intercompany Loan with Xerox Holdings Corporation.

Note 18 - Other Comprehensive Income (Loss)

Other Comprehensive Income (Loss) is comprised of the following:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Translation Adjustments Gains (Losses)	$ 55	$ 54	$ 26	$ 25	$ 3	$ 3	$ (178)	$ (172)
Unrealized (Losses) Gains								
Changes in fair value of cash flow hedges (losses) gains	(2)	(1)	(3)	(1)	(12)	(9)	4	3
Changes in cash flow hedges reclassed to earnings(1)	2	1	(2)	(1)	3	2	(1)	—
Net Unrealized (Losses) Gains	—	—	(5)	(2)	(9)	(7)	3	3
Defined Benefit Plans Gains (Losses)								
Net actuarial/prior service gains	23	17	98	73	66	49	86	64
Prior service amortization(2)	(17)	(13)	(20)	(15)	(34)	(25)	(39)	(29)
Actuarial loss amortization/settlement(2)	31	23	33	26	66	49	73	56
Other (losses) gains(3)	(11)	(11)	(4)	(4)	(2)	(2)	43	43
Changes in Defined Benefit Plans Gains	26	16	107	80	96	71	163	134
Other Comprehensive Income (Loss) Attributable to Xerox Holdings/Xerox	$ 81	$ 70	$ 128	$ 103	$ 90	$ 67	$ (12)	$ (35)

(1) Reclassified to Cost of sales - refer to Note 13 - Financial Instruments for additional information regarding our cash flow hedges.
(2) Reclassified to Total Net Periodic Benefit Cost - refer to Note 15 - Employee Benefit Plans for additional information.
(3) Primarily represents currency impact on cumulative amount of benefit plan net actuarial losses and prior service credits in AOCL.

Accumulated Other Comprehensive Loss (AOCL)

AOCL is comprised of the following:

	June 30, 2021	December 31, 2020
Cumulative translation adjustments	$ (1,717)	$ (1,720)
Other unrealized (losses) gains, net	(5)	2
Benefit plans net actuarial losses and prior service credits	(1,543)	(1,614)
Total Accumulated Other Comprehensive Loss Attributable to Xerox Holdings/Xerox	$ (3,265)	$ (3,332)

Note 19 – Earnings per Share

(shares in thousands)

The following table sets forth the computation of basic and diluted earnings per share of Xerox Holdings Corporation's common stock:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Basic Earnings per Share				
Net Income Attributable to Xerox Holdings	$ 91	$ 27	$ 130	$ 25
Accrued dividends on preferred stock	(3)	(3)	(7)	(7)
Adjusted Net income available to common shareholders	$ 88	$ 24	$ 123	$ 18
Weighted average common shares outstanding	187,009	212,949	191,433	212,852
Basic Earnings per Share	$ 0.47	$ 0.11	$ 0.64	$ 0.08
Diluted Earnings per Share				
Net Income Attributable to Xerox Holdings	$ 91	$ 27	$ 130	$ 25
Accrued dividends on preferred stock	(3)	(3)	(7)	(7)
Adjusted Net income available to common shareholders	$ 88	$ 24	$ 123	$ 18
Weighted average common shares outstanding	187,009	212,949	191,433	212,852
Common shares issuable with respect to:				
Stock options	—	—	—	30
Restricted stock and performance shares	2,012	2,618	2,096	3,132
Convertible preferred stock	—	—	—	—
Adjusted weighted average common shares outstanding	189,021	215,567	193,529	216,014
Diluted Earnings per Share	$ 0.46	$ 0.11	$ 0.64	$ 0.08
The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive:				
Stock options	694	845	694	816
Restricted stock and performance shares	4,647	3,648	4,562	3,134
Convertible preferred stock	6,742	6,742	6,742	6,742
Total Anti-Dilutive Securities	12,083	11,235	11,998	10,692
Dividends per Common Share	$ 0.25	$ 0.25	$ 0.50	$ 0.50

Note 20 – Contingencies and Litigation

Legal Matters

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

Brazil Contingencies

Our Brazilian operations have received or been the subject of numerous governmental assessments related to indirect and other taxes. The tax matters principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our positions. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows. Below is a summary of our Brazilian tax contingencies:

	June 30, 2021	December 31, 2020
Tax contingency - unreserved	$ 392	$ 355
Escrow cash deposits	41	39
Surety bonds	112	112
Letters of credit	80	78
Liens on Brazilian assets	—	—

The increase in the unreserved portion of the tax contingency, inclusive of any related interest, was primarily related to currency and interest. With respect to the unreserved tax contingency, the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute, as well as, additional surety bonds and letters of credit, which include associated indexation. Generally, any escrowed amounts would be refundable and any liens on assets would be removed to the extent the matters are resolved in our favor. We are also involved in certain disputes with contract and former employees. Exposures related to labor matters are not material to the financial statements as of June 30, 2021 and December 31, 2020. We routinely assess all these matters as to the probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

Litigation Against the Company

Pending Litigation Relating to the Fuji Transaction:

1. Ribbe v. Jacobson, et al.:

On April 11, 2019, Carmen Ribbe filed a putative derivative and class action stockholder complaint in the Supreme Court of the State of New York for New York County, naming as defendants Xerox, current Board members Joseph J. Echevarria, Cheryl Gordon Krongard, Keith Cozza, Giovanni G. Visentin, Jonathan Christodoro, Nicholas Graziano, and A. Scott Letier, and former Board members Jeffrey Jacobson, William Curt Hunter, Robert J. Keegan, Charles Prince, Ann N. Reese, Stephen H. Rusckowski, Gregory Q. Brown, and Sara Martinez Tucker. Plaintiff previously filed a putative shareholder derivative lawsuit on May 24, 2018 against certain of these defendants, as well as others, in the same court; that lawsuit was dismissed without prejudice on December 6, 2018 (*"Ribbe I"*). The new complaint included putative derivative claims on behalf of Xerox for breach of fiduciary duty against the then members of the Xerox Board who approved Xerox's entry into agreements to settle shareholder actions filed in 2018 in the same court against Xerox, its then directors, and FUJIFILM Holdings Corporation ("Fujifilm") in connection with a proposed transaction announced in January 2018 to combine Xerox and Fuji Xerox (the "Fuji

Transaction”), including a consolidated putative class action, In re Xerox Corporation Consolidated Shareholder Litigation (“XCCSL”), and actions filed by Darwin Deason, Deason v. Fujifilm Holdings Corp., et al. and Deason v. Xerox Corporation, et al., against the same defendants as well as, in the first Deason action, former Xerox Chief Executive Officer Ursula M. Burns (the "Fuji Transaction Shareholder Lawsuits"). Plaintiff alleged that the settlements ceded control of the Board and the Company to Darwin Deason and Carl C. Icahn without a vote by, or compensation to, other Xerox stockholders; improperly provided certain benefits and releases to the resigning and continuing directors; and subjected Xerox to potential breach of contract damages in an action by Fuji relating to Xerox’s termination of the proposed Fuji Transaction. Plaintiff also alleged that the current Board members breached their fiduciary duties by allegedly rejecting plaintiff’s January 14, 2019 shareholder demand on the Board to remedy harms arising from entry into the Deason and XCCSL settlements. The new complaint further included direct claims for breach of fiduciary duty on behalf of a putative class of current Xerox stockholders other than Mr. Deason, Mr. Icahn, and their affiliated entities (the “Ribbe Class”) against the defendants for causing Xerox to enter into the Deason and XCCSL settlements, which plaintiff alleged perpetuated control of Xerox by Mr. Icahn and Mr. Deason and denied the voting franchise of Xerox shareholders. Among other things, plaintiff sought damages in an unspecified amount for the alleged fiduciary breaches in favor of Xerox against defendants jointly and severally; rescission or reformation of the Deason and XCCSL settlements; restitution of funds paid to the resigning directors under the Deason settlement; an injunction against defendants’ engaging in the alleged wrongful practices and equitable relief affording the putative Ribbe Class the ability to determine the composition of the Board; costs and attorneys’ fees; and other further relief as the Court may deem proper.

Defendants accepted service of the complaint as of May 16, 2019. On June 4, 2019, the Court entered an order setting a briefing schedule for defendants’ motions to dismiss the complaint. On July 12, 2019, plaintiff filed a motion to preclude defendants from referencing in their motions to dismiss the formation of, or work by, the committee of the Board established to investigate plaintiff’s shareholder demand. On July 18, 2019, the Court denied plaintiff’s motion and adjourned sine die the deadline by which defendants must file any motions to dismiss the complaint.

On January 6, 2020, plaintiff filed his first amended complaint (“FAC”). The FAC includes many of plaintiff’s original allegations regarding the 2018 shareholder litigation and settlements, as well as additional allegations, including, among others, that the members of the Special Committee of the Board that investigated plaintiff’s demand lacked independence and wrongfully refused to pursue the claims in the demand; allegations that an agreement announced in November 2019 for, among other things, the sale by Xerox of its interest in Fuji Xerox to Fujifilm and dismissal of Fujifilm’s breach of contract lawsuit against Xerox (the “FX Sale Transaction”), was unfavorable to Xerox; and allegations about a potential acquisition by Xerox of HP similar to those in the Miami Firefighters derivative action described below. In addition to the claims in the April 11, 2019 complaint, the FAC adds as defendants Carl C. Icahn, Icahn Capital LP, and High River Limited Partnership (the “Icahn defendants”) and asserts claims against those defendants and the Board similar to those in Miami Firefighters relating to the Icahn defendants’ purchases of HP stock allegedly with knowledge of material nonpublic information concerning Xerox’s potential acquisition of HP. In addition to the relief sought in Ribbe’s prior complaint, the FAC seeks relief similar to that sought in Miami Firefighters relating to the Icahn defendants’ alleged purchases of HP stock.

On January 21, 2020, plaintiff in the Miami Firefighters action filed a motion seeking to intervene in Ribbe and to have stayed, or alternatively, severed and consolidated with the Miami Firefighters action, any claims first filed in Miami Firefighters and later asserted by Ribbe. At a conference held on February 25, 2020, the Court denied the motion to intervene without prejudice. On March 6, 2020, plaintiff in the Miami Firefighters action renewed its motion. On July 23, 2020, after hearing oral argument, the Court issued an order denying the motion and setting certain case deadlines.

Discovery commenced. On August 7, 2020, Xerox, the director defendants, and the Icahn defendants filed separate motions to dismiss. On October 1, 2020, plaintiff filed a cross-motion seeking, among other relief, joinder of Xerox Holdings Corporation as a nominal defendant. Briefing on the motions to dismiss and plaintiff’s cross-motion was completed on October 16, 2020. On December 14, 2020, following oral argument, the Court issued a decision and order denying plaintiff’s cross-motion and granting defendants’ motions, dismissing the action in its entirety as to all defendants. Dismissal as to the Icahn defendants was conditioned on the filing of an affidavit, which the Icahn defendants filed on December 16, 2020, indicating whether defendant Icahn gained a profit or incurred a loss on purchases of HP stock during the relevant time period.

On January 13, 2021, plaintiff filed a notice of appeal of the December 14, 2020 dismissal order to the Appellate Division, First Department. Upon his application to the Appellate Division, plaintiff’s time to perfect the appeal of the December 14, 2020 dismissal order has been extended to September 13, 2021.

On April 7, 2021, plaintiff filed in the previously dismissed Ribbe I and XCCSL actions a motion seeking an award of attorneys' fees of $1.5 and a service award of $10 thousand for benefits he allegedly obtained for Xerox and its stockholders. On June 4, 2021, the Court granted plaintiff's fee application, in part, and awarded plaintiff attorneys' fees in the amount of $125 thousand in the dismissed actions. The Court denied plaintiff's request for a service award.

Xerox will vigorously defend against this matter. At this time, it is premature to make any conclusion regarding the probability of incurring material losses in this litigation. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or settlement, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment, or settlement occurs.

2. Miami Firefighters' Relief & Pension Fund v. Icahn, et al.:

On December 13, 2019, alleged shareholder Miami Firefighters' Relief & Pension Fund ("Miami Firefighters") filed a purported derivative complaint in New York State Supreme Court, New York County on behalf of Xerox Holdings Corporation ("Xerox Holdings") (as nominal defendant) against Carl Icahn and his affiliated entities High River Limited Partnership and Icahn Capital LP (the "Icahn defendants"), Xerox Holdings, and all current Xerox Holdings directors (the "Directors"). Plaintiff made no demand on the Board before bringing the action, but instead alleges that doing so would be futile because the Directors lack independence due to alleged direct or indirect relationships with Icahn. Among other things, the complaint alleges that Icahn controls and dominates Xerox Holdings and therefore owes a fiduciary duty of loyalty to Xerox Holdings, which he breached by acquiring HP stock at a time when he knew that Xerox Holdings was considering an offer to acquire HP or had knowledge of the "obvious merits" of such potential acquisition, and that the Icahn defendants' holdings of HP common stock have risen in market value by approximately $128 since disclosure of the offer. The complaint includes four causes of action: breach of fiduciary duty of loyalty against the Icahn defendants; breach of contract against the Icahn defendants (for purchasing HP stock in violation of Icahn's confidentiality agreement with Xerox Holdings); unjust enrichment against the Icahn defendants; and breach of fiduciary duty of loyalty against the Directors (for any consent to the Icahn defendants' purchases of HP common stock while Xerox Holdings was considering acquiring HP). The complaint seeks a judgment of breach of fiduciary duties against the Icahn defendants and the Directors; a declaration that Icahn breached his confidentiality agreement with Xerox Holdings; a constructive trust on Icahn Capital and High River's investments in HP securities; disgorgement to Xerox Holdings of profits Icahn Capital and High River earned from trading in HP stock; payment of unspecified damages by the Directors for breaching fiduciary duties; and attorneys' fees, costs, and other relief the Court deems just and proper. On January 15, 2020, the Court entered an order granting plaintiff's unopposed motion to consolidate with Miami Firefighters a similar action filed on December 26, 2019 by alleged shareholder Steven J. Reynolds against the same parties in the same court, and designating Miami Firefighters' counsel as lead counsel in the consolidated action. On January 21, 2020, plaintiff filed a motion seeking to intervene in Ribbe v. Jacobson, et al., described above, and to have stayed, or alternatively, severed and consolidated with this action, any claims first filed in this action and later asserted by Ribbe. At a conference held on February 25, 2020, the Court denied the motion to intervene without prejudice. On March 6, 2020, plaintiff in the Miami Firefighters action renewed its motion. On July 23, 2020, after hearing oral argument, the Court issued an order denying the motion and setting certain case deadlines.

Discovery has commenced. On August 10, 2020, the Xerox defendants and the Icahn defendants filed separate motions to dismiss. Briefing on the motions was completed on October 21, 2020. On December 14, 2020, following oral argument, the Court issued a decision and order granting defendants' motions and dismissing the action in its entirety as to all defendants. Dismissal as to the Icahn defendants was conditioned on the filing of an affidavit, which the Icahn defendants filed on December 16, 2020, indicating whether defendant Icahn gained a profit or incurred a loss on purchases of HP stock during the relevant time period.

On December 23, 2020, plaintiff filed a motion seeking discovery related to the Icahn defendants' losses resulting from their investment in HP. The motion was fully briefed on January 7, 2021. On January 15, 2021, the Court issued a decision and order denying the motion.

Also on January 15, 2021, plaintiff filed a notice of appeal of the December 14, 2020 dismissal order to the Appellate Division, First Department. On January 20, 2021, plaintiff filed a notice of appeal of the January 15, 2021 order denying its motion for discovery to the Appellate Division, First Department. On July 15, 2021, plaintiff filed its brief in connection with the appeals of the December 14, 2020 dismissal order and the January 15, 2021 discovery order.

Xerox Holdings will vigorously defend against this matter. At this time, it is premature to make any conclusion regarding the probability of incurring material losses in this litigation. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or settlement, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment, or settlement occurs.

Other Litigation

1. *Xerox Holdings Corporation v. Factory Mutual Insurance Company and Related Actions:*

On March 10, 2021, Xerox Holdings Corporation ("XHC") filed a complaint for breach of contract and declaratory judgment against Factory Mutual Insurance Company in Rhode Island Superior Court, Providence County seeking insurance coverage for business interruption losses resulting from the coronavirus/COVID-19 pandemic. The complaint alleges that defendant agreed to provide XHC with up to $1 billion in per-occurrence coverage for losses resulting from pandemic-related loss or damage to certain real and other property, including business interruption loss resulting from insured property damage; that the pandemic had inflicted significant physical loss or damage to property of XHC and its direct and indirect customers; that XHC's worldwide actual and projected losses through the end of 2020 totaled in excess of $300 (and is still increasing); and that following XHC's timely and proper claim in March 2020 for coverage under the "all risk" commercial property insurance policy it had purchased from defendant, defendant improperly denied and rejected coverage for most of the claim. The complaint seeks a jury trial, a declaratory judgment against defendant declaring that Xerox is entitled to full coverage of costs and losses under defendant's policy and declaring that defendant is required to pay for such costs and losses, subject to any applicable limits; damages in an amount to be determined at trial; consequential damages; attorneys' fees and costs; pre- and post-judgment interest; and other relief the Court deems just and proper. Also on March 10, 2021, subsidiaries of XHC filed similar complaints and related requests for arbitration in Toronto, London, and Amsterdam (see below).

XHC consented to defendant's request for an extension of its time in which to answer or otherwise respond to the complaint. The parties consented to assignment to the Court's business calendar. At an initial conference on April 8, 2021, both parties informed the Court that they anticipate filing motions for judgment on the pleadings. On May 6, 2021, FMG filed its answer to the complaint. The parties thereafter agreed to stay all non-U.S. proceedings pending the outcome of the U.S. litigation.

a. *Canadian action*

On March 10, 2021, plaintiffs Xerox Canada Inc. and Xerox Canada Ltd. filed a Notice of Action against Factory Mutual Insurance Company in the Ontario Superior Court of Justice in Toronto. On April 9, 2021, plaintiffs filed their Statement of Claim. Plaintiffs must serve both filings by September 10, 2021.

The parties have executed a tolling agreement and will seek an order from the Court staying the action on consent.

b. *UK action*

On March 10, 2021, plaintiffs Concept Group Limited, Continua Limited, Xerox Limited, and Xerox UK Limited filed a Claim Form against F.M. Insurance Company Limited in the High Court of Justice, Commercial Court, in London. Also on March 10, 2021, plaintiffs submitted two Requests for Arbitration, which were withdrawn after the parties agreed on March 31, 2021 that both liability and quantum of plaintiffs' claims would be litigated in the Commercial Court proceeding.

On May 20, 2021, the Court entered an order on consent of the parties for a stay of nine months and extensions of 11 and 14 months, respectively, of plaintiffs' deadline to file and serve their Particulars of Claim and FMG's deadline to file and serve its Defense.

c. *Netherlands action*

On March 10, 2021, plaintiffs Xerox Corporation and 20 of its European subsidiaries filed a Writ of Summons against FM Insurance Europe S.A. in the Amsterdam District Court. Also on March 10, 2021, plaintiffs submitted a Request for Arbitration, which was withdrawn after the parties agreed on April 12, 2021, that both liability and quantum of plaintiffs' claims would be litigated in the District Court proceeding.

The parties are in the process of executing a tolling agreement to stay the District Court proceeding until full and final resolution of the U.S. litigation.

Guarantees

We have issued or provided approximately $306 of guarantees as of June 30, 2021 in the form of letters of credit or surety bonds issued to i) support certain insurance programs; ii) support our obligations related to the Brazil contingencies; and iii) support certain contracts, primarily with public sector customers, which require us to provide a surety bond as a guarantee of our performance of contractual obligations.

