

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

Registration No. 333-162639

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

**AMENDMENT NO. 3**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**XEROX CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

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

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45 Glover Avenue

P.O. Box 4505

Norwalk, Connecticut 06856-4505

(203) 968-3000

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

Don H. Liu

Senior Vice President, General Counsel and Secretary

Xerox Corporation

45 Glover Avenue

P.O. Box 4505

Norwalk, Connecticut 06856-4505

(203) 968-3000

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

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

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

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

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

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

Large accelerated filer       Accelerated filer       Non accelerated filer       Smaller reporting company

(Do not check if a smaller reporting company)

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

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

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

**Xerox Corporation**

**Affiliated Computer Services, Inc.**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

[ ], 2009

Dear Stockholders:

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

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

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

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

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

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

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

[ ]

Ursula M. Burns

Chief Executive Officer of Xerox Corporation

[ ]

Lynn R. Blodgett

President and CEO of Affiliated Computer Services, Inc.

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

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

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**ADDITIONAL INFORMATION**

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

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

*www.xerox.com ( Investor Relations tab)*

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

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

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

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

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

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Xerox Corporation

45 Glover Avenue

P.O. Box 4505

Norwalk, CT 06856-4505

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

[ ], 2009

Dear Stockholders:

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

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

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

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

For the Board of Directors,

[ ]

Anne M. Mulcahy

*Chairman of the Board*

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



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**AFFILIATED COMPUTER SERVICES, INC.**

**2828 North Haskell Avenue**

**Dallas, Texas 75204**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

[ ], 2009

To the stockholders of Affiliated Computer Services, Inc:

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

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

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

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

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

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

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

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

Very truly yours,

[ ]

Lynn R. Blodgett

*President and CEO*

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

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

**About the Merger**

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

**A:** Xerox and ACS have entered into the merger agreement, pursuant to which ACS will be merged with and into Boulder Acquisition Corp., with Boulder Acquisition Corp. continuing as the surviving corporation in the merger. Xerox is holding a special meeting of stockholders in order to obtain the stockholder approval necessary to issue shares of Xerox common stock required to be issued pursuant to the merger agreement, as described in this joint proxy statement/prospectus. ACS is holding a special meeting of stockholders in order to obtain the stockholder approval necessary to adopt the merger agreement, as described in this joint proxy statement/prospectus.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**About the Special Meeting**

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

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

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

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

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

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

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

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

and Executive Officers beginning on page 58.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Q: *Who pays for this solicitation?*

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

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

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

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

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**SUMMARY**

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

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

***Xerox Corporation***

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

***Boulder Acquisition Corp.***

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

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

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

**The Merger (Page 61)**

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

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

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

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

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

**Total Xerox Shares to be Issued**

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

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

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

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

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

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

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

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

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

***Purposes of the Special Meeting***

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

***Record Date; Voting Power***

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

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

***Vote Required***

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

**Xerox Special Meeting (Page 53)**

***When and Where***

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

***Purposes of the Special Meeting***

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

***Record Date; Voting Power***

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

***Vote Required***

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

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

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

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

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

approved the merger agreement and the merger;

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

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

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

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

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

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

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

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

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

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

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

approved the merger agreement and the merger;

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

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

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

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

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



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

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

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

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

**Financing (Page 162)**

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

**No Solicitation (Page 144)**

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

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

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

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

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

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

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

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

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

receipt of required regulatory approvals;

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

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

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

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



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

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

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

**Closing (Page 137)**

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

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

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

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

by either Xerox or ACS if:

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

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

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

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

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

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

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

**Termination Fees (Page 155)**

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

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

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

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

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

**Appraisal Rights (Page 130)**

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

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

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

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

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

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

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

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

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



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

**Selected Data and Ratios**

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

- (1) For 2005, the amount includes \$98 reported in other current liabilities.
- (2) 2007 results include the acquisition of Global Imaging Systems.
- (3) Restated for non-controlling interests as required by ASC 810-10-65 (FAS 160 and EITF D-98), which Xerox adopted effective January 1, 2009. The adoption of ASC Topic 810-10-65 (FAS 160 and EITF D-98) did not change basic and diluted earnings per share as previously reported in Xerox's audited financial statements. The adoption of ASC Topic 810-10-65 increased income from continuing operations (Xerox and noncontrolling interests) by including the noncontrolling interests' (previously minority interests') share of operating income from continuing operations of \$35 million, \$30 million, \$22 million, \$15 million and \$8 million for the years ended 2008, 2007, 2006, 2005 and 2004, respectively. The adoption of ASC Topic 810-10-65 also served to increase total equity by \$120 million, \$103 million, \$108 million, \$90 million and \$80 million as of December 31, 2008, 2007, 2006, 2005 and 2004, respectively, as the carrying value amounts due to the holders of the noncontrolling interests were reclassified from liabilities into total equity.

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

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

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

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

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

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

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

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

	Nine Months Ended September 30, 2009	Year Ended December 31, 2008
<b>XEROX HISTORICAL DATA</b>		
Historical diluted per common share		
Net income per share	\$ 0.35	\$ 0.26
Dividends declared per common share	\$ 0.1275	\$ 0.17
<b>Book value per share</b>	<b>\$ 7.94</b>	<b>\$ 7.21</b>
	<b>Three Months Ended September 30, 2009</b>	<b>Year Ended June 30, 2009</b>
<b>ACS HISTORICAL DATA</b>		
Historical diluted per common share		
Net income per share	\$ 0.70	\$ 3.57
Dividends declared per common share		
<b>Book value per share</b>	<b>\$ 27.68</b>	<b>\$ 26.85</b>

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

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

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

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

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

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

The following table presents:

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

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

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

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



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

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**RISK FACTORS**

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

**Risk Factors Relating to the Merger**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

September 30, 2009

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

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

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

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**Table of Contents****NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****1. Description of Transaction**

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

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

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

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

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

### 2. Basis of Presentation

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

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

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

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

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

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

**3. Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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(1) Included in Other long-term assets.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) Reflects adjustments for the following:

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

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

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

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

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

(D) Reflects adjustments for the following:

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

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

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

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



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

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(F) Reflects adjustments for the following:

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

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

(G) Reflects adjustments for the following:

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

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



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

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

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

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

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

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

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



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

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

(L) Reflects adjustments for the following:

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

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(1) See (K) above.

(2) See (E) above.

(M) To eliminate ACS's treasury stock.

(N) Reflects adjustments for the following:

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

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(1) See (H) above.

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

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**SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

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

the unprecedented volatility in the global economy;

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

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

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

the risk that unexpected costs will be incurred;

the outcome of litigation and regulatory proceedings to which Xerox and/or ACS may be a party;

actions of competitors;

changes and developments affecting Xerox's and/or ACS's industries;

quarterly or cyclical variations in financial results;

development of new products and services;

interest rates and cost of borrowing;

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Xerox's and ACS's ability to protect their intellectual property rights;

Xerox's ability to maintain and improve cost efficiency of operations, including savings from restructuring actions;

changes in foreign currency exchange rates;

changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the foreign countries in which Xerox and ACS do business; and

reliance on third parties for manufacturing of products and provision of services.

Additional factors that could cause Xerox's and ACS's results to differ materially from those described in the forward-looking statements can be found in the 2008 Annual Report on Form 10-K of Xerox, the 2009 Annual Report on Form 10-K of ACS, Xerox's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and ACS's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, in each case as filed with the Securities and Exchange Commission, which we refer to in this joint proxy statement/prospectus as the "SEC," and available at the SEC's Internet site ([www.sec.gov](http://www.sec.gov)). Neither Xerox nor ACS undertakes any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made.



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**INFORMATION ABOUT THE COMPANIES**

**Xerox Corporation**

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

**Boulder Acquisition Corp.**

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

**Affiliated Computer Services, Inc.**

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

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**THE XEROX SPECIAL MEETING**

This section contains information about the special meeting of Xerox stockholders that has been called to consider and approve the issuance of shares of Xerox common stock required to be issued pursuant to the merger agreement.