In general, we would only be liable for the amount of these guarantees in the event we defaulted in performing our obligations under each contract; the probability of which we believe is remote. We believe that our capacity in the surety markets as well as under various credit arrangements (including our Credit Facility) is sufficient to allow us to respond to future requests for proposals that require such credit support.

ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Throughout the Management's Discussion and Analysis (MD&A), references to "Xerox Holdings" refer to Xerox Holdings Corporation and its consolidated subsidiaries while references to "Xerox" refer to Xerox Corporation and its consolidated subsidiaries. References herein to "we," "us," "our," the "Company" refer collectively to both Xerox Holdings and Xerox unless the context suggests otherwise. References to "Xerox Holdings Corporation" refer to the stand-alone parent company and do not include its subsidiaries. References to "Xerox Corporation" refer to the stand-alone company and do not include its subsidiaries.

Currently, Xerox Holdings' primary direct operating subsidiary is Xerox and Xerox reflects nearly all of Xerox Holdings' operations. Accordingly, the following MD&A primarily focuses on the operations of Xerox and is intended to help the reader understand Xerox's business and its results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, the Condensed Consolidated Financial Statements and the accompanying notes. Throughout this MD&A, references are made to various notes in the Condensed Consolidated Financial Statements which appear in Item 1 of this Quarterly Report on Form 10-Q, and the information contained in such notes is incorporated by reference into the MD&A in the places where such references are made.

Xerox Holdings' other direct operating subsidiary is CareAR, Inc. (CareAR), an SaaS solutions provider, which was acquired in 2020. CareAR incurred $5 million and $7 million of costs and expenses for the three and six months ended June 30, 2021, respectively. Due to their immaterial nature, and for ease of discussion, CareAR's expenses are included in this discussion with Xerox's costs and expenses.

Currency Impact

To understand the trends in the business, we believe that it is helpful to analyze the impact of changes in the translation of foreign currencies into U.S. Dollars on revenue and expenses. We refer to this analysis as "constant currency", "currency impact" or "the impact from currency." This impact is calculated by translating current period activity in local currency using the comparable prior year period's currency translation rate. This impact is calculated for all countries where the functional currency is the local country currency. We do not hedge the translation effect of revenues or expenses denominated in currencies where the local currency is the functional currency. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

Impact of COVID-19 on Our Business Operations

In response to the COVID-19 pandemic, we continue to prioritize the health and safety of our employees, customers and partners and support their needs so they can perform their work flawlessly, whether in the office or a remote location.

During the second quarter 2021, our business continued to be impacted by the pandemic. However, we saw a continued gradual recovery of our revenues in the quarter as businesses gained confidence in the control of the pandemic and as a result invested in new printing technology and services. We continued to see a positive correlation between the roll-out of vaccinations, the return of employees to the office, and the gradual recovery of our page-volume driven post sale revenues. We expect that measures to control the pandemic and expand economic activity will result in a moderate economic improvement in 2021. However, in the near term, the recovery may be uneven and affected by the emergence of new variants of the COVID-19 virus which could result in a resurgence of cases in various countries and regions.

We have a strong balance sheet and sufficient liquidity, including approximately $2.1 billion of cash and cash equivalents and access to our undrawn $1.8 billion revolver. With our Project Own It transformation and cost savings, we have built a leaner and more flexible cost structure. We also continue to focus our efforts on incremental actions to prioritize and preserve cash as we manage through the pandemic. These actions include the continued reduction of discretionary spend such as near-term targeted marketing programs and the suspension of 401(k) matching contributions. In addition, in response to the COVID-19 pandemic, various governments continue to employ temporary measures to provide aid and economic stimulus directly to companies through cash grants and credits or indirectly through payments to temporarily furloughed employees. We recognized savings from the use of such measures in the U.S., Canada and Europe. We continue to monitor government programs and actions being implemented or expected to be implemented to counter the economic impacts of the COVID-19 pandemic.

The savings from government assistance were recorded as follows in the Condensed Consolidated Statements of Income:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of services, maintenance and rentals	$ 6	$ 40	$ 13	$ 40
Research, development and engineering expenses	—	1	—	1
Selling, administrative and general expenses	4	19	7	19
Total Estimated savings	$ 10	$ 60	$ 20	$ 60

Overview

Second Quarter 2021 Review

Total revenue of $1.79 billion for second quarter 2021 increased 22.4% from second quarter 2020, including a 4.3-percentage point favorable impact from currency. The increase in revenue reflected an increase of 18.1% in Post sale revenue, including a 4.3-percentage point favorable impact from currency and an increase of 38.4% in Equipment sales revenue, including a 4.4-percentage point favorable impact from currency.

Total revenue of $3.50 billion for the six months ended June 30, 2021 increased 5.4% as compared to the prior year period, including a 3.3-percentage point favorable impact from currency. The increase in revenue reflected an increase of 0.1% in Post sale revenue, including a 3.1-percentage point favorable impact from currency and an increase of 27.6% in Equipment sales revenue, including a 3.7-percentage point favorable impact from currency.

The increase in revenue for the three and six months ended June 30, 2021 reflected the significant effect of the COVID-19 pandemic in the respective prior year periods, which caused business closures and office building capacity restrictions that impacted our customers' purchasing decisions in 2020 and drove lower printing volumes on our devices.

Net income attributable to Xerox Holdings and adjusted[1] Net income attributable to Xerox Holdings were as follows:

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	B/(W)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	B/(W)
Net income attributable to Xerox Holdings	$ 91	$ 27	$ 64	$ 130	$ 25	$ 105
Adjusted(1) Net income attributable to Xerox Holdings	94	36	58	141	86	55

Second quarter 2021 Net income attributable to Xerox Holdings increased $64 million as compared to second quarter 2020 primarily due to higher revenues as compared to the prior year period, as well as lower Transaction and related costs, net, non-service retirement-related costs and the benefit from a change in tax law, which were partially offset by higher Restructuring and related costs, net, Amortization of intangible assets and non-financing interest expense. Second quarter 2021 Adjusted[1] net income attributable to Xerox Holdings increased $58 million as compared to the prior year, primarily reflecting higher revenues as well continued cost and expense reductions associated with our Project Own It transformation actions and lower bad debt expense, which helped to improve operating income and margin. These benefits were partially offset by reduced temporary government assistance and furlough measures and higher freight costs as well as higher non-financing interest expense.

Net income attributable to Xerox Holdings for the six months ended June 30, 2021 increased $105 million as compared to the prior year period primarily due to higher revenues and lower bad debt expense, as the prior year period included a $60 million incremental provision to cover estimated write-offs on our trade and finance receivable portfolio from the COVID-19 pandemic, as well as lower Transaction and related costs, net, non-service retirement-related costs, Restructuring and related costs, net and the benefit from a change in tax law in second quarter 2021. These benefits were partially offset by reduced temporary government assistance and furlough measures, as well as higher Amortization of intangible assets and higher non-financing interest expense. Adjusted[1] net income attributable to Xerox Holdings for the six months ended June 30, 2021 increased $55 million as compared to the prior year, primarily due to higher revenues and lower bad debts expense. These benefits were partially offset by reduced temporary government assistance and furlough measures as well higher non-financing interest expense.

Cash flows provided by operating activities for the six months ended June 30, 2021 were $331 million, as compared to $207 million in the prior year period, which includes the receipt of an upfront prepaid fixed royalty from FUJIFILM Business Innovation Corp. (formerly Fuji Xerox) (FX) of $100 million, partially offset by a lower run-off of finance receivables and cash from working capital, net[2]. Cash used in investing activities for the six months ended June 30, 2021 was $72 million reflecting capital expenditures of $33 million and acquisitions of $37 million. Cash used in financing activities for the six months ended June 30, 2021 was $747 million reflecting $413 million for repurchases of our Common Stock, payments of $209 million on secured borrowing arrangements and dividend payments of $108 million.

2021 Outlook

We continue to expect a modest recovery in 2021 and expect full year total revenues to increase to at least $7.2 billion, or approximately 2.5%, excluding the impact of currency. We are confident in our ability to generate cash and plan to continue our capital allocation policy of returning at least 50% of our annual free cash flow to shareholders, as disclosed in our 2020 Annual Report. We expect operating cash flows to be approximately $600 million, with capital expenditures of approximately $100 million and plan to opportunistically make share repurchases utilizing our remaining share repurchase authorization of approximately $88 million.

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(1) See the "Non-GAAP Financial Measures" section for an explanation of the non-GAAP financial measure.
(2) Working capital, net reflects Accounts receivable, net, Inventories and Accounts payable.

Financial Review

Revenues

	Three Months Ended June 30,				Six Months Ended June 30,				% of Total Revenue	
(in millions)	2021	2020	% Change	CC % Change	2021	2020	% Change	CC % Change	2021	2020
Equipment sales	$ 429	$ 310	38.4 %	34.0 %	$ 810	$ 635	27.6 %	23.9 %	23 %	19 %
Post sale revenue	1,364	1,155	18.1 %	13.8 %	2,693	2,690	0.1 %	(3.0)%	77 %	81 %
Total Revenue	$ 1,793	$ 1,465	22.4 %	18.1 %	$ 3,503	$ 3,325	5.4 %	2.1 %	100 %	100 %
Reconciliation to Condensed Consolidated Statements of Income:										
Sales	$ 670	$ 460	45.7 %	40.7 %	$ 1,272	$ 1,025	24.1 %	20.6 %		
Less: Supplies, paper and other sales	(241)	(150)	60.7 %	54.4 %	(462)	(390)	18.5 %	15.3 %		
Equipment sales	$ 429	$ 310	38.4 %	34.0 %	$ 810	$ 635	27.6 %	23.9 %		
Services, maintenance and rentals	$ 1,067	$ 949	12.4 %	8.3 %	$ 2,120	$ 2,185	(3.0)%	(6.1)%		
Add: Supplies, paper and other sales	241	150	60.7 %	54.4 %	462	390	18.5 %	15.3 %		
Add: Financing	56	56	— %	(3.4)%	111	115	(3.5)%	(6.1)%		
Post sale revenue	$ 1,364	$ 1,155	18.1 %	13.8 %	$ 2,693	$ 2,690	0.1 %	(3.0)%		
Americas	$ 1,133	$ 990	14.4 %	12.7 %	$ 2,209	$ 2,229	(0.9)%	(1.8)%	63 %	67 %
EMEA	617	428	44.2 %	33.2 %	1,204	1,003	20.0 %	11.5 %	34 %	30 %
Other	43	47	(8.5)%	(8.5)%	90	93	(3.2)%	(3.2)%	3 %	3 %
Total Revenue[(1)]	$ 1,793	$ 1,465	22.4 %	18.1 %	$ 3,503	$ 3,325	5.4 %	2.1 %	100 %	100 %

CC - See "Currency Impact" section for a description of Constant Currency.
(1) Refer to the "Geographic Sales Channels and Products and Offerings Definitions" section.

Second quarter 2021 total revenue increased 22.4% as compared to second quarter 2020, including a 4.3-percentage point favorable impact from currency, while total revenue for the six months ended June 30, 2021 increased 5.4% as compared to the prior year period, including a 3.3-percentage point favorable impact from currency and an approximate 0.7-percentage point favorable impact from recent partner dealer acquisitions. The increase for both the three and six months ended June 30, 2021 reflected the significant effect of the COVID-19 pandemic in the prior year, which at that time caused business closures and office building capacity restrictions that drove lower printing volumes on our devices and impacted our customers' purchasing decisions. Business closures and limited office occupancy continue to affect our revenues. However, the progress of vaccinations and the gradual reopening of workplaces in second quarter 2021 have resulted in higher installations of Mid-range devices to near pre-pandemic levels, as well as a continued modest sequential increase in our page volumes (as compared to first quarter 2021). Improvements in total revenue for both the three and six months ended June 30, 2021 were partially offset by the impact of global freight disruptions and product supply constraints that started in the second quarter of 2021 (the result of market-wide shortages of computer chips and resins).

Geographically, revenue increased more significantly in our EMEA operations for both the three and six months ended June 30, 2021, partially due to the region's more expansive shutdown in the prior year and its larger indirect channel business, which in the prior year experienced a significant reduction of inventory purchases from channel partners seeking to protect their liquidity amidst market uncertainty. EMEA also benefited from a faster recovery of SMB businesses, while our North American operations include a higher proportion of Education, State and Local government and Enterprise customers who are experiencing a slower pace of return to workplaces. Our EMEA revenues were also favorably impacted by prior year acquisitions in the region.

Total revenue for the three and six months ended June 30, 2021 reflected the following:

Post sale revenue

Post sale revenue primarily reflects contracted services, equipment maintenance, supplies and financing. These revenues are associated not only with the population of devices in the field, which are affected by installs and removals, but also by the page volumes generated from the usage of such devices and the revenue per printed page. Post sale revenue also includes transactional IT hardware sales and implementation services primarily from our XBS organization in the U.S.

For the three months ended June 30, 2021, Post sale revenue increased 18.1% as compared to second quarter 2020, including a 4.3-percentage point favorable impact from currency, while Post Sale revenues increased 0.1% for the six months ended June 30, 2021, including a 3.1-percentage point favorable impact from currency. The increases in Post Sale revenue correspond with the gradual reopening of workplaces. Post sale revenue reflected the following:

- **Services, maintenance and rentals revenue** includes rental and maintenance revenue (including bundled supplies) as well as the post sale component of the document services revenue from our Xerox Services offerings. While these revenues are contractual in nature, our bundled services contracts generally include a minimum fixed charge and a significant variable component based on print volumes.
    - For the three months ended June 30, 2021, these revenues increased 12.4% as compared to second quarter 2020, including a 4.1-percentage point favorable impact from currency, reflecting the impact of higher page volumes, corresponding with the reopening of workplaces, which more than offset the effect of a lower population of devices (which is partially associated with lower installs in prior periods), and an ongoing competitive price environment.
    - For the six months ended June 30, 2021, these revenues decreased 3.0% as compared to the prior year period, including a 3.1-percentage point favorable impact from currency, reflecting a lower population of devices (which is partially associated with lower installs in prior periods), an ongoing competitive price environment, and lower page volumes during first quarter 2021 (including a higher mix of lower average-page-volume products) as business shutdowns only started at the end of first quarter 2020.
- **Supplies, paper and other sales** includes unbundled supplies and other sales.
    - For the three months ended June 30, 2021, these revenues increased 60.7% as compared to second quarter 2020, including a 6.3-percentage point favorable impact from currency, reflecting primarily higher supplies revenues consistent with the gradual reopening of workplaces which drove higher demand.
    - For the six months ended June 30, 2021, these revenues increased 18.5% as compared to the prior year period, including a 3.2-percentage point favorable impact from currency, reflecting primarily higher supplies revenues.
- **Financing revenue** is generated from financed equipment sale transactions. For the three months ended June 30, 2021, these revenues were flat as compared to second quarter 2020, including a 3.4-percentage point favorable impact from currency, while Financing revenue for the six months ended June 30, 2021 decreased 3.5%, including a 2.6-percentage point favorable impact from currency. The decrease at constant currency[1] reflected a lower finance receivables balance due to lower equipment sales in prior periods. Our lease originations increased for both the three and six months ended June 30, 2021 as compared to the respective prior year periods, as well as on a sequential basis for the second quarter 2021 as compared to the first quarter 2021, due to a higher level of lease originations from our XBS sales unit as well as higher equipment sales.

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

Equipment sales revenue

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	% Change	CC % Change	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	% Change	CC % Change	% of Equipment Sales 2021	% of Equipment Sales 2020
Entry	$ 69	$ 44	56.8%	54.0%	$ 137	$ 92	48.9%	44.5%	17%	15%
Mid-range	276	195	41.5%	37.0%	514	401	28.2%	24.8%	63%	63%
High-end	80	67	19.4%	14.4%	150	134	11.9%	8.3%	19%	21%
Other	4	4	—%	—%	9	8	12.5%	12.5%	1%	1%
Equipment sales	$ 429	$ 310	38.4%	34.0%	$ 810	$ 635	27.6%	23.9%	100%	100%

CC - See "Currency Impact" section for a description of Constant Currency.
Note: During first quarter 2021, we revised the classification of equipment sales revenue by category for our XBS sales unit. Refer to the Equipment Sales Revenue - Classification Update section, for the revision of prior periods based on the new classification.

Equipment sales revenue increased 38.4% for the three months ended June 30, 2021 as compared to second quarter 2020, including a 4.4-percentage point favorable impact from currency partially offset by the impact of price declines of less than 5%, while for the six months ended June 30, 2021, Equipment sales revenue increased 27.6% as compared to the prior year period, including a 3.7-percentage point favorable impact from currency partially offset by the impact of price declines of less than 5%. The increase is partially the result of a favorable compare to the three and six month ended June 30, 2020, when businesses were extensively shut down due to the COVID-19 pandemic. Equipment sales revenue increased at a higher pace through our indirect channels, both in the U.S. and EMEA, as demand continued to increase with business reopenings. Sales of office-centric devices led the increase of these revenues (as businesses re-open and prepare for a broader return to the office), while sales of high-end production systems, which demand larger capital investments, had a more moderate increase. Equipment sales were significantly impacted by global freight disruptions and product supply constraints (the result of market-wide shortages of computer chips and resins) which resulted in a backlog of orders at the end of the second quarter 2021 that increased over the first quarter 2021 and was significantly above prior year and pre-pandemic levels. The growth at constant currency[1] reflected the following:

- **Entry** - The increase for the three months ended June 30, 2021 as compared to second quarter 2020, was driven by higher demand for our printers and MFPs through our indirect channels in EMEA and the Americas, which resulted in markedly higher installations of Entry devices. While sales increased across this portfolio, we experienced an unfavorable mix from significantly higher sales of our lower-end black-and-white devices. The increase for the six months ended June 30, 2021 as compared to the prior year period, was driven primarily by higher demand for our lower-end printers and MFPs through our indirect channels in EMEA and the Americas, as well as higher installs related to government deals in the developing regions of EMEA, which resulted in markedly higher installations of Entry devices. While sales increased across this portfolio, we experienced an unfavorable mix from significantly higher sales of our lower-end black-and-white devices.
- **Mid-range** - The increase for the three months ended June 30, 2021 as compared to second quarter 2020, was driven primarily by higher demand across geographies, consistent with the gradual reopening of workplaces as well as improved activity from our indirect channels as they moderately eased their tight cash preservation measures to rebuild their inventories. The increase for the six months ended June 30, 2021 as compared to the prior year period, was also driven primarily by higher demand across geographies, consistent with the gradual reopening of workplaces, as compared to business shutdowns that reduced purchases of office devices in the prior year period, as well as higher demand for our MFP devices and improved activity from our indirect channels.
- **High-end** - The increase for the three months ended June 30, 2021 as compared to second quarter 2020, primarily reflected improvement in sales of devices in the lower-end of the range and to SMB customers, as well as sales of black-and-white systems corresponding with our customers' refresh cycles. Sales of larger color production engines, while higher than the second quarter 2020, had a more moderate increase, as a result of our customers' delayed capital investment decisions as they assess their post-pandemic operational print requirements. The increase for the six months ended June 30, 2021 as compared to the prior year period, reflected primarily improvement in sales of devices in the lower-end of the range and to SMB customers, as well as sales of black-and-white systems corresponding with our customers' refresh cycles, while sales of larger color production engines continued to be depressed as a result of our customers' delayed capital investment decisions.

Total Installs

Installs reflect new placement of devices only (i.e., measure does not take into account removal of devices which may occur as a result of contract renewals or cancellations). Revenue associated with equipment installations may be reflected up-front in Equipment sales or over time either through rental income or as part of our services revenues (which are both reported within our Post sale revenues), depending on the terms and conditions of our agreements with customers. Installs include activity from Xerox and non-Xerox branded products installed by our XBS sales unit. Detail by product group (see ***Geographic Sales Channels and Products and Offerings Definitions***) is shown below.

Installs for the three months ended June 30, 2021:

Entry

- 19% increase in color multifunction devices reflecting higher installs of ConnectKey devices through our indirect channels primarily in EMEA, as well as in the Americas.
- 63% increase in black-and-white multifunction devices reflecting higher activity primarily from low-end devices through indirect channels in developing regions of EMEA and Latin America.

Mid-Range[(1)]

- 62% increase in mid-range color installs primarily reflecting higher installs of our recently launched new-generation of ConnectKey multi-function printers and our PrimeLink entry-production color devices.
- 36% increase in mid-range black-and-white installs reflecting higher installs of our recently launched new-generation of ConnectKey multi-function devices and our PrimeLink light-production devices.

High-End[(1)]

- 27% increase in high-end color installs primarily reflecting growth from our lower-end Versant devices.
- 47% increase in high-end black-and-white systems reflecting higher installs of our Nuvera devices related to cyclical account refreshes in the U.S.

Installs for the six months ended June 30, 2021:

Entry

- 13% increase in color multifunction devices reflecting higher installs of ConnectKey devices through our indirect channels in EMEA and the Americas.
- 80% increase in black-and-white multifunction devices reflecting higher activity primarily from low-end devices through indirect channels in the Americas, and from developing regions in EMEA, which included large order government deals.

Mid-Range[(1)]

- 35% increase in mid-range color installs primarily reflecting higher installs of our recently launched new-generation of ConnectKey multi-function printers and our PrimeLink entry-production color devices.
- 24% increase in mid-range black-and-white installs reflecting higher installs of our recently launched new-generation of ConnectKey multi-function devices and our PrimeLink light-production devices.

High-End[(1)]

- 36% increase in high-end color installs reflecting primarily growth from our lower-end Versant devices and our Iridesse systems partially offset by lower installs of our higher-end production presses.
- 33% increase in high-end black-and-white systems reflecting higher installs of our Nuvera devices related to cyclical account refreshes in the U.S.

(1) Mid-range and High-end color installations exclude FX digital front-end sales in 2020. When we include these sales in 2020, installs of Mid-range color devices increased 63% and 35%, respectively, and High-end color systems increased 25% and 34%, respectively, for the three and six months ended June 30, 2021.

Geographic Sales Channels and Products and Offerings Definitions

Our business is aligned to a geographic focus and is primarily organized on the basis of go-to-market sales channels, which are structured to serve a range of customers for our products and services. In 2019 we changed our geographic structure to create a more streamlined, flatter and more effective organization, as follows:

- Americas, which includes our sales channels in the U.S. and Canada, as well as Mexico, and Central and South America.
- EMEA, which includes our sales channels in Europe, the Middle East, Africa and India.
- Other, primarily includes sales to and royalties from FX, and our licensing revenue.

Our products and offerings include:

- “Entry”, which includes A4 devices and desktop printers. Prices in this product group can range from approximately $150 to $3,000.
- “Mid-Range”, which includes A3 Office and Light Production devices that generally serve workgroup environments in mid to large enterprises. Prices in this product group can range from approximately $2,000 to $75,000+.
- “High-End”, which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises. Prices for these systems can range from approximately $30,000 to $1,000,000+.

Equipment Sales Revenue - Classification Update

During first quarter 2021, we revised the classification of equipment sales revenue by category for our XBS sales unit to conform the classification of devices across Xerox sales channels. The revision had no impact on reported total equipment sales revenue.

	2020 Equipment Sales Revenue As Reported				
(in millions)	Q1	Q2	Q3	Q4	FY
Entry	$ 40	$ 34	$ 55	$ 59	$ 188
Mid-range	218	209	291	325	1,043
High-end	64	64	69	115	312
Other	3	3	4	11	21
Equipment Sales Revenue	$ 325	$ 310	$ 419	$ 510	$ 1,564

	Change				
(in millions)	Q1	Q2	Q3	Q4	FY
Entry	$ 8	$ 10	$ 11	$ 11	$ 40
Mid-range	(12)	(14)	(15)	(16)	(57)
High-end	3	3	3	4	13
Other	1	1	1	1	4
Equipment Sales Revenue	$ —	$ —	$ —	$ —	$ —

	2020 Equipment Sales Revenue As Revised				
(in millions)	Q1	Q2	Q3	Q4	FY
Entry	$ 48	$ 44	$ 66	$ 70	$ 228
Mid-range	206	195	276	309	986
High-end	67	67	72	119	325
Other	4	4	5	12	25
Equipment Sales Revenue	$ 325	$ 310	$ 419	$ 510	$ 1,564

Costs, Expenses and Other Income

Summary of Key Financial Ratios

The following is a summary of key financial ratios used to assess our performance:

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Three Months Ended June 30, B/(W)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Six Months Ended June 30, B/(W)
Gross Profit	$ 639	$ 564	$ 75	$ 1,250	$ 1,276	$ (26)
RD&E	79	76	(3)	153	160	7
SAG	434	426	(8)	882	967	85
Equipment Gross Margin	28.1 %	28.8 %	(0.7) pts.	28.0 %	27.5 %	0.5 pts.
Post sale Gross Margin	38.1 %	41.1 %	(3.0) pts.	38.0 %	40.9 %	(2.9) pts.
Total Gross Margin	35.6 %	38.5 %	(2.9) pts.	35.7 %	38.4 %	(2.7) pts.
RD&E as a % of Revenue	4.4 %	5.2 %	0.8 pts.	4.4 %	4.8 %	0.4 pts.
SAG as a % of Revenue	24.2 %	29.1 %	4.9 pts.	25.2 %	29.1 %	3.9 pts.
Pre-tax Income	$ 99	$ 35	$ 64	$ 152	$ 30	$ 122
Pre-tax Income Margin	5.5 %	2.4 %	3.1 pts.	4.3 %	0.9 %	3.4 pts.
Adjusted(1) Operating Profit	$ 126	$ 62	$ 64	$ 215	$ 149	$ 66
Adjusted(1) Operating Margin	7.0 %	4.2 %	2.8 pts.	6.1 %	4.5 %	1.6 pts.

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

Pre-tax Income Margin

Second quarter 2021 pre-tax income margin of 5.5% increased 3.1-percentage points as compared to second quarter 2020. The increase primarily reflected the impact of higher adjusted[1] operating margin (see below) as well as lower Transaction and related costs, net and Other expenses, net, partially offset by higher Restructuring and related costs, net and Amortization of intangible assets.

Pre-tax income margin for the six months ended June 30, 2021 of 4.3% increased 3.4-percentage points as compared to the prior year period. The increase primarily reflected the impact of higher adjusted[1] operating margin (see below) as well as lower Restructuring and related costs, net, Transaction and related costs, net and Other expenses, net, partially offset by higher Amortization of intangible assets.

Adjusted[1] Operating Margin

Second quarter 2021 adjusted[1] operating margin of 7.0% increased by 2.8-percentage points as compared to second quarter 2020, reflecting the impact of higher revenues, primarily due to the significant effect of the COVID-19 pandemic on our business during the prior year period, as well as cost and expense reductions associated with our Project Own It transformation actions and additional savings from various other cost reductions to mitigate the impact of the pandemic (including reductions in discretionary spend such as near-term targeted marketing programs, and the suspension of 401(k) matching contributions), and lower bad debt expenses. These favorable factors were partially offset by an approximate $50 million reduction of temporary government assistance and furlough measures and higher freight costs.

Adjusted[1] operating margin for the six months ended June 30, 2021 of 6.1% increased by 1.6-percentage points as compared to the prior year period, reflecting an approximate 2.1-percentage point favorable impact from lower bad debt expense due to a higher provision in the prior year to reflect the expected impact to our trade and finance receivable portfolio from the COVID-19 pandemic. Additionally, higher revenues favorably impacted adjusted[1] operating margin, primarily due to the significant effect of the COVID-19 pandemic on our business during the prior year period, as well as cost and expense reductions associated with our Project Own It transformation actions and additional savings from various other cost reductions to mitigate the impact of the pandemic (including reductions in discretionary spend such as near-term targeted marketing programs, and the suspension of 401(k) matching contributions). These favorable factors were partially offset by an approximate $40 million reduction of temporary government assistance and furlough measures and higher freight costs.

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

Gross Margin

Second quarter 2021 gross margin of 35.6% decreased by 2.9-percentage points as compared to second quarter 2020, reflecting the impact of lower savings from temporary government assistance and furlough measures as well as higher freight costs and the impact of the ongoing competitive price environment, partially offset by higher revenue and cost savings from our Project Own It transformation actions as well as the additional cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as the suspension of 401(k) matching contributions).

Gross margin for the six months ended June 30, 2021 of 35.7% decreased by 2.7-percentage points as compared to the prior year period, reflecting the impact of lower savings from temporary government assistance and furlough measures and the impact of the ongoing competitive price environment, as well as the impact of a lower mix of our higher-margin post sale stream and higher freight costs. These headwinds were partially offset by the cost savings from our Project Own It transformation actions as well as the additional cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as the suspension of 401(k) matching contributions).

Second quarter 2021 equipment gross margin of 28.1% decreased by 0.7-percentage points as compared to second quarter 2020, reflecting higher freight costs, the impact of targeted price promotions sales and the higher mix of sales from our EMEA channel, partially offset by higher revenue and a larger contribution from our mid-range product portfolio.

Equipment gross margin for the six months ended June 30, 2021 of 28.0% increased by 0.5-percentage points as compared to the prior year period, primarily reflecting higher revenues and favorable transaction currency, partially offset by higher freight costs, as well as an unfavorable mix of growth in low-end devices and the impact of targeted price promotions.

Second quarter 2021 Post sale gross margin of 38.1% decreased by 3.0-percentage points as compared to second quarter 2020, reflecting the impact of lower savings from temporary government assistance and furlough measures, as well as price erosion on contract renewals and lower royalty revenues, partially offset by productivity and cost savings and restructuring savings associated with Project Own It transformation actions, as well as savings from the additional cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as the suspension of 401(k) matching contributions).

Post sale gross margin for the six months ended June 30, 2021 of 38.0% decreased by 2.9-percentage points as compared to the prior year period, reflecting the impact of lower savings from temporary government assistance and furlough measures and the impact of the ongoing competitive price environment, partially offset by productivity and cost savings and restructuring savings associated with Project Own It transformation actions, as well as savings from additional cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as the suspension of 401(k) matching contributions).

Research, Development and Engineering Expenses (RD&E)

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2021	2020	Change	2021	2020	Change
R&D	$ 63	$ 65	$ (2)	$ 122	$ 133	$ (11)
Sustaining engineering	16	11	5	31	27	4
Total RD&E Expenses	$ 79	$ 76	$ 3	$ 153	$ 160	$ (7)

Second quarter 2021 RD&E as a percentage of revenue of 4.4% decreased by 0.8-percentage points as compared to second quarter 2020, as a result of higher revenues that outpaced the rate of investments.

RD&E of $79 million increased $3 million as compared to second quarter 2020 reflecting primarily investments in our innovation portfolio and higher compensation related accrual expenses (corresponding with higher expected operating results) partially offset by savings from restructuring and productivity as well as benefits from the timing of program cycles.

RD&E as a percentage of revenue for the six months ended June 30, 2021 of 4.4% decreased by 0.4-percentage points as compared to the prior year period, as a result of higher revenues and Project Own It cost reductions, that outpaced the rate of investments.

RD&E for the six months ended June 30, 2021 of $153 million decreased $7 million as compared to the prior year period, primarily reflecting the benefits from the timing of program cycles, as well as savings from simplification and rationalization in our core technology, partially offset by investments in our innovation portfolio and higher compensation related accrual expenses (corresponding with higher expected operating results).

Selling, Administrative and General Expenses (SAG)

Second quarter 2021 SAG as a percentage of revenue of 24.2% decreased 4.9-percentage points as compared to second quarter 2020, primarily as a result of higher revenues and lower bad debt provision offsetting higher selling and administrative expenses.

Second quarter 2021 SAG of $434 million increased by $8 million as compared to second quarter 2020, including an approximate $15 million adverse impact from translation currency, partially offset by a $10 million benefit from a lower bad debt provision. The remaining increase reflected the impact of lower savings from temporary government assistance and furlough measures, as well as higher compensation related accrual expenses and other investments in the business corresponding with higher expected operating results, partially offset by productivity and cost savings from our Project Own It transformation actions and other cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as near-term targeted marketing programs and the suspension of 401(k) matching contributions).

SAG as a percentage of revenue for the six months ended June 30, 2021 of 25.2% decreased 3.9-percentage points as compared to the prior year period, primarily as a result of an approximate 2.1-percentage point favorable impact from lower bad debt expense due to a higher provision in the prior year to reflect the expected impact to our trade and finance receivable portfolio from the COVID-19 pandemic. The remaining decrease was primarily due to the impact of lower expenses as a result of cost savings and restructuring associated with our Project Own It transformation actions, and savings from additional cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as near-term targeted marketing programs and the suspension of 401(k) matching contributions).

SAG for the six months ended June 30, 2021 of $882 million decreased by $85 million as compared to the prior year period, primarily reflecting lower bad debt expenses, as well as cost savings and restructuring savings associated with our Project Own It transformation actions and from additional cost reduction actions to mitigate the impact of the pandemic (including reductions in discretionary spend such as near-term targeted marketing programs and the suspension of 401(k) matching contributions), partially offset by an approximate $25 million adverse impact from translation currency, higher compensation related accrual expenses and other investments in the business corresponding with higher expected operating results, the impact of lower savings from temporary government assistance and furlough measures and higher expenses from prior year acquisitions.

Our bad debt provision for the six months ended June 30, 2021 of $13 million decreased by $74 million as compared to the prior year period, primarily due to the prior year reflecting an approximate $60 million incremental provision to cover estimated write-offs on our trade and finance receivable portfolio from the COVID-19 pandemic, as well as a reserve reduction, in second quarter 2021, of approximately $6 million reflecting improvements in the macroeconomic environment as well as lower write-offs. Although actual write-offs incurred to date have lagged expectations, we believe our current reserve position remains sufficient to cover expected future losses that may result from future economic conditions. Despite the improvement in the global economy, economies continue to recover from the impacts of the COVID-19 pandemic including the cessation of government support as well as labor, interest rate and inflation risks and the potential for higher taxes. As a result of these uncertainties, we continue to consider various adverse macroeconomic scenarios in our models. Accordingly, our reserves as a percent of receivables have remained fairly consistent subsequent to the first quarter 2020 charge of approximately $60 million to initially record expected losses from the COVID-19 pandemic. We continue to monitor developments regarding the pandemic, including business closures and reopenings and mitigating government support actions as well as future economic conditions, and as a result our reserves may need to be updated in future periods. On a trailing twelve-month basis (TTM), bad debt expense was approximately 1.0% of total receivables, which is consistent with the pre-pandemic trend and reflects the consistent level of reserves subsequent to the first quarter 2020 charge.

Restructuring and Related Costs, Net

We incurred Restructuring and related costs, net of $12 million for the second quarter 2021, as compared to $3 million for second quarter 2020, and $29 million for the six months ended June 30, 2021, as compared to $44 million in the prior year period. These costs were primarily related to the implementation of initiatives under our business transformation projects including Project Own It. The following is a breakdown of those costs:

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Severance[1]	$ 6	$ 7	$ 20	$ 39
Asset impairments[2]	2	—	11	2
Other contractual termination costs[3]	1	—	2	1
Net reversals[4]	(5)	(9)	(8)	(15)
Restructuring and asset impairment costs	4	(2)	25	27
Retention related severance/bonuses[5]	3	4	(1)	11
Contractual severance costs[6]	3	—	3	4
Consulting and other costs[7]	2	1	2	2
Total	$ 12	$ 3	$ 29	$ 44

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(1) Reflects headcount reductions of approximately 50 and 150 employees worldwide in second quarter 2021 and 2020, respectively and 400 and 450 employees worldwide for the six months ended June 30, 2021 and 2020, respectively.

(2) Primarily related to the exit and abandonment of leased and owned facilities. The charge includes the accelerated write-off of $1 million in second quarter 2021, as compared to no write-offs in second quarter 2020 and $2 million and $1 million for the six months ended June 30, 2021 and 2020, respectively, for leased right-of-use assets, as well as no write-offs in second quarter 2021 and 2020, and $9 million and $1 million for the six months ended June 30, 2021 and 2020, respectively, for owned assets upon exit from the facilities, net of any potential sublease income and other recoveries, including potential sales..

(3) Primarily includes additional costs incurred upon the exit from our facilities including decommissioning costs and associated contractual termination costs.

(4) Reflects net reversals for changes in estimated reserves from prior period initiatives.

(5) Includes retention related severance and bonuses for employees expected to continue working beyond their minimum notification period before termination. The $1 million credit through the six months ended June 30, 2021, reflected a change in estimate.

(6) Amounts primarily reflect severance and other related costs we are contractually required to pay in connection with employees transferred as part of the shared service arrangement entered into with HCL Technologies.

(7) Represents professional support services associated with our business transformation initiatives.

Second quarter 2021 actions impacted several functional areas, with approximately 30% focused on gross margin improvements and approximately 70% focused on SAG reductions.

Second quarter 2020 actions impacted several functional areas, with approximately 10% focused on gross margin improvements and approximately 90% focused on SAG reductions.

The Restructuring and related costs, net reserve balance as of June 30, 2021 for all programs was $63 million, which is expected to be paid over the next twelve months.

Refer to Note 11 - Restructuring Programs in the Condensed Consolidated Financial Statements for additional information regarding our restructuring programs.

Transaction and Related Costs, Net

Transaction and related costs, net primarily reflect costs from third party providers for professional services associated with certain major and strategic M&A projects. There were no Transaction and related costs, net incurred during 2021. Transaction and related costs, net for the three and six months ended June 30, 2020 were $7 million and $24 million, respectively, and primarily related to legal and other professional costs associated with the terminated proposal to acquire HP Inc.

Amortization of Intangible Assets

Amortization of intangible assets for the three and six months ended June 30, 2021 of $14 million and $29 million, respectively, increased by $4 million and $8 million as compared to the respective prior year periods, primarily related to intangible assets associated with our recent acquisitions.

Worldwide Employment

Worldwide employment was approximately 24,000 as of June 30, 2021 and decreased by approximately 1,100[1] from December 31, 2020. The reduction resulted from net attrition (attrition net of gross hires), of which a large portion is not expected to be backfilled, as well as the impact of organizational changes.

(1) Decrease based on revised headcount at December 31, 2020 of 25,100 from 24,700 due to the change in definition of full-time equivalent employee.

Other Expenses, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Non-financing interest expense	$ 24	$ 18	$ 48	$ 39
Interest income	(1)	(3)	(2)	(11)
Non-service retirement-related costs	(22)	(8)	(42)	(7)
Gains on sales of businesses and assets	(1)	—	(1)	(1)
Currency losses, net	1	2	3	4
Contract termination costs - IT services	—	—	—	3
All other expenses, net	—	(2)	(1)	3
Other expenses, net	$ 1	$ 7	$ 5	$ 30

Non-Financing Interest Expense

Second quarter 2021 non-financing interest expense of $24 million was $6 million higher than second quarter 2020. When combined with financing interest expense (Cost of financing), total interest expense increased by $4 million as compared to second quarter 2020 primarily reflecting a higher average debt balance and average interest rate.