This joint proxy statement/prospectus is being furnished to the stockholders of Xerox in connection with the solicitation of proxies by the Xerox board of directors for use at the special meeting. Xerox is first mailing this joint proxy statement/prospectus and accompanying proxy card to its stockholders on or about [ ], 2009.

**Date, Time and Place**

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

**Matters to be Considered**

The purpose of the special meeting is to consider and vote upon the proposal to issue shares of Xerox common stock required to be issued to ACS stockholders pursuant to the merger agreement and to consider and vote upon the proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies.

**Recommendation of the Xerox Board of Directors**

**THE XEROX BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE MERGER AGREEMENT AND MERGER ARE ADVISABLE AND IN THE BEST INTERESTS OF XEROX AND ITS STOCKHOLDERS AND RECOMMENDS THAT XEROX STOCKHOLDERS VOTE FOR THE PROPOSAL TO ISSUE SHARES OF XEROX COMMON STOCK REQUIRED TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, INCLUDING TO SOLICIT ADDITIONAL PROXIES.**

Xerox stockholders should carefully read this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement and the proposed transactions. In addition, Xerox stockholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus.

**Record Date; Shares Entitled to Vote**

Only holders of record of Xerox common stock as of the close of business on the Xerox record date (December 11, 2009) will be entitled to vote at the Xerox special meeting. Each share of Xerox common stock is entitled to one vote on each proposal. On the Xerox record date, there were 869,315,707 shares of Xerox common stock outstanding and entitled to vote at the special meeting.

**Voting by Xerox's Directors and Executive Officers**

On the Xerox record date, directors and executive officers of Xerox and their affiliates had the right to vote 3,252,360 shares of Xerox common stock, representing less than approximately 0.37% of the shares entitled to vote at the Xerox special meeting. Xerox currently expects that its directors and executive officers will vote their shares FOR the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement and FOR the proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies.

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### **Quorum and Required Vote**

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

Assuming a quorum of stockholders is represented (whether in person or by proxy) at the Xerox special meeting, the affirmative vote of holders of a majority in voting power of the shares of Xerox common stock represented (whether in person or by proxy) at such meeting or any adjournment or postponement thereof is required to approve the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement. Assuming a quorum of stockholders is represented (whether in person or by proxy) at the Xerox special meeting, the affirmative vote of holders of a majority of the votes cast in favor of or against such proposal by holders of shares of Xerox common stock is required to adjourn the Xerox special meeting, if necessary or appropriate, including to solicit additional proxies. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the Xerox special meeting will have the power to adjourn the meeting. An abstention will not constitute a vote cast.

### **Effects of Abstentions and Broker Non-Votes**

#### ***Abstentions and Failures to Vote***

*Quorum.* Abstentions are counted for the purposes of determining the presence or absence of a quorum.

*Proposal to Issue Shares of Common Stock.* (i) A failure to submit a proxy card (or to submit a proxy by telephone or over the Internet or to vote in person at the Xerox special meeting) will have no effect on such proposal but (ii) an abstention will have the same effect as a vote against such proposal.

*Proposal to Adjourn.* An abstention or failure to vote will have no effect on the proposal to adjourn the special meeting.

#### ***Broker Non-Votes***

*Quorum.* Broker non-votes are not counted for the purpose of determining the presence or absence of a quorum.

*Proposal to Issue Shares of Common Stock.* A broker non-vote will have no effect on such proposal.

*Proposal to Adjourn.* A broker non-vote will have no effect on such proposal.

### **ESOP Voting Instruction**

Beneficial owners of shares of Xerox common stock held in their accounts in the Xerox ESOP can instruct State Street Bank and Trust Company, as ESOP Trustee, by telephone, over the Internet or by mail, how to vote. No matter which method is used, your voting instructions are confidential and will not be disclosed to Xerox. By providing your voting instruction in one of these ways, you instruct the ESOP Trustee to vote the shares allocated to your ESOP account. You also authorize the ESOP Trustee to vote a proportion of the shares of Xerox common stock held in the ESOP trust for which no instructions have been received.

### **Proxies**

If you are a Xerox stockholder, you should complete and return the proxy card accompanying this joint proxy statement/prospectus to ensure that your vote is counted at the Xerox special meeting, even if you plan to

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attend the Xerox special meeting in person. If you are a registered stockholder (that is, you hold stock certificates or book-entry shares registered in your own name), you may also vote by telephone or over the Internet by following the instructions described on your proxy card. If your shares are held in nominee or street name, you will receive separate voting instructions from your broker or nominee with your proxy materials. Although most brokers and nominees offer telephone and Internet voting, availability and specific processes will depend on their voting arrangements. You can revoke a proxy at any time before the vote is taken at the Xerox special meeting by submitting to Xerox's Corporate Secretary written notice of revocation or a properly executed proxy of a later date, or by attending the Xerox special meeting and voting in person. Written notices of revocation and other communications about revoking Xerox proxies should be addressed to:

Xerox Corporation

45 Glover Avenue

P.O. Box 4505

Norwalk, Connecticut 06856-4505

Attention: Don H. Liu, Corporate Secretary

If your shares are held in street name, you should follow the instructions of your broker regarding the revocation of proxies.

All shares represented by valid proxies that Xerox receives through this solicitation and that are not revoked will be voted in accordance with the instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR the proposal to issue shares of Xerox common stock required to be issued pursuant to the merger agreement and FOR the proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies. Approval of the first proposal is a condition to completion of the merger.

**Special Meeting Admission**

You must present an admission ticket, Xerox Special Meeting Notice or other proof of ownership of Xerox common stock as of the Xerox record date, as well as a form of personal photo identification, such as a driver's license, in order to be admitted to the meeting.

If you are a registered stockholder:

If you plan to attend the meeting, please mark the appropriate box on the proxy card and an admission ticket will be sent to you.

If you vote over the Internet or by telephone, there will be applicable instructions to follow when voting to indicate if you would like to receive an admission ticket.

If your shares are held beneficially in the name of a bank, broker or other holder of record:

You may request an admission ticket in advance by calling Shareholder Services at 203-849-2315 or mailing a written request, along with proof of your ownership of Xerox common stock as of the Xerox record date, to Xerox Corporation, Shareholder Services, P.O. Box 4505, Norwalk, CT 06856-4505. All calls and written requests for admission tickets must be received no later than the close of business on [ ].

If you do not obtain an admission ticket in advance of the meeting, you must present proof of your ownership of Xerox common stock as of the Xerox record date, such as a bank or brokerage account statement or other evidence of ownership from your bank or broker, in order to be admitted to the meeting.

You can find directions to the meeting online at <http://www.edocumentview.com/XRX> or by calling Shareholder Services at 203-849-2315.



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### **Solicitation of Proxies**

Xerox will bear the entire cost of soliciting proxies from its stockholders, except that Xerox and ACS have agreed to each pay one half of the costs and expenses of printing and mailing this joint proxy statement/prospectus and all filing and other similar fees payable to the SEC in connection with the transaction. In addition to the solicitation of proxies by mail, Xerox will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Xerox common stock and secure their voting instructions, if necessary. Xerox will reimburse the record holders for their reasonable expenses in taking those actions.

Xerox has also made arrangements with Innisfree M&A Incorporated to assist in soliciting proxies and in communicating with stockholders and has agreed to pay them a fee not expected to exceed \$100,000 (of which \$25,000 is a success fee) plus reasonable expenses for these services. If necessary, Xerox may also use several of its regular employees, who will not be specially compensated, to solicit proxies from Xerox stockholders, either personally or by telephone, the Internet, facsimile or letter.

### **Confidential Voting**

As a matter of policy, Xerox keeps confidential proxies, ballots and voting tabulations that identify individual stockholders. Such documents are available for examination only by the inspector of election and certain of Xerox's employees and Xerox's transfer agent and proxy solicitor who are associated with processing proxy cards and tabulating the vote. The vote of any stockholder is not disclosed except in a contested proxy solicitation or as may be necessary to meet legal requirements.