Non-financing interest expense for the six months ended June 30, 2021 of $48 million was $9 million higher than the prior year. When combined with financing interest expense (Cost of financing), total interest expense increased by $5 million from the prior year period reflecting a higher average debt balance and average interest rate.

Refer to Note 12 - Debt in the Condensed Consolidated Financial Statements, for additional information regarding debt activity and the interest expense.

Interest Income

Interest income for the three and six months ended June 30, 2021 were $2 million and $9 million lower, respectively, than the respective prior year periods, primarily due to lower interest rates and a lower cash balance.

Non-Service Retirement-Related Costs

Non-service retirement-related costs for the three and six months ended June 30, 2021 were $14 million and $35 million lower than the respective prior year periods, primarily driven by lower discount rates and higher expected returns on plan assets due to higher asset balances as well as lower losses from pension settlements in the U.S.

Refer to Note 15 - Employee Benefit Plans in the Condensed Consolidated Financial Statements, for additional information regarding non-service retirement-related costs.

Income Taxes

Second quarter 2021 effective tax rate was 9.1%. On an adjusted[1] basis, second quarter 2021 effective tax rate was 9.7%. Both rates include the benefit from a change in tax law, resulting in the remeasurement of deferred tax assets of approximately 16%. The adjusted[1] effective tax rate was lower than the U.S. federal statutory tax rate of 21% primarily due to the change in tax law, partially offset by state taxes and the geographical mix of earnings. The adjusted[1] effective tax rate excludes the tax impacts associated with the following charges: Restructuring and related costs, net, Amortization of intangible assets, non-service retirement-related costs and other discrete, unusual or infrequent items (as applicable) as described in our Non-GAAP Financial Measures section.

Second quarter 2020 effective tax rate was 22.9%. On an adjusted[1] basis, second quarter 2020 effective tax rate was 23.4%. This rate was higher than the U.S. federal statutory tax rate of 21% primarily due to state taxes and the geographical mix of earnings partially offset by the impact from various non-deductible and discrete items on lower pre-tax income. The adjusted[1] effective tax rate excludes the tax impacts associated with the following charges: Restructuring and related costs, net, Amortization of intangible assets, Transaction and related costs, net, non-service retirement-related costs and other discrete, unusual or infrequent items (as applicable), as described in our Non-GAAP Financial Measures section.

The effective tax rate for the six months ended June 30, 2021 was 15.1%. On an adjusted[1] basis, the effective tax rate for the six months ended June 30, 2021 was 16.7%. Both rates include the benefit from a change in tax law, resulting in the remeasurement of deferred tax assets of approximately 10%. The adjusted[1] effective tax was lower than the U.S. federal statutory tax rate of 21% primarily due to the change in the tax law, partially offset by state taxes and the geographical mix of earnings. The adjusted[1] effective tax rate excludes the tax impacts associated with the following charges: Restructuring and related costs, net, Amortization of intangible assets, non-service retirement-related costs and other discrete, unusual or infrequent items (as applicable), as described in our Non-GAAP Financial Measures section.

The effective tax rate for the six months ended June 30, 2020 was 23.3%. On an adjusted[1] basis, the effective tax rate for the six months ended June 30, 2020 was 27.0%. This rate was higher than the U.S. federal statutory tax rate of 21% primarily due to the impact of changes in our uncertain tax positions, state taxes and various non-deductible items partially offset by the impact of tax law changes and other discrete items. The adjusted[1] effective tax rate excludes the tax impacts associated with the following charges: Restructuring and related costs, net, Amortization of intangible assets, Transaction and related costs, net, as well as non-service retirement-related costs and other discrete, unusual or infrequent items (as applicable), as described in our Non-GAAP Financial Measures section.

Our effective tax rate is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our effective tax rate will change based on discrete or other nonrecurring events that may not be predictable.

(1) Refer to the Effective Tax Rate reconciliation table in the "Non-GAAP Financial Measures" section.

Equity in Net Income of Unconsolidated Affiliates

Investment in Affiliates, at Equity largely consists of several minor investments in entities in the Middle East region. Equity in net income of unconsolidated affiliates for the six months ended June 30, 2021 was $1 million, as compared to $2 million for the six months ended June 30, 2020.

Net Income

Second quarter 2021 Net income attributable to Xerox Holdings was $91 million, or $0.46 per diluted share and included the benefit from a change in tax law (see **Income Taxes** above). On an adjusted[1] basis, Net income attributable to Xerox Holdings was $94 million, or $0.47 per diluted share. Second quarter 2021 adjustments to Net income included Restructuring and related costs, net, Amortization of intangible assets, and non-service retirement-related costs (see **Non-GAAP Financial Measures**).

Net income attributable to Xerox Holdings for the six months ended June 30, 2021 was $130 million, or $0.64 per diluted share and included the benefit from a change in tax law (see **Income Taxes** above). On an adjusted[1] basis, Net income attributable to Xerox Holdings was $141 million, or $0.69 per diluted share. Adjustments to Net income for the six months ended June 30, 2021 included Restructuring and related costs, net, Amortization of intangible assets, and non-service retirement-related costs (see **Non-GAAP Financial Measures**).

Second quarter 2020 Net income attributable to Xerox Holdings was $27 million, or $0.11 per diluted share. On an adjusted[1] basis, Net income attributable to Xerox Holdings was $36 million, or $0.15 per diluted share. Second quarter 2020 adjustments to Net income included Restructuring and related costs, net, Amortization of intangible assets, Transaction and related costs, net as well as non-service retirement-related costs (see **Non-GAAP Financial Measures**).

Net income attributable to Xerox Holdings for the six months ended June 30, 2020 was $25 million, or $0.08 per diluted share. On an adjusted[1] basis, Net income attributable to Xerox Holdings was $86 million, or $0.36 per diluted share. Both amounts included the impact of the approximately $60 million pre-tax increase in bad debt expense (approximately $43 million after-tax) as compared to the prior year period, primarily reflecting the expected impact to our customer base and related outstanding receivable portfolio from the COVID-19 pandemic. Adjustments to Net income for the six months ended June 30, 2020 included Restructuring and related costs, net, Amortization of intangible assets, Transaction and related costs, net as well as non-service retirement-related costs and other discrete, unusual or infrequent items (see **Non-GAAP Financial Measures**).

Refer to Note 19 - Earnings per Share (EPS) in the Condensed Consolidated Financial Statements, for additional information regarding the calculation of basic and diluted earnings per share.

(1) Refer to the Net Income and EPS reconciliation table in the "Non-GAAP Financial Measures" section.

Other Comprehensive Income (Loss)

Second quarter 2021 Other Comprehensive Income, Net Attributable to Xerox was $70 million and included the following: i) net translation adjustment gains of $54 million reflecting the strengthening of our major foreign currencies against the U.S. Dollar during the quarter; and ii) $16 million of net gains from the changes in defined benefit plans primarily due to remeasurement and net actuarial gains as a result of higher discount rates. This compares to Other Comprehensive Income, Net Attributable to Xerox of $103 million for the second quarter 2020, which reflected the following: i) $80 million of net gains from the changes in defined benefit plans primarily due to remeasurement; ii) net translation adjustment gains of $25 million reflecting the strengthening of our major foreign currencies against the U.S. Dollar; and iii) $2 million of net unrealized losses.

Other Comprehensive Income, Net Attributable to Xerox for the six months ended June 30, 2021 was $67 million and included the following: i) $71 million of net gains from the changes in defined benefit plans primarily due to remeasurement in the second quarter of 2021 and net actuarial gains as a result of higher discount rates.; ii) net translation adjustment gains of $3 million reflecting the strengthening of the GBP and CAD that was only partially offset by the weakening of the EUR against the U.S. Dollar; and iii) $7 million of net unrealized losses. This compares to Other Comprehensive Loss, Net Attributable to Xerox for the six months ended June 30, 2020 of $35 million, which reflected the following: i) net translation adjustment losses of $172 million reflecting the significant weakening of our major foreign currencies against the U.S. Dollar; ii) $134 million of net gains from the changes in defined benefit plans primarily due to remeasurement in the second quarter of 2020; and iii) $3 million of net unrealized gains.

Refer to Note 18 - Other Comprehensive Income (Loss) in the Condensed Consolidated Financial Statements, for the components of Other Comprehensive Income (Loss), Note 13 - Financial Instruments in the Condensed Consolidated Financial Statements, for additional information regarding unrealized (losses) gains, net, and Note 15 - Employee Benefit Plans in the Condensed Consolidated Financial Statements, for additional information regarding net changes in our defined benefit plans.

New Business Strategy

As disclosed in our 2020 Annual Report, in January 2021 we announced our intention to stand up our Software, Financing and Innovation businesses as separate units by 2022. At this stage, the operations and financial results for these units continue to be primarily managed by and reported in our “go-to-market” (GTM) sales channels. We have begun the process of reorganizing these new units from the GTM units but we have not progressed to the point where we have discrete and complete financial information for these new businesses. Accordingly, the chief operating decision maker (CODM) and management continue to manage the Company’s operations, including the products and services from these units, through the GTM sales channels and as result, we continue to have one operating and reportable segment.

We expect that the business and financial information for these new units, as well as the operational management of these businesses, will continue to be refined and improved during 2021. Accordingly, a reassessment of our operating segments may be required later in 2021.

Capital Resources and Liquidity

Our financial results through June 30, 2021 were impacted by COVID-19 related business closures and office building capacity restrictions. However, we believe we have sufficient liquidity to manage the business through the economic disruption caused by this pandemic:

- A majority of our business is contractually based and most of our bundled services contracts include not only a variable component linked to print volumes, but also a fixed minimum, which provides us with a continuing stream of operating cash flow.
- As of June 30, 2021, total cash, cash equivalents and restricted cash were $2,203 million and, apart from the restricted cash of $79 million, was readily accessible for use. We have access to an undrawn $1.8 billion Credit Facility that matures in August 2022.

Cash Flow Analysis

The following summarizes our cash, cash equivalents and restricted cash:

	Six Months Ended June 30,		
(in millions)	2021	2020	Change
Net cash provided by operating activities	$ 331	$ 207	$ 124
Net cash used in investing activities	(72)	(232)	160
Net cash used in financing activities	(747)	(432)	(315)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	(24)	24
Decrease in cash, cash equivalents and restricted cash	(488)	(481)	(7)
Cash, cash equivalents and restricted cash at beginning of period	2,691	2,795	(104)
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 2,203	$ 2,314	$ (111)

Cash Flows from Operating Activities

Net cash provided by operating activities was $331 million for the six months ended June 30, 2021. The $124 million increase in operating cash from the prior year period was primarily due to the following:

- $229 million increase from inventory primarily due to increased revenues as well as significant cash usage in 2020 as inventory levels increased with the onset of the COVID-19 pandemic.
- $126 million increase from accounts payable primarily due to the increase in spending as compared to the prior year partially offset by the timing of supplier and vendor payments.
- $122 million increase from other current and long-term liabilities, reflecting higher accruals from the increased level of operations as compared to the prior year.
- $100 million increase due to the receipt of an upfront prepaid fixed royalty from FX for their continued use of the Xerox brand trademark subsequent to the termination of our technology agreement with them.
- $94 million increase from accrued compensation primarily related to higher employee incentive accruals and year-over-year timing of employee incentive payments.
- $391 million decrease from accounts receivable primarily due to higher revenues as compared to the prior year partially offset by the timing of collections.
- $178 million decrease from a lower net run-off of finance receivables due to an increased level of direct lease originations from our XBS sales unit as well as higher equipment sales.

Cash Flows from Investing Activities

Net cash used in investing activities was $72 million for the six months ended June 30, 2021. The $160 million change from the prior year period was primarily due to two acquisitions completed in the current year for $37 million compared to four acquisitions in the prior year for $193 million. Other investing, net includes $3 million of noncontrolling investments as part of our corporate venture capital fund.

Cash Flows from Financing Activities

Net cash used in financing activities was $747 million for the six months ended June 30, 2021. The $315 million increase in the use of cash from the prior year period was primarily due to the following:

- $413 million increase due to share repurchases in the current year compared to no share repurchases in the prior year.

- $99 million decrease from net debt activity primarily due to payments of $209 million on secured financing arrangements in the current year compared to payments of $313 million on Senior Notes in the prior year.
- Other financing, net includes the receipt of $5 million for a noncontrolling investment in Eloque, a newly-formed joint venture for the remote monitoring of critical infrastructure assets, such as road and railway bridges.

Cash, Cash Equivalents and Restricted Cash

Refer to Note 6 - Supplementary Financial Information in the Condensed Consolidated Financial Statements for additional information regarding Cash, cash equivalents and restricted cash.

Operating Leases

We have operating leases for real estate and vehicles in our domestic and international operations and certain equipment in our domestic operations. Additionally, we have identified embedded operating leases within certain supply chain contracts for warehouses, primarily within our domestic operations. Our leases have remaining terms of up to eleven years and a variety of renewal and/or termination options. As of June 30, 2021 and December 31, 2020, total operating liabilities were $302 million and $333 million, respectively.

Refer to Note 10 - Lessee in the Condensed Consolidated Financial Statements for additional information regarding our leases accounted under lessee accounting.

Debt and Customer Financing Activities

The following summarizes our debt:

(in millions)	June 30, 2021	December 31, 2020
Xerox Holdings Corporation	$ 1,500	$ 1,500
Xerox Corporation	2,200	2,200
Xerox - Other Subsidiaries(1)	559	767
Subtotal - Principal debt balance	4,259	4,467
Debt issuance costs		
Xerox Holdings Corporation	(12)	(13)
Xerox Corporation	(9)	(11)
Xerox - Other Subsidiaries(1)	(2)	(3)
Subtotal - Debt issuance costs	(23)	(27)
Net unamortized premium	3	3
Fair value adjustments(2)		
- terminated swaps	—	1
Total Debt	$ 4,239	$ 4,444

(1) Represents secured debt issued by subsidiaries of Xerox Corporation as part of the securitization of Finance Receivables - Refer to Note 12 - Debt in the Condensed Consolidated Financial Statements for additional information.
(2) Fair value adjustments normally include the following: (i) fair value adjustments to debt associated with terminated interest rate swaps, which are being amortized to interest expense over the remaining term of the related notes; and (ii) changes in fair value of hedged debt obligations attributable to movements in benchmark interest rates. Hedge accounting requires hedged debt instruments to be reported inclusive of any fair value adjustment.

Refer to Note 12 - Debt in the Condensed Consolidated Financial Statements for additional information regarding debt.

Finance Assets and Related Debt

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

(in millions)	June 30, 2021	December 31, 2020
Total finance receivables, net(1)	$ 3,117	$ 3,165
Equipment on operating leases, net	271	296
Total Finance Assets, net(2)	$ 3,388	$ 3,461

(1) Includes (i) Billed portion of finance receivables, net, (ii) Finance receivables, net and (iii) Finance receivables due after one year, net as included in our Condensed Consolidated Balance Sheets.
(2) The change from December 31, 2020 includes a decrease of $19 million due to currency.

Our lease contracts permit customers to pay for equipment over time rather than at the date of installation; therefore, we maintain a certain level of debt (that we refer to as financing debt) to support our investment in these lease contracts, which are reflected in total finance assets, net. For this financing aspect of our business, we maintain an assumed 7:1 leverage ratio of debt to equity as compared to our finance assets.

Based on this leverage, the following represents the breakdown of total debt between financing debt and core debt:

(in millions)	June 30, 2021	December 31, 2020
Finance receivables debt[1]	$ 2,728	$ 2,769
Equipment on operating leases debt	237	259
Financing debt	2,965	3,028
Core debt	1,274	1,416
Total Debt	$ 4,239	$ 4,444

(1) *Finance receivables debt is the basis for our calculation of "Cost of financing" expense in the Condensed Consolidated Statements of Income.*

Sales of Accounts Receivable

Activity related to sales of accounts receivable is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Estimated increase (decrease) to operating cash flows[1]	$ 1	$ (58)	$ (26)	$ (136)

(1) *Represents the difference between current and prior period accounts receivable sales adjusted for the effects of currency.*

Refer to Note 7 - Accounts Receivable, Net in the Condensed Consolidated Financial Statements for additional information regarding our accounts receivable sales arrangements.

Liquidity and Financial Flexibility

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

Our principal debt maturities are spread over the next five years as follows:

(in millions)	Xerox Holdings Corporation	Xerox Corporation	Xerox - Other Subsidiaries[1]	Total
2021 Q3	$ —	$ —	$ 95	$ 95
2021 Q4	—	—	89	89
2022	—	300	293	593
2023	—	1,000	82	1,082
2024	—	300	—	300
2025	750	—	—	750
2026 and thereafter	750	600	—	1,350
Total[2]	$ 1,500	$ 2,200	$ 559	$ 4,259

(1) *Represents secured debt issued by subsidiaries of Xerox Corporation as part of securitization of Finance Receivables - Refer to Note 12 - Debt in the Condensed Consolidated Financial Statements for additional information.*
(2) *Includes fair value adjustments.*

Treasury Stock

Xerox Holdings repurchased 10.4 million shares of our common stock for an aggregate $251 million, including fees, in second quarter 2021. Xerox Holdings repurchased 17.1 million shares of our common stock for an aggregate cost of $413 million, including fees, during the six months ended June 30, 2021. The cumulative total of shares repurchased by Xerox Holdings under the current share repurchase program is 41.8 million shares for an aggregate cost of $1,013 million, including fees. As of June 30, 2021, the remaining share repurchase authorization, excluding fees and expenses, is approximately $88 million.

Shared Services Arrangement with HCL Technologies

In March 2019, as part of Project Own It, Xerox entered into a shared services arrangement with HCL Technologies (HCL) pursuant to which we transitioned certain global administrative and support functions, including, among others, selected information technology and finance functions, from Xerox to HCL. This transition was expected to be completed during 2020, however, it sustained some delays caused by the COVID-19 pandemic, and it is now expected to be finalized by the end of 2021. HCL is expected to make certain ongoing investments in software, tools and other technology to consolidate, optimize and automate the transferred functions with the goal of providing improved service levels and significant cost savings. The shared services arrangement with HCL includes a remaining aggregate spending commitment of approximately $925 million over the next 5 years. However, we can terminate the arrangement at any time at our discretion, subject to payment of termination fees that decline over the term, or for cause.

We incurred net charges of approximately $50 million and $45 million during the three months ended June 30, 2021 and 2020, respectively, and approximately $100 million and $90 million for the six months ended June 30, 2021 and 2020. The cost has been allocated to the various functional expense lines in the Condensed Consolidated Statements of Income based on an assessment of the nature and amount of the costs incurred for the various transferred functions prior to their transfer to HCL.

ServiceNow License Purchase

In June 2021, Xerox entered into a software services agreement with a system integrator that included Xerox's use of ServiceNow software licenses for a 5-year commitment of approximately $60 million. A portion of licenses obtained through this new arrangement are expected to be used by Xerox as part of a future project with the system integrator for the reengineering and restructure of Xerox's current global technical service force.

Shared Services Arrangement with Tata Consulting Services

In July 2021, Xerox entered into an arrangement with Tata Consulting Services (TCS), whereby TCS will provide business processing outsourcing services in support of our global finance organization. TCS will leverage their existing technology and make additional investments as required to consolidate, optimize and automate the supported services with the goal of providing improved service levels and cost savings. The arrangement is initially for 6 years with a total contract value of approximately $160 million. We can terminate the arrangement subject to payment of termination fees that decline over the term.

Financial Risk Management

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

We are required to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. As permitted, certain of these derivative contracts have been designated for hedge accounting treatment. Certain of our derivatives that do not qualify for hedge accounting are effective as economic hedges. These derivative contracts are likewise required to be recognized each period at fair value and therefore do result in some level of volatility. The level of volatility will vary with the type and amount of derivative hedges outstanding, as well as fluctuations in the currency and interest rate markets during the period. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

By their nature, all derivative instruments involve, to varying degrees, elements of market and credit risk. The market risk associated with these instruments resulting from currency exchange and interest rate movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with a diversified group of major financial institutions. Further, our policy is to deal with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

The current market events have not required us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 13 – Financial Instruments in the Condensed Consolidated Financial Statements for further discussion and information on our financial risk management strategies.

Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related income tax effects.

A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth below as well as in the second quarter 2021 presentation slides available at www.xerox.com/investor.

These non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

Adjusted Earnings Measures

- Net Income and EPS
- Effective Tax Rate

The above measures were adjusted for the following items:

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

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

Transaction and related costs, net: Transaction and related costs, net are costs and expenses primarily associated with certain strategic M&A projects. These costs are primarily for third-party legal, accounting, consulting and other similar type professional services as well as potential legal settlements that may arise in connection with those M&A transactions. These costs are considered incremental to our normal operating charges and were incurred or are expected to be incurred solely as a result of the planned transactions. Accordingly, we are excluding these expenses from our Adjusted Earnings Measures in order to evaluate our performance on a comparable basis.

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

Other discrete, unusual or infrequent items: We excluded these items, when applicable, given their discrete, unusual or infrequent nature and its impact on our results for the period.

We believe the exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods and expected future trends in our business.

Adjusted Operating Income and Margin

We calculate and utilize adjusted operating income and margin measures by adjusting our reported pre-tax income and margin amounts. In addition to the costs and expenses noted as adjustments for our adjusted earnings measures, adjusted operating income and margin also exclude the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

Constant Currency (CC)

Refer to "Currency Impact" for a discussion of this measure and its use in our analysis of revenue growth.

Summary

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

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

Net Income and EPS reconciliation:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(in millions, except per share amounts)	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
Reported(1)	$ 91	$ 0.46	$ 27	$ 0.11	$ 130	$ 0.64	$ 25	$ 0.08
Adjustments:								
Restructuring and related costs, net	12		3		29		44	
Amortization of intangible assets	14		10		29		21	
Transaction and related costs, net	—		7		—		24	
Non-service retirement-related costs	(22)		(8)		(42)		(7)	
Contract termination costs - IT services	—		—		—		3	
Income tax on adjustments(2)	(1)		(3)		(5)		(24)	
Adjusted	$ 94	$ 0.47	$ 36	$ 0.15	$ 141	$ 0.69	$ 86	$ 0.36
Dividends on preferred stock used in adjusted EPS calculation(3)		$ 3		$ 3		$ 7		$ 7
Weighted average shares for adjusted EPS(3)		189		216		194		216
Fully diluted shares at June 30, 2021(4)		184						

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(1) Net income and EPS attributable to Xerox Holdings.
(2) Refer to Effective Tax Rate reconciliation.
(3) Average shares for the calculation of adjusted diluted EPS for 2021 and 2020 excludes 7 million shares associated with our Series A convertible preferred stock and therefore earnings includes the preferred stock dividend.
(4) Represents common shares outstanding at June 30, 2021 plus potential dilutive common shares as used for the calculation of adjusted diluted EPS for 2021. The amount excludes shares associated with our Series A convertible preferred stock as they were anti-dilutive for 2021.

Effective Tax Rate reconciliation:

	Three Months Ended June 30,					
	2021			2020		
(in millions)	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported(1)	$ 99	$ 9	9.1 %	$ 35	$ 8	22.9 %
Non-GAAP Adjustments(2)	4	1		12	3	
Adjusted(3)	$ 103	$ 10	9.7 %	$ 47	$ 11	23.4 %

	Six Months Ended June 30,					
	2021			2020		
(in millions)	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported(1)	$ 152	$ 23	15.1 %	$ 30	$ 7	23.3 %
Non-GAAP Adjustments(2)	16	5		85	24	
Adjusted(3)	$ 168	$ 28	16.7 %	$ 115	$ 31	27.0 %

(1) *Pre-tax income and income tax expense.*
(2) *Refer to Net Income and EPS reconciliation for details.*
(3) *The tax impact on Adjusted Pre-Tax Income is calculated under the same accounting principles applied to the Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.*

Operating Income and Margin reconciliation:

	Three Months Ended June 30,					
	2021			2020		
(in millions)	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported(1)	$ 99	$ 1,793	5.5 %	$ 35	$ 1,465	2.4 %
Adjustments:						
Restructuring and related costs, net	12			3		
Amortization of intangible assets	14			10		
Transaction and related costs, net	—			7		
Other expenses, net	1			7		
Adjusted	$ 126	$ 1,793	7.0 %	$ 62	$ 1,465	4.2 %

	Six Months Ended June 30,					
	2021			2020		
(in millions)	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported(1)	$ 152	$ 3,503	4.3 %	$ 30	$ 3,325	0.9 %
Adjustments:						
Restructuring and related costs, net	29			44		
Amortization of intangible assets	29			21		
Transaction and related costs, net	—			24		
Other expenses, net	5			30		
Adjusted	$ 215	$ 3,503	6.1 %	$ 149	$ 3,325	4.5 %

(1) *Pre-Tax Income*

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the “Financial Risk Management” section of this Quarterly Report on Form 10-Q is hereby incorporated by reference in answer to this Item.

ITEM 4 — CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Xerox Holdings Corporation

The management of Xerox Holdings Corporation evaluated, with the participation of its principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer of Xerox Holdings Corporation have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures of Xerox Holdings Corporation were effective to ensure that information that is required to be disclosed in the reports that is filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms relating to Xerox Holdings Corporation, including its consolidated subsidiaries, and was accumulated and communicated to the management of Xerox Holdings Corporation, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Xerox Corporation

The management of Xerox Corporation evaluated, with the participation of its principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer of Xerox Corporation have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures of Xerox Corporation were effective to ensure that information that is required to be disclosed in the reports that is filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms relating to Xerox Corporation, including its consolidated subsidiaries, and was accumulated and communicated to the management of Xerox Corporation, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

Xerox Holdings Corporation

As required by paragraph (d) of Rule 13a-15 under the Exchange Act, we evaluated changes in our internal control over financial reporting during the last fiscal quarter. There were no changes identified in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Xerox Corporation

As required by paragraph (d) of Rule 13a-15 under the Exchange Act, we evaluated changes in our internal control over financial reporting during the last fiscal quarter. There were no changes identified in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

The information set forth under Note 20 – Contingencies and Litigation in the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this item.

ITEM 1A — RISK FACTORS

Reference is made to the Risk Factors set forth in Part I, Item 1A of the combined Xerox Holdings Corporation and Xerox Corporation Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Sales of Unregistered Securities during the Quarter ended June 30, 2021

During the quarter ended June 30, 2021, Xerox Holdings Corporation issued the following securities in transactions that were not registered under the Securities Act of 1933, as amended (the Act).

Annual Director Fees:

(a) Securities issued on May 20, 2021: Xerox Holdings Corporation issued an aggregate of 120,399 shares - 107,770 deferred stock units (DSUs) and 12,629 restricted stock units (RSUs), representing the right to receive shares of Common Stock, par value $1 per share, at a future date. For 2021, the Board determined that both the cash portion and equity portion of the annual director fees would be paid in the form of equity.

(b) No underwriters participated. The shares were issued to each of the non-employee Directors of Xerox Holdings Corporation: Keith Cozza, Joseph J. Echevarria, Aris Kekedjian, Cheryl Gordon Krongard, Scott Letier, Nichelle Maynard-Elliott, Steven D. Miller, James L. Nelson and Margarita Paláu-Hernández.

(c) The DSUs and RSUs were issued at a deemed purchase price of $23.755 per DSU or RSU (aggregate price $2,860,078), based upon the market value on the date of issuance, in payment of the Annual Director's fees pursuant to Xerox Holdings Corporation's 2004 Equity Compensation Plan for Non-Employee Directors (as amended and restated in 2021 (the 2021 Restatement)).

(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

Dividend Equivalent:

(a) Securities issued on April 30, 2021: Xerox Holdings Corporation issued 1,860 DSUs, representing the right to receive shares of Common Stock, par value $1 per share, at a future date.

(b) No underwriters participated. The shares were issued to each of the non-employee Directors of Xerox Holdings Corporation: Jonathan Christodoro, Keith Cozza, Joseph J. Echevarria, Nicholas Graziano, Cheryl Gordon Krongard and Scott Letier.

(c) The DSUs were issued at a deemed purchase price of $24.30 per DSU (aggregate price $45,198), based upon the market value on the date of record, in payment of the dividend equivalents due to DSU holders pursuant to Xerox Holdings Corporation's 2004 Equity Compensation Plan for Non-Employee Directors (as amended and restated in 2019 (the 2019 Restatement)).

(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

(b) Issuer Purchases of Equity Securities during the Quarter ended June 30, 2021

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

Board Authorized Share Repurchase Program:

	Total Number of Shares Purchased	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs(2)
April 1 through 30	3,722,224	$ 24.65	3,722,224	$ 246,457,419
May 1 through 31	3,525,437	23.86	3,525,437	162,335,166
June 1 through 30	3,115,061	23.93	3,115,061	87,806,339
Total	10,362,722		10,362,722	

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(1) Exclusive of fees and expenses.

(2) Of the $1.1 billion of share repurchase authority previously granted by Xerox Holdings Corporation's Board of Directors, exclusive of fees and expenses, approximately $1,012 million has been used through June 30, 2021. Repurchases may be made on the open market, or through derivative or negotiated contracts. Open-market repurchases will be made in compliance with the Securities and Exchange Commission's Rule 10b-18, and are subject to market conditions, as well as applicable legal and other considerations.

Repurchases Related to Stock Compensation Programs(1):

	Total Number of Shares Purchased	Average Price Paid per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 1 through 30	284,598	$ 25.04	n/a	n/a
May 1 through 31	105,383	24.21	n/a	n/a
June 1 through 30	—	—	n/a	n/a
Total	389,981			

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

(2) Exclusive of fees and expenses.

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 — OTHER INFORMATION

None.

ITEM 6 — EXHIBITS

3.1	Amendment to Xerox Holdings Corporation By-Laws effective July 22, 2021. Incorporated by reference to Exhibit 3(b) to Xerox Holdings Corporation's and Xerox Corporation's combined Current Report on Form 8-K dated July 22, 2021. See SEC File Nos. 001-39013 and 001-04471.
3.2	Xerox Holdings Corporation's By-Laws as amended July 22, 2021.
3.3	Xerox Corporation's By-Laws as amended July 22, 2021.
4	Registration Rights Agreement dated April 29, 2021 between Xerox Holdings Corporation and the Icahn Group and the Deason Group. Incorporated by reference to Exhibit 4.1 to Xerox Holdings Corporation's and Xerox Corporation's combined Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. See SEC File Nos. 001-39013 and 001-04471.
10	Xerox Holdings Corporation's Amended and Restated Equity Compensation Plan for Non-Employee Directors (2021 Restatement). Incorporated by reference to Exhibit 10.1 to Xerox Holdings Corporation's Current Report on Form 8-K dated May 20, 2021. See SEC File No. 001-39013.
31(a)(1)	Certification of Xerox Holdings Corporation CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31(a)(2)	Certification of Xerox Corporation CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31(b)(1)	Certification of Xerox Holdings Corporation CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31(b)(2)	Certification of Xerox Corporation CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32(a)	Certification of Xerox Holdings Corporation CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Xerox Corporation CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Xerox Holdings Corporation and Xerox Corporation's combined Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 was formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Xerox Holdings Corporation Condensed Consolidated Statements of Income, (ii) Xerox Holdings Corporation Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Xerox Holdings Corporation Condensed Consolidated Balance Sheets, (iv) Xerox Holdings Corporation Condensed Consolidated Statements of Cash Flows, (v) Xerox Corporation Condensed Consolidated Statements of Income, (vi) Xerox Corporation Condensed Consolidated Statements of Comprehensive Income (Loss), (vii) Xerox Corporation Condensed Consolidated Balance Sheets, (viii) Xerox Corporation Condensed Consolidated Statements of Cash Flows, and (ix) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from this Quarterly Report on Form 10-Q, (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signatures for each undersigned shall be deemed to relate only to matters having reference to such company and its subsidiaries.

XEROX HOLDINGS CORPORATION
(Registrant)

By: /S/ JOSEPH H. MANCINI, JR.

Joseph H. Mancini, Jr.
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 4, 2021

XEROX CORPORATION
(Registrant)

By: /S/ JOSEPH H. MANCINI, JR.

Joseph H. Mancini, Jr.
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 4, 2021

EXHIBIT INDEX

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AMENDED AND RESTATED BY-LAWS
of
XEROX HOLDINGS CORPORATION

July 22, 2021

ARTICLE I

MEETINGS OF STOCKHOLDERS

Section 1. Annual Meetings.

A meeting of shareholders entitled to vote shall be held for the election of Directors and the transaction of other business each year in such month and on such day (except a Saturday, Sunday, or holiday) as determined by the Board of Directors.

Section 2. Special Meetings.

Special Meetings of the shareholders may be called at any time by the Chairman of the Board or the Board of Directors.

Section 3. Place of Meetings.

Meetings of shareholders shall be held at the principal office of the Company or at such other place, within or without the State of New York, as may be fixed by the Board of Directors.

Section 4. Notice of Meetings:

(a) Notice of each meeting of shareholders shall be in writing and shall state the place, date and hour of the meeting. Notice of a Special Meeting shall state the purpose or purposes for which it is being called and shall also indicate that it is being issued by or at the direction of the person or persons calling the meeting. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders, fulfilling the requirements of Section 623 of the Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect.

(b) A copy of the notice of any meeting shall be given, personally, electronically or by mail, not less than ten nor more than sixty days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his or her address as it appears on the record of shareholders, or, if he or she shall have filed with the Secretary a written request that notices to him or her be mailed to some other address, then directed to him or her at such other address.

(c) Notice of meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him or her.

Section 5. Quorum and Adjourned Meetings:

(a) At any Annual or Special Meeting the holders of a majority of the votes of shares entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the votes of shares of such class or series shall constitute a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

(b) Despite the absence of a quorum, the shareholders present may adjourn the meeting to another time and place, and it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. If after the adjournment, however, the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder on the new record date entitled to notice under Section 4 of this Article I of the By-Laws.

Section 6. Nominations and Business at Meetings.

At any annual meeting of shareholders, only persons who are nominated in accordance with the procedures set forth in this Section 6 or Section 13 of this Article I, or business which is proposed in accordance with the procedures set forth in this Section 6 shall be eligible for election as Directors or considered for action by shareholders. Nominations of persons for election to the Board of Directors of the Company may be made or business proposed at a meeting of shareholders (i) by or at the direction of the Board of Directors, (ii) by any shareholder of the Company entitled to vote at the meeting who complies with the notice and other procedures set forth in this Section 6 and (iii) by any shareholder of the Company who complies with the notice and other procedures and requirements set forth in Section 13 of this Article I. Such nominations or business proposals, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Company and such business proposals must, under applicable law, be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than 120 days nor more than 150 days in advance of the date which is the anniversary of the date the Company's proxy statement was released to security holders in connection with the previous year's annual meeting; provided, that, if the Company did not hold such previous year's annual meeting or if the anniversary date of the current year's annual meeting has been changed by more than 30 days from the date of the previous year's annual meeting, then such shareholder's notice shall be so delivered or mailed and received within a reasonable time before the Company begins to print and mail its proxy statement; provided, further, however, that for purposes of calculating the timeliness of shareholder notices for the Company's annual meeting to be held during calendar year 2020, the date the Company's proxy statement was released to security holders in connection with the previous year's annual meeting shall be deemed to be April 23, 2019.

Such shareholder's notice shall set forth (a) as to each person whom such shareholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of such person on whose behalf such proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (i) the name and address of such shareholder, as they appear on the Company's books and (ii) the class and number of shares of the Company which are beneficially owned by such shareholder. No person shall be eligible for election as a Director of the Company and no business shall be conducted at the annual meeting of shareholders unless nominated or proposed in accordance with the procedures set forth in this Section 6 or Section 13 of this Article I, as applicable. The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination or proposal was not made in accordance with the provisions of this Section 6 or Section 13 of this Article I and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination or proposal shall be disregarded.

Section 7. Organization.

At every meeting of the shareholders, the Chairman of the Board, or in his or her absence, the Chief Executive Officer, or in his or her absence, the President, or in his or her absence, a person selected by a majority of the Directors present at the meeting, shall act as chairman of the meeting. The Secretary or, in his or her absence, an Assistant Secretary shall act as secretary of the meeting, and in the absence of both the Secretary and an Assistant Secretary, a person selected by a majority of the Directors present at the meeting shall act as secretary of the meeting.

Section 8. Voting:

(a) Whenever any corporate action is to be taken by vote of the shareholders, it shall, except as otherwise required by law or by the Certificate of Incorporation be authorized by a majority of the votes cast in favor of or against such action at a meeting of shareholders by the holders of shares entitled to vote thereon. An abstention shall not constitute a vote cast.

(b) In an uncontested election, any incumbent nominees for director who receives a greater number of votes cast against his or her election than in favor of his or her election shall tender his or her resignation promptly after such election. The independent Directors shall then decide, based on the relevant facts and circumstances, whether to accept or reject the resignation. The Board's explanation of its decision shall be promptly disclosed on Form 8-K filed with the Securities and Exchange Commission.

Section 9. Qualification of Voters:

(a) Except as otherwise provided in the Certificate of Incorporation, every shareholder of record of Common Stock and Series A Convertible Perpetual Voting Preferred Stock of the Company shall be entitled at every meeting of such shareholders to one vote for every share of Common Stock and Series A Convertible Perpetual Voting Preferred Stock, respectively, standing in his or her name on the record of shareholders.

(b) Shares of stock belonging to the Company and shares held by another domestic or foreign corporation of any type or kind, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Company, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

(c) Shares held by an administrator, executor, guardian, conservator, committee, or other fiduciary, except a trustee, may be voted by him or her, either in person or by proxy, without transfer of such shares into his or her name. Shares held by a trustee may be voted by him or her, either in person or by proxy, only after the shares have been transferred into his or her name as trustee or into the name of his or her nominee.

(d) Shares standing in the name of another domestic or foreign corporation of any type or kind may be voted by such officer, agent or proxy as the By-Laws of such corporation may provide, or in the absence of such provision, as the Board of Directors of such corporation may provide.

Section 10. Proxies:

(a) Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him or her by proxy.

(b) No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

(c) The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the shareholder who executed the proxy unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the Secretary or an Assistant Secretary.

(d) Without limiting the manner in which a shareholder may authorize another person or persons to act for him or her as proxy pursuant to paragraph (a) of this Section, the following shall constitute a valid means by which a shareholder may grant such authority:

(1) A shareholder may execute a writing authorizing another person or persons to act for him or her as proxy. Execution may be accomplished by the shareholder or the shareholder's authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(2) A shareholder may authorize another person or persons to act for the shareholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be reasonably determined that the telegram, cablegram or other electronic transmission was authorized by the shareholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors shall specify the nature of the information upon which they relied.

(e) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to paragraph (d) of this Section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile, telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 11. Inspectors of Election:

(a) The Board of Directors, in advance of any shareholders' meeting, shall appoint one or more inspectors to act at the meeting or any adjournment thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed, or if such persons are unable to act at a meeting of shareholders, the person presiding at a shareholders' meeting shall appoint one or more inspectors. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability.

(b) The inspectors 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 validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Section 12. List of Shareholders at Meetings.

A list of shareholders as of the record date, certified by the Secretary or by the transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 13. Proxy Access:

(a) Whenever the Board of Directors solicits proxies with respect to the election of directors at an annual meeting of shareholders (following the 2020 annual meeting of shareholders), subject to the provisions of this Section 13, the Company shall include in its proxy materials for such annual meeting, in addition to any persons nominated for election by or at the direction of the Board of Directors (or any duly authorized committee thereof), the name, together with the Required Information (as defined below), of any person nominated for election (the "***Shareholder Nominee***") to the Board of Directors by a shareholder or group of no more than twenty (20) shareholders (counting as one shareholder, for this purpose, (i) any funds under common management and investment control, (ii) any funds under common management and funded primarily by the same employer or (iii) a "group of investment companies," as defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended (or any successor rule)) that satisfies the requirements of this Section 13 (the "***Eligible Shareholder***") and that expressly elects at the time of providing the notice required by this Section 13 to have such nominee included in the Company's proxy materials pursuant to this Section 13. Should any Eligible Shareholder cease to satisfy the eligibility requirements in this Section 13, as determined by the Board of Directors, or withdraw from a group of Eligible Shareholders seeking to make a nomination hereunder at any time prior to the annual meeting of shareholders, such group of Eligible Shareholders shall be deemed to own only the shares held by the remaining Eligible Shareholders. For purposes of this Section 13, the "***Required Information***" is (i) the information provided to the Secretary of the Company concerning the Shareholder Nominee and the Eligible Shareholder that the Company determines is required to be disclosed in the Company's proxy statement pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder, and (ii) if the Eligible Shareholder so elects, a Supporting Statement (as defined in Article I, Section 13(g) hereof). Subject to the provisions of this Section 13, the name of any Shareholder Nominee included in the Company's proxy statement for an annual meeting of shareholders shall also be set forth on the form of proxy distributed by the Company in connection with such annual meeting. For the avoidance of doubt, and any other provision of these By-Laws notwithstanding, the Company may in its sole discretion solicit against, and include in the proxy statement its own statements or other information relating to, any Eligible Shareholder and/or Shareholder Nominee. This Section 13 provides the exclusive method for a shareholder to include nominees for election to the Board of Directors in the Company's proxy materials.

(b) In addition to any other applicable requirements, for a Shareholder Nominee to be eligible for inclusion in the Company's proxy materials pursuant to this Section 13, the Eligible Shareholder must give timely notice of such nomination (the "***Notice of Proxy Access Nomination***") in proper written form to the Secretary of the Company. To be timely, the Notice of Proxy Access Nomination shall be delivered to or mailed and received at the principal executive offices of the Company not less than 120 days nor more than 150 days in advance of the date which is the anniversary of the date the Company's proxy statement was released to security holders in connection with the previous year's annual meeting; provided, that, if the Company did not hold such previous year's annual meeting or if the anniversary date of the current year's annual meeting has been changed by more than 30 days from the date of the previous year's annual meeting, then such shareholder's notice shall be so delivered or mailed and received within a reasonable time before the Company begins to print and mail its proxy statement. In no event shall an adjournment of an annual meeting, or the postponement of an annual meeting for which notice has been given, commence a new time period for the giving of an Eligible Shareholder's Notice of Proxy Access Nomination pursuant to this Section 13.

(c) The maximum number of Shareholder Nominees nominated by all Eligible Shareholders that will be included in the Company's proxy materials with respect to an annual meeting of shareholders shall be the greater of (i) two (2) or (ii) twenty percent (20%) of the number of directors in office as of the last day on which a Notice of Proxy Access Nomination may be delivered pursuant to and in accordance with this Section 13 (the "***Final Proxy Access Nomination Date***") or, if such amount is not a whole number, the closest whole number below twenty percent (20%) (such number, as it may be adjusted pursuant to this Section 13(c), the "***Permitted Number***"). In the event that one or more vacancies occurs on the Board of Directors for any reason after the Final Proxy Access Nomination Date but on or before the date of the annual meeting and the Board of Directors resolves to reduce the number of directors on the Board of Directors in connection therewith, the Permitted Number shall be calculated based on the number of directors on the Board of Directors as so reduced. For purposes of determining when the Permitted Number has been reached, each of the following persons shall be counted as one of the Shareholder Nominees: (i) any individual submitted by an Eligible Shareholder for inclusion in the Company's proxy materials pursuant to this Section 13 whose nomination is subsequently withdrawn, (ii) any individual submitted by an Eligible Shareholder for inclusion in the Company's proxy materials pursuant to this Section 13 whom the Board of Directors decides to nominate for election to the Board of Directors, (iii) the number of nominees recommended by the Board of Directors who will be included in the Company's proxy materials pursuant to an agreement, arrangement or other understanding with a shareholder or group of shareholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of stock from the Company by such shareholder or group of shareholders); and (iv) any director on the Board of Directors as of the Final Proxy Access Nomination Date who was included in the Company's proxy materials as a Shareholder Nominee for any of the two (2) preceding annual meetings of shareholders (including any individual counted as a Shareholder Nominee pursuant to the preceding clause (ii)) and whom the Board of Directors decides to nominate for re-election to the Board of Directors. Any Eligible Shareholder submitting more than one Shareholder Nominee for inclusion in the Company's proxy materials pursuant to this Section 13 shall rank such Shareholder Nominees based on the order in which the Eligible Shareholder desires such Shareholder Nominees to be selected for inclusion in the Company's proxy materials in the event that the total number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Section 13 exceeds the Permitted Number. In the event that the number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Section 13 exceeds the Permitted Number, the highest ranking Shareholder Nominee who meets the requirements of this Section 13 from each Eligible Shareholder will be selected for inclusion in the Company's proxy materials until the Permitted Number is reached, going in order of the amount (largest to smallest) of shares of common stock of the Company each Eligible Shareholder disclosed as owned in its Notice of Proxy Access Nomination. If the Permitted Number is not reached after the highest ranking Shareholder Nominee who meets the requirements of this Section 13 from each Eligible Shareholder has been selected, then the next highest ranking Shareholder Nominee who meets the requirements of this Section 13 from each Eligible Shareholder will be selected for inclusion in the Company's proxy materials, and this process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached.

(d) In order to make a nomination pursuant to this Section 13, an Eligible Shareholder must have owned (as defined below) at least three percent (3%) of the outstanding common stock of the Company as of the most recent date for which such amount is given in any filing by the Company with the Securities and Exchange Commission prior to the submission of the Notice of Proxy Access Nomination (the "***Required Shares***") continuously for at least three (3) years (the "***Minimum Holding Period***") as of both the date the Notice of Proxy Access Nomination is received by the Secretary of the Company in accordance with this Section 13 and the record date for the determination of shareholders entitled to vote at the annual meeting, and must continue to own the Required Shares through the date of the annual meeting. For purposes of this Section 13, an Eligible Shareholder shall be deemed to "own" only those outstanding shares of common stock of the Company as to which the shareholder possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (x) sold by such shareholder or any of its affiliates in any transaction that has not been settled or closed, (y) borrowed by such shareholder or any of its affiliates for any purposes or purchased by such shareholder or any of its affiliates pursuant to an agreement to resell or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar instrument or agreement entered into by such shareholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the Company, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such shareholder's or its affiliates' full right to vote or direct the voting of any such shares or (2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such shareholder or affiliate, but not including any hedging across a broad multi-industry investment portfolio solely with respect to currency risk, interest-rate risk or, using a broad index-based hedge, equity risk. A shareholder shall "own" shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of directors and the right to direct the disposition of the shares and possesses the full economic interest in the shares. A shareholder's ownership of shares shall be deemed to continue during any period in which (i) the shareholder has loaned such shares, provided that the shareholder has the power to recall such loaned shares before the record date for the meeting and includes in its Notice of Proxy Access Nomination an agreement that it (A) will promptly recall such loaned shares promptly (and in any case prior to the record date for the meeting) upon being notified by the Company that any of its Shareholder Nominees will be included in the Company's proxy materials and (B) will continue to hold such shares through the date of the annual meeting or (ii) the shareholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the shareholder. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. For purposes of this Section 13, the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

(e) To be in proper written form for purposes of this Section 13, the Notice of Proxy Access Nomination must include or be accompanied by the following:

(i) a written statement by the Eligible Shareholder certifying as to the number of shares it owns and has owned (as defined in Article I, Section 13(d) hereof) continuously during the Minimum Holding Period;

(ii) one or more written statements from the record holder of the Required Shares (and from each intermediary through which the Required Shares are or have been held during the Minimum Holding Period) verifying that, as of a date within seven (7) days prior to the date the Notice of Proxy Access Nomination is received by the Secretary of the Company, the Eligible Shareholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, and the Eligible Shareholder's agreement to provide to the Secretary of the Company (A) within ten (10) days after (1) the record date to determine the shareholders entitled to vote at the annual meeting (if, prior to the record date, the Company (i) has made a public announcement of such record date or (ii) delivered a written notice of the record date (including by electronic mail) to the Eligible Shareholder) or (2) the date on which the Company delivers to the Eligible Shareholder written notice (including by electronic mail) of the record date (if such notice is provided after the record date), one or more written statements from the record holder and such intermediaries verifying the Eligible Shareholder's continuous ownership of the Required Shares through the record date and (B) immediate notice if the Eligible Shareholder ceases to own any of the Required Shares prior to the date of the annual meeting;

(iii) a copy of the Schedule 14N that has been or is concurrently being filed with the United States Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act;

(iv) the information, consent, agreements and documents that would be required to be submitted pursuant to a shareholder's notice of a nomination pursuant to Article I, Section 6 of these By-Laws, together with the written consent of each Shareholder Nominee to being named in the proxy statement as a nominee and to serving as a director of the Company, if elected;

(v) a representation and agreement that the Eligible Shareholder (A) will continue to hold the Required Shares through the date of the annual meeting, (B) acquired the Required Shares in the ordinary course of business and neither acquired, nor owns, any shares of common stock of the Company for the purpose or with the effect of influencing or changing control of the Company, and does not presently have such intent, (C) has not nominated and will not nominate for election to the Board of Directors at the annual meeting any person other than the Shareholder Nominee(s) it is nominating pursuant to this Section 13, (D) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1 (1) under the Exchange Act in support of the election of any person as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the Board of Directors, (E) has not distributed and will not distribute to any shareholder of the Company any form of proxy for the annual meeting other than the form distributed by the Company, (F) has complied and will comply with all laws and regulations applicable to solicitations and the use, if any, of soliciting material in connection with the annual meeting, and (G) has provided and will provide facts, statements and other information in all communications with the Company and its shareholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(vi) an undertaking that the Eligible Shareholder agrees to (A) assume all liability resulting from any legal or regulatory violation arising out of the Eligible Shareholder's communications with the shareholders of the Company or relating to the information that the Eligible Shareholder provided to the Company, (B) indemnify and hold harmless the Company and each of its directors, officers and employees individually from and against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Company or any of its directors, officers or employees relating to any legal or regulatory violation arising out of the Eligible Shareholder's communications with shareholders of the Company or relating to the information that the Eligible Shareholder provided to the Company or arising out of any activity by the Eligible Shareholder in connection with any such nomination and (C) file with the Securities and Exchange Commission any solicitation materials relating to the meeting at which its Shareholder Nominee(s) will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or whether any exemption from filing is available for such solicitation materials under Regulation 14A of the Exchange Act;

(vii) in the case of a nomination by a group of shareholders together constituting an Eligible Shareholder; the designation by all group members of one member of the group that is authorized to receive communications, notices and inquiries from the Company and to act on behalf of all members of the group with respect to all matters relating to the nomination under this Section 13 (including withdrawal of the nomination);

(viii) in the case of a nomination by a group of shareholders together constituting an Eligible Shareholder, documentation reasonably satisfactory to the Company that demonstrates that each of the funds included within a group counted as one shareholder satisfies the requirements set forth in Article I, Section 13(a);

(ix) information as necessary to permit the Board of Directors to determine whether or not the Shareholder Nominee (A) is independent under the listing standards of the principal U.S. exchange upon which the Common Stock of the Company is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board of Directors in determining and disclosing independence of the Company's directors, (B) meets the audit committee independence requirements under the rules of any stock exchange on which the Company's securities are traded and applicable securities laws, (C) is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule) and (D) is an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision)(collectively, the "***Independence Standards***");

(x) a written representation and agreement, in the form provided by the Secretary of the Company, that the Shareholder Nominee will (A) comply, in his or her individual capacity, if elected as a director, with the Company's Corporate Governance Guidelines, corporate policies, corporate directives, and policies and guidelines regarding conflicts of interest, confidentiality, stock ownership and trading, any other codes of conduct, codes of ethics, policies and guidelines of the Company or any rules, regulations and listing standards, in each case as applicable to the Company's directors; (B) promptly, but in any event within ten (10) business days after such request, provide to the Company such other information and certifications, including completion of the Company's director nominee questionnaire, as the Company may reasonably request; and (C) at the reasonable request of the Board of Directors, any committee of the Board of Directors or any officer of the Company, meet with the Board of Directors, any committee of the Board of Directors or any officer of the Company to discuss matters relating to the nomination of such Shareholder Nominee to the Board of Directors, including the information provided by such Shareholder Nominee to the Company in connection with his or her nomination and such Shareholder Nominee's eligibility to serve as a member of the Board of Directors;

(xi) a written representation and agreement that the Shareholder Nominee is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question, (B) any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director, in each case, unless the terms of such agreement, arrangement or understanding have been disclosed to the Company or (C) any voting commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Company, with such person's fiduciary duties under applicable law; and

(xii) an irrevocable letter of resignation signed by the Shareholder Nominee providing that such resignation shall become effective upon a determination by the Board of Directors or any committee thereof that (A) the information provided to the Company or its shareholders with respect to such Shareholder Nominee or the Eligible Shareholder that nominated such Shareholder Nominee pursuant to this Section 13 or any other provision of these By-Laws was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or (B) such Shareholder Nominee or the Eligible Shareholder that nominated such Shareholder Nominee pursuant to this Section 13 failed to comply with any obligation owed to the Company or breached any representation made under or pursuant to these By-Laws.

(f) In addition to the information required pursuant to Section 13(e) or any other provision of these By-Laws, the Company may require (i) any proposed Shareholder Nominee to furnish any other information that (A) may reasonably be required by the Company to determine that the Shareholder Nominee would be independent under the Independence Standards, (B) could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such Shareholder Nominee or (C) may reasonably be required by the Company to determine the eligibility of such Shareholder Nominee to serve as a director of the Company and (ii) the Eligible Shareholder to furnish any other information that may reasonably be required by the Company to verify the Eligible Shareholder's continuous ownership of the Required Shares for the Minimum Holding Period.

(g) The Eligible Shareholder may, at its option, provide to the Corporate Secretary, at the time the Notice of Proxy Access Nomination is provided, a written statement, not to exceed five hundred (500) words, in support of each Shareholder Nominee's candidacy (a "Supporting Statement") for inclusion in the Company's proxy materials for the annual meeting. Only one Supporting Statement may be submitted by an Eligible Shareholder (including any group of shareholders together constituting an Eligible Shareholder) in support of each of the Shareholder Nominee. Notwithstanding anything to the contrary contained in this Section 13, the Company may omit from its proxy materials any information or Supporting Statement (or portion thereof) that it, in good faith, believes is materially false or misleading, omits to state any material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, or would violate any applicable law or regulation.

(h) In the event any information or communications provided by an Eligible Shareholder or a Shareholder Nominee to the Company or its shareholders ceases to be true and correct in all material respects or omits to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, such Eligible Shareholder or Shareholder Nominee, as the case may be, shall promptly notify the Corporate Secretary of any defect in such previously provided information and of the information that is required to correct any such defect. In addition, any person providing any information to the Company pursuant to this Section 13 shall further update and supplement such information, if necessary, so that all such information shall be true and correct as of the record date for the determination of shareholders entitled to vote at the annual meeting and as of the date of the annual meeting, and such update and supplement shall be delivered to, or mailed and received at, the principal executive offices of the Company not later than ten (10) days after the record date for the determination of shareholders entitled to vote at the annual meeting.

(i) Notwithstanding anything to the contrary contained in this Section 13, the Company shall not be required to include, pursuant to this Section 13, a Shareholder Nominee in its proxy materials, or, if the proxy statement has already been filed, to allow the nomination of a Shareholder Nominee, notwithstanding that proxies in respect of such vote have been received by the Company: (i) for any annual meeting of shareholders for which the Corporate Secretary receives notice (whether or not subsequently withdrawn) that the Eligible Shareholder or any other shareholder proposes to nominate one or more persons for election to the Board of Directors pursuant to the advance notice requirements for shareholder nominees set forth in Article I, Section 6, (ii) if the Eligible Shareholder who has nominated such Shareholder Nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1 (1) under the

Exchange Act in support of the election of any person as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the Board of Directors, (iii) who would not be an independent director under the Independence Standards, (iv) whose election or service as a member of the Board of Directors would cause the Company to be in violation of these By-Laws, the Certificate of Incorporation of the Company, the rules and listing standards of the principal United States securities exchanges upon which the common stock of the Company is listed or traded, or any applicable state or federal law, rule or regulation, (v) who was nominated for election to the Board of Directors pursuant to this Section 13 at any one of the Company's two (2) preceding annual meetings and either withdrew or became ineligible or unavailable or did not receive a number of affirmative votes cast in favor of his or her election at least equal to twenty-five percent (25%) of the votes cast at such annual meeting, (vi) who is or has been, within the three (3) years preceding the date on which the Notice of Proxy Access Nomination is delivered, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, (vii) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the ten (10) years preceding the date on which the Notice of Proxy Access Nomination is delivered, (viii) who is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended, (ix) if such Shareholder Nominee is a director, trustee, officer or employee with management functions for any depository institution, depository institution holding company or entity that has been designated as a Systemically Important Financial Institution, each as defined in the Depository Institution Management Interlocks Act, (x) if such Shareholder Nominee or the applicable Eligible Shareholder shall have provided any information to the Company or its shareholders in respect of the nomination that was untrue in any material respect or that omitted to state a material fact necessary to make the statements made, in light of the circumstances in which they were made, not misleading, (xi) if such Shareholder Nominee or the applicable Eligible Shareholder otherwise breaches or fails to comply with any of the agreements or representations made by such Shareholder Nominee or Eligible Shareholder or fails to comply with its obligations under this Section 13, or (xii) if the Eligible Shareholder ceases to be an Eligible Shareholder for any reason, including but not limited to not owning the Required Shares through the date of the annual meeting.

(j) Notwithstanding anything to the contrary set forth herein, if (i) a Shareholder Nominee or the applicable Eligible Shareholder breaches or fails to comply with any of its or their obligations, agreements or representations under this Section 13 or (ii) a Shareholder Nominee otherwise becomes ineligible for inclusion in the Company's proxy materials pursuant to this Section 13 or dies or otherwise becomes unavailable for election at the annual meeting, (x) the Company may omit or, to the extent feasible, remove the information concerning such Shareholder Nominee and the related Supporting Statement from its proxy materials and/or otherwise communicate to its shareholders that such Shareholder Nominee will not be eligible for election at the annual meeting, (y) the Company shall not be required to include in its proxy materials any successor or replacement nominee proposed by the applicable Eligible Shareholder or any other Eligible Shareholder, and (z) the Board of Directors or the Chairman of the annual meeting shall declare such nomination to be invalid and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Company. In addition, if the Eligible Shareholder (or a representative thereof) does not appear at the annual meeting to present any nomination pursuant to this Section 13, such nomination shall be declared invalid and disregarded as provided in clause (z) above.

(k) Notwithstanding anything to the contrary set forth herein, the Company may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the Supporting Statement or any other statement in support of a Shareholder Nominee included in any Notice of Proxy Access Nomination, if the Board of Directors determines that: (i) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading, (ii) such information directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any individual, corporation, partnership, association or other entity, organization or governmental authority; (iii) the inclusion of such information in the proxy statement would otherwise violate the Securities and Exchange Commission proxy rules or any other applicable law, rule or regulation, or (iv) the inclusion of such information in the proxy statement would impose a material risk of liability against the Company.

(l) Whenever the Eligible Shareholder consists of a group of shareholders pursuant to Section 13(a) of this Article I, (i) each provision in this Section 13 that requires the Eligible Shareholder to provide any written statements, representations, undertakings, agreements or other instruments or to meet any other conditions shall be deemed to require each shareholder (including each individual fund) that is a member of such group to provide such statements, representations, undertakings, agreements or other instruments and to meet such other conditions (except that the members of such group may aggregate their shareholdings in order to meet the three percent (3%) ownership requirement of the "***Required Shares***" definition) and (ii) a breach of, or failure to comply with, any obligation, agreement or representation under this Section 13 by any member of such group shall be deemed a breach by the Eligible Shareholder. No Eligible Shareholder shall be permitted to be in more than one group seeking to make a nomination hereunder, and if any Eligible Shareholder appears as a member of more than one group, such Eligible Shareholder shall be deemed to be a member of only the group that owns the largest aggregate number of shares of the Company's outstanding common stock, as reflected in the Notice of Proxy Access Nomination.

(m) Any Shareholder Nominee who is included in the Company's proxy materials for a particular annual meeting of shareholders but withdraws from or becomes ineligible or unavailable for election at the annual meeting will be ineligible to be a Shareholder Nominee pursuant to this Section 13 for the next two (2) annual meetings of shareholders. For the avoidance of doubt, the immediately preceding sentence shall not prevent any shareholder from nominating any person to the Board of Directors pursuant to and in accordance with Section 6 of this Article I.

(n) Without limiting the power and authority of the Board of Directors to interpret any other provisions of these By-Laws, the Board of Directors (and any other person or body authorized by the Board of Directors) shall have the power and authority to interpret Article I, Section 6 and this Section 13 and to make any and all determinations necessary or advisable to apply such sections to any persons, facts or circumstances, including, without limitation, the power to determine (i) whether a person or group of persons qualifies as an Eligible Shareholder; (ii) whether outstanding shares of the Company's common stock are "owned" for the purposes of meeting the ownership requirements of this Section 13; (iii) whether a Notice of Proxy Access Nomination or Supporting Statement complies with the requirements of this Section 13; (iv) whether a person satisfies the qualifications and requirements imposed by this Section 13 to be a Shareholder Nominee; (v) whether the inclusion of the Required Information in the Company's proxy statement is consistent with all applicable laws, rules, regulations and listing standards; and (vi) whether any and all requirements of Article I, Section 6 and this Section 13 have been satisfied.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Power of Board and Qualification of Directors.

The business of the Company shall be managed under the direction of the Board of Directors, each of whom shall be at least eighteen years of age.

Section 2. Number, Term of Office and Classification:

(a) The Board of Directors shall consist of not less than five nor more than twenty-one members. The number of Directors shall be determined from time to time by resolution of a majority of the entire Board of Directors then in office, provided that no decrease in the number of Directors shall shorten the term of any incumbent Director. At each Annual Meeting of shareholders Directors shall be elected to hold office until the next annual meeting.

(b) If and whenever six full quarter-yearly dividends (whether or not consecutive) shall not be paid on the Voting Parity Preferred Stock (as defined in the Certificate of Incorporation), in whole or in part, the number of Directors then constituting the Board of Directors shall be increased by two and the holders of the Voting Parity Preferred Stock, voting separately as a class, regardless of series, shall be entitled to elect the two additional Directors at any annual meeting of shareholders or special meeting held in place thereof, or at a special meeting of the holders of the Voting Parity Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Voting Parity Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarter-yearly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Voting Parity Preferred Stock to elect such additional two Directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends), and the terms of office of all persons elected as Directors by the holders of the Voting Parity Preferred Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the Voting Parity Preferred Stock, the Secretary of the Company may, and upon the written request of any holder of the Voting Parity Preferred Stock (addressed to the Secretary at the principal office of the Company) shall, call a special meeting of the holders of the Voting Parity Preferred Stock for the election of the two Directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the By-Laws for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within twenty days after receipt of any such request, then any holder of Voting Parity Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Company. The Directors elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in place thereof. In case any vacancy shall occur among the Directors elected by the holders of the Voting Parity Preferred Stock, a successor shall be elected to serve until the next annual meeting of the shareholders or special meeting held in place thereof by the then remaining Director elected by the holders of the Voting Parity Preferred Stock or the successor of such remaining Director.

(c) All Directors shall have equal voting power.

Section 3. Organization.

At each meeting of the Board of Directors, the Chairman of the Board, or in his or her absence, if the Chief Executive Officer is a Director, the Chief Executive Officer, or if the Chief Executive Officer is not a Director or in his or her absence, if the President is a Director, the President, or if the President is not a Director or in his or her absence, a chairman chosen by a majority of the Directors present at the meeting shall preside. The Secretary shall act as secretary of the Board of Directors. In the event the Secretary shall be absent from any meeting of the Board of Directors, a majority of the Directors present at the meeting shall select the secretary.

Section 4. Resignations.

Any Director of the Company may resign at any time by giving written notice to the Chairman of the Board or to the Secretary of the Company. Such resignation shall take effect at the time specified therein or, if no time be specified, then on delivery.

Section 5. Vacancies.

Newly created directorships resulting from an increase in the number of Directors and vacancies occurring in the Board of Directors for any reason except the removal of Directors without cause may be filled by a vote of a majority of the Directors then in office, although less than a quorum exists. A Director elected to fill a vacancy shall hold office until the next annual meeting.

Section 6. Place of Meeting.

The Board of Directors may hold its meetings at such place or places within or without the State of New York as the Board of Directors may from time to time by resolution determine.

Section 7. First Meeting.

On the day of each annual election of Directors, the Board of Directors shall meet for the purpose of organization and the transaction of other business. Notice of such meeting need not be given. Such first meeting may be held at any other time which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

Section 8. Regular Meetings.

Regular meetings of the Board of Directors may be held at such times as may be fixed from time to time by resolution of the Board of Directors without notice.

Section 9. Special Meetings.

Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, or by any two of the Directors. Oral, telegraphic, electronic or written notice shall be given, sent, transmitted or mailed not less than one day before the meeting and shall state, in addition to the purposes, the date, place and hour of such meeting.

Section 10. Waivers of Notice.

Notice of a meeting need not be given to any Director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him or her.

Section 11. Quorum and Manner of Acting.

(a) If the number of Directors is twelve or more, seven Directors shall constitute a quorum for the transaction of business or any specified item of business. If the number of Directors is less than twelve, a majority of the entire Board of Directors shall constitute a quorum.

(b) A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place without notice to any Director.

Section 12. Written Consents.

Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or the committee consent in writing to the adoption of a resolution authorizing the action.

The resolution and the written consents thereto by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee.

Section 13. Participation at Meetings by Telephone.

Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 14. Compensation.

The Board of Directors shall have authority to fix the compensation of Directors for services in any capacity.

Section 15. Interested Directors:

(a) No contract or other transaction between the Company and one or more of its Directors, or between the Company and any other corporation, firm, association or other entity in which one or more of its Directors are directors or officers, or are financially interested, shall be either void or voidable for this reason alone or by reason alone that such Director or Directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or that his or her or their votes are counted for such purpose, provided that the parties to the contract or transaction establish affirmatively that it was fair and reasonable as to the Company at the time it was approved by the Board, a committee, or the shareholders.

(b) Any such contract or transaction may not be avoided by the Company for the reasons set forth in (a) if

(1) the material facts as to such Director’s interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the Board or committee, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote of such interested Director or, if the votes of the disinterested Directors are insufficient for such purpose, by unanimous vote of the disinterested Directors (although common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which approves such contract or transactions), or

(2) the material facts as to such Director’s interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the shareholders entitled to vote thereon, and such contract or transaction is approved by vote of such shareholders.

Section 16. Loans to Directors.

The Company may not lend money to or guarantee the obligation of a Director of the Company unless the particular loan or guarantee is approved by the shareholders, with the holders of a majority of the shares entitled to vote thereon constituting a quorum, but shares held of record or beneficially by Directors who are benefited by such loan or guarantee shall not be entitled to vote or to be included in the determination of a quorum.

ARTICLE III

COMMITTEES

Section 1. How Constituted and Powers.

The Board of Directors by resolution adopted by a majority of the entire Board may designate from among its members committees of the Board, each of which shall consist of one or more Directors and shall have such authority as provided in the resolution designating the committee, except such committees shall have no authority as to the following matters:

(a) The submission to shareholders of any action that needs shareholders' authorization.

(b) The filling of vacancies in the Board or in any committee.

(c) The fixing of compensation of the Directors for serving on the Board or on any committee.

(d) The amendment or repeal of the By-Laws, or the adoption of new By-Laws.

(e) The amendment or repeal of any resolution of the Board which, by its terms, shall not be so amendable or repealable.

(f) The declaration of dividends.

Section 2. Quorum and Manner of Acting.

Unless otherwise provided by resolution of the Board of Directors, a majority of each committee of the Board shall constitute a quorum for the transaction of business and the act of a majority of all of the members of the committee, whether present or not, shall be the act of the committee. The members of the committee shall act only as a committee. The procedure of the committee and its manner of acting shall be subject at all times to the directions of the Board of Directors.

Section 3. Alternate Members.

The Board of Directors may designate one or more eligible Directors as alternate members of any committee of the Board who may replace any absent or disqualified member or members at any meeting of any such committee.

ARTICLE IV

CHAIRMAN OF THE BOARD AND OFFICERS

Section 1. Chairman of the Board.

There shall be a Chairman of the Board. The Chairman of the Board may be, but need not be, an officer or employee of the Company. The Chairman of the Board shall be chosen from among the Directors. The Chairman of the Board shall preside at all meetings of the shareholders at which he or she is present. The Chairman of the Board shall preside at all meetings of the Directors at which he or she is present and may attend any meeting of any committee of the Board, whether or not a member of such committee. The Chairman of the Board's primary responsibilities shall be to facilitate Board and Shareholders meetings and establish the agendas for such meetings. In addition, the Chairman of the Board shall have such powers and perform such other duties as may be assigned to him or her by the Board.

Section 2. Vice Chairman of the Board.

There may be a Vice Chairman of the Board, who may be, but need not be, an officer or employee of the Company. The Vice Chairman of the Board shall be chosen from among the Directors. The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, preside at all at all meetings of the shareholders and the Directors at which he or she is present and may attend any meeting of any committee of the Board, whether or not a member of such committee. In the absence or inability to act of the Chairman of the Board, or if the office of the Chairman of the Board be vacant, the Vice Chairman of the Board, subject to the right of the Board from time to time to extend or confine such powers and duties or to assign them to others, shall perform all duties and may exercise all powers of the Chairman of the Board. The Vice Chairman of the Board shall also have such powers and perform such other duties as may be assigned to him or her by the Board and the Chairman of the Board.

Section 3. Number.

The Board may elect a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer, a Secretary, and such other officers as the Board of Directors may in its discretion determine. Any two or more offices may be held by the same person, including by the Chairman of the Board and Vice Chairman of the Board.

Section 4. Term of Offices and Qualifications.

The Chairman of the Board, the Vice Chairman of the Board and those officers elected pursuant to Section 3 of this Article IV shall be chosen by the Board of Directors on the day of the Annual Meeting. Unless a shorter term is provided in the resolution of the Board electing the Chairman of the Board or such officer, the term of office of the Chairman of the Board or such officer, as applicable, shall extend to and expire at the meeting of the Board held on the day of the next Annual Meeting.

Section 5. Additional Officers.

Additional officers other than those elected pursuant to Section 3 of this Article IV shall be elected for such period, have such authority and perform such duties, either in an administrative or subordinate capacity, as the Board of Directors may from time to time determine.

Section 6. Removal of Chairman of the Board and Officers.

The Chairman of the Board, the Vice Chairman of the Board and/or any officer may be removed by the Board of Directors with or without cause, at any time. Removal of the Chairman of the Board and/or an officer without cause shall be without prejudice to his or her contract rights, if any, but his or her election as Chairman of the Board and/or an officer shall not of itself create contract rights.

Section 7. Resignation.

The Chairman of the Board, the Vice Chairman of the Board and/or any officer may resign at any time by giving written notice to the Board of Directors, or to the Chairman of the Board or to the Secretary. Any such resignation shall take effect at the time specified therein, or if no time be specified, then upon delivery.

Section 8. Vacancies.

A vacancy in any office, including Chairman of the Board, shall be filled by the Board of Directors.

Section 9. Chief Executive Officer.

The Chief Executive Officer of the Company shall, subject to the direction of the Board, have general and active control of the affairs and business of the Company and general supervision of its officers, officials, employees and agents. In the absence of the Chairman of the Board and the Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the shareholders and, if he or she is also a Director, meetings of Directors at which he or she is present.

Section 10. President.

The President shall have such powers and perform such duties as may be assigned to him or her by the Board.

Section 11. The Vice Presidents.

Each Vice President shall have such powers and shall perform such duties as may be assigned to him or her by the Board of Directors or the Chief Executive Officer. With respect to seniority of Vice Presidents, unless the Board determines otherwise, Executive Vice Presidents shall be first in order of priority, Senior Vice Presidents shall be second in order of priority and Vice Presidents shall be third in order of priority.

Section 12. The Treasurer.

The Treasurer shall, if required by the Board of Directors, give a bond for the faithful discharge of his or her duties, in such sum and with such sureties as the Board of Directors shall require. He or she shall have charge and custody of, and be responsible for, all funds and securities of the Company, and deposit all such funds in the name of and to the credit of the Company in such banks, trust companies, or other depositories as shall be selected by the Board of Directors. He or she shall also perform all other duties customarily incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 13. The Secretary.

It shall be the duty of the Secretary to act as secretary of all meetings of the Board of Directors, and of the shareholders, and to keep the minutes of all such meetings at which he or she shall so act in a proper book or books to be provided for that purpose; he or she shall see that all notices required to be given by the Company are duly given and served; he or she may sign and execute in the name of the Company deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors; he or she shall prepare, or cause to be prepared, for use at meetings of shareholders the list of shareholders as of the record date referred to in Article I, Section 12 of these By-Laws and shall certify, or cause the transfer agent to certify, such list; he or she shall keep a current list of the Company’s Directors and officers and their residence addresses; he or she shall be custodian of the seal of the Company and shall affix the seal, or cause it to be affixed, to all agreements, documents and other papers requiring the same. The Secretary shall have custody of the Minute Book containing the minutes of all meetings of shareholders, Directors, and the committees of the Board which may keep minutes, and of all other contracts and documents which are not in the custody of the Treasurer of the Company, or in the custody of some other person authorized by the Board of Directors to have such custody.

Section 14. Appointed Officers.

The Board of Directors may delegate to any officer or committee the power to appoint and to remove any subordinate officer, agent or employee.

Section 15. Assignment and Transfer of Stocks, Bonds, and Other Securities.

The Chief Executive Officer, 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 Company.

ARTICLE V

CONTRACTS, CHECKS, DRAFTS AND BANK ACCOUNTS

Section 1. Execution of Contracts.

The Board of Directors, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent, or agents, in the name of and on behalf of the Company to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; but, unless so authorized by the Board of Directors, or expressly authorized by these By-Laws, no officer, agent or employee shall have any power or authority to bind the Company by any contract or engagement or to pledge its credit or to render it liable pecuniarily in any amount for any purpose.

Section 2. Loans.

No loans shall be contracted on behalf of the Company, and no negotiable paper shall be issued in its name unless specifically authorized by the Board of Directors.

Section 3. Checks, Drafts, etc.

All checks, drafts, and other orders for the payment of money out of the funds of the Company, and all notes or other evidences of indebtedness of the Company, shall be signed on behalf of the Company in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits.

All funds of the Company not otherwise employed shall be deposited from time to time to the credit of the Company in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI

STOCKS AND DIVIDENDS

Section 1. Shares of Stock.

Shares of stock of the Company shall be uncertificated.

Section 2. Transfer of Stock.

Transfers of stock of the Company shall be made only on the books of the Company by the holder thereof, or by his or her duly authorized attorney, on delivery to the Company of proper transfer instructions. Within a reasonable time after the issuance or transfer of uncertificated stock, the Company shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to the Business Corporation Law of the State of New York. A person in whose name stock of the Company stands on the books of the Company shall be deemed the owner thereof as regards the Company; provided that, whenever any transfer of stock shall be made for collateral security, and not absolutely, such fact, if known to the Secretary of the Company, or to its transfer agent shall be so expressed in the entry of the transfer. No transfer of stock shall be valid as against the Company, or its shareholders for any purpose, until it shall have been entered in the stock records of the Company as specified in these By-Laws by an entry showing from and to whom transferred.

Section 3. Transfer and Registry Agents.

The Company may, from time to time, maintain one or more transfer offices or agencies and/or registry offices at such place or places as may be determined from time to time by the Board of Directors; and the Board of Directors may, from time to time, define the duties of such transfer agents and registrars and make such rules and regulations as it may deem expedient, not inconsistent with these By-Laws, concerning the issue, transfer and registration of uncertificated stock of the Company.

Section 4. Record Dates for Certain Purposes.

The Board of Directors of the Company shall fix a day and hour not more than sixty days preceding the date of any meeting of shareholders, or the date for payment of any cash or stock dividend, or the date for the allotment of any rights of subscription, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or entitled to receive any such allotment of rights of subscription, or entitled to exercise rights in respect of any such change, conversion or exchange of capital stock, and in such case, such shareholders and only such shareholders as shall be shareholders of record on the day and hour so fixed shall be entitled to such notice of, and to vote at, such meeting or any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights of subscription, or to exercise rights in connection with such change or conversion or exchange of capital stock, as the case may be, notwithstanding any transfer of any stock on the books of the Company after such day and hour fixed as aforesaid.

Section 5. Dividends and Surplus.

Subject to the limitations prescribed by law, the Board of Directors (1) may declare dividends on the stock of the Company whenever and in such amounts as, in its opinion, the condition of the affairs of the Company shall render it advisable, (2) may use and apply, in its discretion, any part or all of the surplus of the Company in purchasing or acquiring any of the shares of stock of the Company, and (3) may set aside from time to time out of such surplus or net profits such sum or sums as it in its absolute discretion, may think proper as a reserve fund to meet contingencies or for equalizing dividends, or for the purpose of maintaining or increasing the property or business of the Company, or for any other purpose it may think conducive to the best interest of the Company.

ARTICLE VII

OFFICES AND BOOKS

Section 1. Offices.

The Company shall maintain an office at such place in the County of Monroe, State of New York, as the Board of Directors may determine. The Board of Directors may from time to time and at any time establish other offices of the Company or branches of its business at whatever place or places seem to it expedient.

Section 2. Books and Records:

(a) There shall be kept at one or more offices of the Company (1) correct and complete books and records of account, (2) minutes of the proceedings of the shareholders, Board of Directors and the committees of the Board, (3) a current list of the Directors and officers of the Company and their residence addresses, and (4) a copy of these By-Laws.

(b) The stock records may be kept either at the office of the Company or at the office of its transfer agent or registrar in the State of New York, if any, and shall contain the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

ARTICLE VIII

GENERAL

Section 1. Seal.

The corporate seal shall be circular in form and shall contain the name of the Company, the year of its organization and the words “CORPORATE SEAL, NEW YORK.” Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

Section 2. Indemnification of Directors and Officers.

Except to the extent expressly prohibited by law, the Company shall 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 corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any Director or officer of the Company served in any capacity at the request of the Company, by reason of the fact that he or she, his or her testator or intestate is or was a Director or officer of the Company or serves or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be required with respect to any settlement unless the Company shall have given its prior approval thereto. Such indemnification shall include the right to be paid advances of any expenses incurred by such person in connection with such action, suit or proceeding, consistent with the provisions of applicable law. In addition to the foregoing, the Company is authorized to extend rights to indemnification and advancement of expenses to such persons by i) resolution of the shareholders, ii) resolution of the Directors or iii) an agreement, to the extent not expressly prohibited by law.

ARTICLE IX

FISCAL YEAR

Section 1. Fiscal Year.

The fiscal year of the Company shall end on the 31st day of December in each year.

ARTICLE X

AMENDMENTS

Section 1. Amendments.

By-Laws of the Company may be amended, repealed or adopted by a majority of the votes of the shares at the time entitled to vote in the election of any Directors. If, at any meeting of shareholders, action is proposed to be taken to amend, repeal or adopt By-Laws, the notice of such meeting shall include a brief statement or summary of the proposed action. The By-Laws may also be amended, repealed or adopted by the Board of Directors, but any By-Law adopted by the Board may be amended or repealed by shareholders entitled to vote thereon as hereinabove provided. If any By-Law regulating an impending election of Directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of Directors the By-Law so adopted, amended or repealed, together with a concise statement of the changes made.

ARTICLE XI

FORUM

Unless the Company consents in writing to the selection of an alternative forum, any New York State Supreme Court located in New York County in the State of New York or, if such court lacks jurisdiction, the United States District Court for the Southern District of New York (or if such state and federal courts lack jurisdiction, in any other state or federal court located in the State of New York) (any such court, a "***Chosen Court***"), shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or shareholder of the Company to the Company or the Company's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the New York Business Corporation Law or the Company's Certificate of Incorporation or these By-Laws (with respect to each, as may be amended from time to time), or (iv) any action asserting a claim governed by the internal affairs doctrine. Any person holding, purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be (a) deemed to have notice of and consented to the provisions of this Article XI, and (b) deemed to have waived any argument relating to the inconvenience of the Chosen Court in connection with any action or proceeding described in this Article XI. If any action the subject matter of which is within the scope of this Article XI is filed in a court other than a Chosen Court (a "***Foreign Action***") in the name of any shareholder, such shareholder shall be deemed to have consented to (i) the personal jurisdiction of the Chosen Courts in connection with any action brought in any such court to enforce this Article XI (an "***Enforcement Action***") and (ii) having service of process made upon such shareholder in any such Enforcement Action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

EXHIBIT 3.3

AMENDED AND RESTATED BY-LAWS

OF

XEROX CORPORATION

July 22, 2021

ARTICLE I
OFFICES

Section 1. Registered Office.

The registered office shall be established and maintained at such place in the County of Monroe, State of New York, as the Board of Directors may determine.

Section 2. Other Offices.

The Corporation may have other offices, either within or without the State of New York, at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II
MEETINGS OF SHAREHOLDERS

Section 1. Annual Meetings.

Annual meetings of shareholders for the election of directors and for such other business as may be stated in the notice of the meeting, shall be held at such place, either within or without the State of New York, and at such time and date as the Board of Directors, by resolution, shall determine and as set forth in the notice of the meeting. At each annual meeting, the shareholders entitled to vote shall elect a Board of Directors and may transact such other corporate business as shall be stated in the notice of meeting.

Section 2. Special Meetings.

Special meetings of the shareholders, for any purpose, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Chairman of the Board or the Board of Directors. Such request shall state the purpose of the proposed meeting. Special meetings of the shareholders may be held at such time and place, within or without the State of New York, as shall be stated in the notice of the meeting. The business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice of the meeting.

Section 3. Notice of Meetings.

Written notice, stating the place, date and time of any annual or special meeting, and the general nature of the business to be considered, shall be given to each shareholder entitled to vote thereat personally or by first class mail at his address as it appears on the records of the Corporation, not less than ten nor more than sixty days before the date of the meeting.

Section 4. Quorum.

Except as otherwise required by law, by the Certificate of Incorporation or these By-laws, the presence, in person or by proxy, of shareholders holding a majority of the shares of the Corporation issued and outstanding and entitled to vote shall constitute a quorum at all meetings of the shareholders. In case a quorum shall not be present at any meeting, a majority in interest of the shareholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite number of shares entitled to vote shall be present. At any such adjourned meeting at which the requisite number of shares entitled to vote shall be represented, any business may be transacted that might have been transacted at the meeting as originally noticed. Unless a new record date is fixed, only those shareholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof. However, if the adjournment is for more than thirty days, or if after adjournment a new record date is fixed, a notice of the adjournment of the meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 5. Voting.

Each shareholder entitled to vote in accordance with the terms and provisions of the Certificate of Incorporation and these By-laws shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote held by such shareholder, but no proxy shall be voted after eleven (11) months from its date unless such proxy provides for a longer period. Upon the demand of any shareholder, the vote for directors and upon any question before the meeting shall be by ballot. If a quorum is present, the affirmative vote of a majority of the shares of stock represented at the meeting shall be required to decide all matters except as otherwise provided by the Certificate of Incorporation or the laws of the State of New York.

Section 6. Shareholder List.

The officer who has charge of the stock ledger of the Corporation shall at least ten (10) days before each meeting of shareholders prepare a complete alphabetical address list of the shareholders entitled to vote at the ensuing meeting, with the number of shares held by each. Said 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 (10) 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 be available for inspection at the meeting.

Section 7. Business Transacted.

No business other than that stated in the notice shall be transacted at any meeting without the unanimous consent of all the shareholders entitled to vote thereat.

Section 8. Action Without Meeting.

Except as otherwise provided by the Certificate of Incorporation, any action required to be taken at any annual or special meeting of shareholders of the Corporation, or any action which may be taken at any annual or special meeting of such shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent 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 were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

ARTICLE III
DIRECTORS

Section 1. Responsibility.

The business of the Corporation shall be managed by or under the direction of the 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 or otherwise.

Section 2. Number, Term and Voting.

The Board of Directors shall consist of one (1) director, or such other number as the shareholders shall designate from time to time, who shall be at least 18 years of age, and who shall be elected to serve until their successors shall be elected and shall qualify, unless sooner removed. All directors shall have equal voting power.

Section 3. Resignations.

Any director or member of a committee may resign at any time. The acceptance of a resignation shall not be necessary to make it effective.

Section 4. Vacancies.

Newly created directorships resulting from any increase in the authorized number of directors or vacancies in the office of any director or member of a committee may be filled by a majority of the remaining directors in office, though less than a quorum, by a majority vote, and the directors or members so chosen shall hold office until the next annual meeting and until their successors are duly elected and shall qualify, unless sooner removed.

Section 5. Removal.

Any director or directors may be removed either for or without cause at any time by the affirmative vote of the holders of a majority of all the shares of stock issued, outstanding and entitled to vote, at a special meeting of the shareholders called for this purpose and the vacancies thus created may be filled, at the meeting held for the purpose of removal, by the affirmative vote of a majority in interest of the shareholders entitled to vote.

Section 6. Meetings; Place and Time.

The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of New York as it may from time to time determine.

Section 7. Regular Annual Meetings.

A regular annual meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of shareholders at the same place or 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.

Section 8. Other Regular Meetings.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

Section 9. Special Meetings; Notice.

Special meetings of the Board may be called by the President on three (3) days' notice to each director, either personally or by mail or by wire; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of one director. Notice of a meeting need not be given to any director who submits a waiver of notice whether before or after the meeting or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to him.

Section 10. Quorum.

At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 11.   Action Without Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 12.   Telephone Meetings.

Unless otherwise restricted by the Certificate of Incorporation or these By-laws, members of the Board of Directors, or any committee, designated by the Board of Directors, or any committee, may participate in meetings of the Board of Directors or such 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 13.   Committees Of Directors.

The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each such committee shall serve at the pleasure of the Board.

Section 14.   Compensation Of Directors.

Unless otherwise restricted by the Certificate of Incorporation or these By-laws, the Board of Directors shall have the authority to fix the compensation of directors. By resolution of the Board, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as directors. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV
CHAIRMAN OF THE BOARD AND OFFICERS

Section 1.   Chairman of the Board .

If the shareholders so determine, there shall be a Chairman of the Board. The Chairman of the Board may be, but need not be, an officer or employee of the Corporation. The Chairman of the Board shall be chosen from among the Directors. The Chairman of the Board shall preside at all meetings of the shareholders at which he or she is present. The Chairman of the Board shall preside at all meetings of the Directors at which he or she is present and may attend any meeting of any committee of the Board, whether or not a member of such committee. The Chairman of the Board shall have such powers and perform such other duties as may be assigned to him or her by the Board.

Section 2. Vice Chairman of the Board.

There may be a Vice Chairman of the Board, who may be, but need not be, an officer or employee of the Corporation. The Vice Chairman of the Board shall be chosen from among the Directors. The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, preside at all at all meetings of the shareholders and the Directors at which he or she is present and may attend any meeting of any committee of the Board, whether or not a member of such committee. In the absence or inability to act of the Chairman of the Board, or if the office of the Chairman of the Board be vacant, the Vice Chairman of the Board, subject to the right of the Board from time to time to extend or confine such powers and duties or to assign them to others, shall perform all duties and may exercise all powers of the Chairman of the Board. The Vice Chairman of the Board shall also have such powers and perform such other duties as may be assigned to him or her by the Board and the Chairman of the Board.

Section 3. Number.

The officers of the Corporation shall be a Chief Executive Officer and a Secretary. The Board may elect a President, one or more Vice Presidents, a Treasurer, and such other officers as the Board of Directors may in its discretion determine. Any two or more offices may be held by the same person, including by the Chairman of the Board and Vice Chairman of the Board.

Section 4. Term of Offices and Qualifications.

The Chairman of the Board, the Vice Chairman of the Board and those officers elected pursuant to Section 3 of this Article IV shall be chosen by the Board of Directors on the day of the Annual Meeting. Unless a shorter term is provided in the resolution of the Board electing the Chairman of the Board or such officer, the term of office of the Chairman of the Board or such officer, as applicable, shall extend to and expire at the meeting of the Board held on the day of the next Annual Meeting.

Section 5. Additional Officers.

Additional officers other than those elected pursuant to Section 3 of this Article IV shall be elected for such period, have such authority and perform such duties, either in an administrative or subordinate capacity, as the Board of Directors may from time to time determine.

Section 6. Removal of Chairman of the Board, Vice Chairman of the Board and Officers.

The Chairman of the Board, the Vice Chairman of the Board and/or any officer may be removed by the Board of Directors with or without cause, at any time. Removal of the Chairman of the Board, Vice Chairman of the Board and/or an officer without cause shall be without prejudice to his or her contract rights, if any, but his or her election as Chairman of the Board, Vice Chairman of the Board and/or an officer shall not of itself create contract rights.

Section 7. Resignation.

The Chairman of the Board, the Vice Chairman of the Board and/or any officer may resign at any time by giving written notice to the Board of Directors, or to the Chairman of the Board or to the Secretary. Any such resignation shall take effect at the time specified therein, or if no time be specified, then upon delivery.

Section 8. Vacancies.

A vacancy in any office, including Chairman of the Board, shall be filled by the Board of Directors.

Section 9. Chief Executive Officer.

The Chief Executive Officer of the Corporation shall, subject to the direction of the Board, have general and active control of the affairs and business of the Corporation and general supervision of its officers, officials, employees and agents. In the absence of the Chairman of the Board and the Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the shareholders and, if he or she is also a Director, meetings of Directors at which he or she is present.

Section 10. President.

The President shall have such powers and perform such duties as may be assigned to him or her by the Board of Directors.

Section 11. The Vice Presidents.

Each Vice President shall have such powers and shall perform such duties as may be assigned to him or her by the Board of Directors or the Chief Executive Officer. With respect to seniority of Vice Presidents, unless the Board determines otherwise, Executive Vice Presidents shall be first in order of priority, Senior Vice Presidents shall be second in order of priority and Vice Presidents shall be third in order of priority.

Section 12. The Treasurer.

The Treasurer shall, if required by the Board of Directors, give a bond for the faithful discharge of his or her duties, in such sum and with such sureties as the Board of Directors shall require. He or she shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and deposit all such funds in the name of and to the credit of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors. He or she shall also perform all other duties customarily incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 13. The Secretary.

It shall be the duty of the Secretary to act as secretary of all meetings of the Board of Directors, and of the shareholders, and to keep the minutes of all such meetings at which he or she shall so act in a proper book or books to be provided for that purpose; he or she shall see that all notices required to be given by the Corporation are duly given and served; he or she may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors; he or she shall prepare, or cause to be prepared, for use at meetings of shareholders the list of shareholders as of the record date referred to in Article V of these By-Laws and shall certify, or cause the transfer agent to certify, such list; he or she shall keep a current list of the Corporation's Directors and officers and their residence addresses; he or she shall be custodian of the seal of the Corporation and shall affix the seal, or cause it to be affixed, to all agreements, documents and other papers requiring the same. The Secretary shall have custody of the Minute Book containing the minutes of all meetings of shareholders, Directors, and the committees of the Board which may keep minutes, and of all other contracts and documents which are not in the custody of the Treasurer of the Corporation, or in the custody of some other person authorized by the Board of Directors to have such custody.

Section 14. Appointed Officers.

The Board of Directors may delegate to any officer or committee the power to appoint and to remove any subordinate officer, agent or employee.

Section 15. Assignment and Transfer of Stocks, Bonds, and Other Securities.

The Chief Executive Officer, 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.

Section 16. Voting of Shares Held in the Name of the Corporation.

The Chief Executive Officer, the President, the Secretary, any Assistant Secretary, and each of them, is authorized to vote, represent and exercise for and on behalf of the Corporation all rights incident to any and all shares and/or ownership interests of any other corporation(s) and/or other forms of legal entities 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 Chief Executive Officer, the President, the Secretary or any Assistant Secretary.

ARTICLE V
MISCELLANEOUS

Section 1. Certificates of Stock.

The shares of the Corporation shall be represented by certificates or shall be uncertificated shares. Certificates shall be in such form, consistent with law, as prescribed by the Board of Directors, and signed and sealed as provided by law.

Section 2. Lost Certificates.

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 3. Transfer Of Shares.

The shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer the old certificates, duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the Board may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

Section 4. Shareholders Record Date.

In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the day of such meeting, nor more than sixty (60) days prior to any other action. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Registered Shareholders.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person, except as otherwise provided by the laws of New York.

Section 6. Dividends.

Subject to the provisions of the Certificate of Incorporation, the Board of Directors may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when it deems expedient. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before declaring any dividends, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board from time to time in its discretion deems proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purpose as the Board shall deem conducive for the interests of the Corporation, and the Board may modify or abolish any such reserve in the manner in which it was created.

Section 7. Seal.

The corporate seal shall be circular in form and shall contain the name of the Corporation, the year of its organization and the words "CORPORATE SEAL, NEW YORK." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

Section 8. Fiscal Year.

The fiscal year of the Corporation shall be from January 1 to December 31.

Section 9. Checks.

All checks, drafts, or other orders for the payment of money and notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

Section 10. Execution of Contracts.

The Board of Directors, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent, or agents, in the name of and on behalf of the Corporation to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; but, unless so authorized by the Board of Directors, or expressly authorized by these By-Laws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily in any amount for any purpose.

Section 11. Loans.

No loans shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name unless specifically authorized by the Board of Directors.

Section 12. Notice and Waiver Of Notice.

Whenever any notice is required by these By-laws to be given, personal notice is not meant unless expressly so stated. All notices and other communications which are required or permitted to be given under these By-laws shall be in writing and shall be delivered either personally or by telex or telecopier or registered or certified mail (airmail if overseas), postage prepaid, and shall be deemed effectively notified, if such notice or other communication is delivered in person or by telex or telecopier, or (ii) upon the tenth (10th) business day following the deposit thereof in the mail to the person to be notified at such person's address as it appears on the records of the Corporation. Shareholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by statute.

Whenever a notice is required to be given under the provisions of any law, or under the provisions of the Certificate of Incorporation of the Corporation or these By-laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. In addition, any shareholder attending a meeting of shareholders in person or by proxy without protesting prior to the conclusion of the meeting the lack of notice thereof to such shareholder, and any director attending a meeting of the Board of Directors without protesting prior to the meeting or at is commencement such lack of notice, shall be conclusively deemed to have waived notice of such meeting.

Section 13. Indemnification of Directors and Officers.

Except to the extent expressly prohibited by law, the Corporation shall 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 Corporation to procure a judgment in its favor or by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any Director or officer of the Corporation served in any capacity at the request of the Corporation, by reason of the fact that he or she, his or her testator or intestate is or was a Director or officer of the Corporation or serves or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys’ fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be required with respect to any settlement unless the Corporation shall have given its prior approval thereto. Such indemnification shall include the right to be paid advances of any expenses incurred by such person in connection with such action, suit or proceeding, consistent with the provisions of applicable law. In addition to the foregoing, the Corporation is authorized to extend rights to indemnification and advancement of expenses to such persons by i) resolution of the shareholders, ii) resolution of the Directors or iii) an agreement, to the extent not expressly prohibited by law.

ARTICLE VI
AMENDMENTS

The shareholders shall have the power to amend, repeal or adopt By-laws at any annual or special meeting of shareholders. The Board of Directors shall have the power to amend, repeal or adopt By-laws at any regular or special meeting of the Board of Directors. Any By-laws adopted by the Board of Directors may be amended or repealed by vote of the holders of shares entitled at the time to vote for the election of directors.

CEO CERTIFICATIONS

I, Giovanni Visentin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 4, 2021

/S/ GIOVANNI VISENTIN

Giovanni Visentin
Principal Executive Officer

EXHIBIT 31(a)(2)
Xerox Corporation

CEO CERTIFICATIONS

I, Giovanni Visentin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 4, 2021

/S/ GIOVANNI VISENTIN

Giovanni Visentin
Principal Executive Officer

CFO CERTIFICATIONS

I, Xavier Heiss, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 4, 2021

/S/ XAVIER HEISS

Xavier Heiss
Principal Financial Officer

CFO CERTIFICATIONS

I, Xavier Heiss, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 4, 2021

/S/ XAVIER HEISS

Xavier Heiss
Principal Financial Officer

CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-Q of Xerox Holdings Corporation, a New York corporation (the “Company”), for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Giovanni Visentin, Vice Chairman and Chief Executive Officer of the Company, and Xavier Heiss, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ GIOVANNI VISENTIN

Giovanni Visentin
Chief Executive Officer
August 4, 2021

/S/ XAVIER HEISS

Xavier Heiss
Chief Financial Officer
August 4, 2021

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Xerox Holdings Corporation and will be retained by Xerox Holdings Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-Q of Xerox Corporation, a New York corporation (the “Company”), for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Giovanni Visentin, Vice Chairman and Chief Executive Officer of the Company, and Xavier Heiss, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ GIOVANNI VISENTIN

Giovanni Visentin
Chief Executive Officer
August 4, 2021

/S/ XAVIER HEISS

Xavier Heiss
Chief Financial Officer
August 4, 2021

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Xerox Corporation and will be retained by Xerox Corporation and furnished to the Securities and Exchange Commission or its staff upon request.