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**THE ACS SPECIAL MEETING**

This section contains information about the special meeting of ACS stockholders that has been called to consider and adopt the merger agreement.

This joint proxy statement/prospectus is being furnished to the stockholders of ACS in connection with the solicitation of proxies by the ACS board of directors for use at the special meeting. ACS is first mailing this joint proxy statement/prospectus and accompanying proxy card to its stockholders on or about [ ], 2009.

**Date, Time and Place**

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

**Purpose**

At the special meeting, ACS stockholders will be asked to:

consider and act on a proposal to adopt the merger agreement; and

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

**Recommendation of the ACS Board of Directors**

The ACS board of directors (other than Mr. Deason, who was recused from the meeting), acting upon the unanimous recommendation of the Strategic Transaction Committee, unanimously declared the merger agreement advisable and determined that the merger agreement is in the best interests of ACS and its stockholders, and unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

**THE ACS BOARD OF DIRECTORS (OTHER THAN MR. DEASON, WHO WAS RECUSED FROM THE MEETING), ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE STRATEGIC TRANSACTION COMMITTEE, UNANIMOUSLY RECOMMENDS THAT ACS STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT AND FOR THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, INCLUDING TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES TO ADOPT THE MERGER AGREEMENT. SEE THE MERGER RECOMMENDATION OF THE ACS BOARD OF DIRECTORS; ACS S REASONS FOR THE MERGER BEGINNING ON PAGE 75.**

ACS stockholders should carefully read this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement and the proposed transactions. In addition, ACS stockholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus.

**Record Date; Shares Entitled to Vote**

Only holders of record of shares of ACS common stock at the close of business on the ACS record date (December 11, 2009) will be entitled to vote shares held at that date at the ACS special meeting or any adjournments or postponements thereof. Each outstanding share of ACS Class A common stock entitles its holder to cast one vote and each outstanding share of ACS Class B common stock entitles its holder to cast ten votes.

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

### **Quorum**

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

A New York Stock Exchange member broker who holds shares in street name for a customer has the authority to vote on certain items if the broker does not receive instructions from the customer. Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. The adoption of the merger agreement is not considered a routine matter. Accordingly, brokers will not have discretionary voting authority to vote your shares at the ACS special meeting. A broker non-vote occurs when brokers do not have discretionary voting authority and have not received instructions from the beneficial owners of the shares. A broker will not be permitted to vote on the adoption of the merger agreement without instruction from the beneficial owner of the shares of ACS common stock held by that broker. Accordingly, shares of ACS common stock beneficially owned that have been designated on proxy cards by the broker, bank or nominee as not voted (broker non-vote) will have the same effect as a vote against the proposal to adopt the merger agreement. These broker non-votes will not be counted for purposes of determining whether a quorum exists at the special meeting.

### **Vote Required**

The affirmative vote of holders of a majority in voting power of the outstanding shares of ACS common stock, voting together as a single class, and the affirmative vote of holders of a majority of the outstanding shares of ACS Class A common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), voting as a single, separate class, are required to adopt the merger agreement. Abstentions and broker non-votes will have the same effect as a vote against the proposal to adopt the merger agreement.

Assuming a quorum of stockholders is represented (whether in person or by proxy) at the ACS special meeting, in order to approve the proposal to adjourn the meeting (if necessary or appropriate, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement), holders of a majority in voting power of the shares of ACS common stock, represented (whether in person or by proxy) at such meeting and entitled to vote thereon and which has actually been voted must vote in favor of the proposal to adjourn the meeting. In the absence of a quorum, the stockholders entitled to vote thereat and represented (whether in person or by proxy) at the ACS special meeting will have the power to adjourn the meeting. Broker non-votes will have no effect on the outcome of any vote to adjourn the meeting. Abstentions will have no effect on the outcome of any vote on the proposal to adjourn the meeting if a quorum of stockholders is present, however an abstention will count as a vote against a vote to adjourn the meeting where a quorum of stockholders is not present.

### **Voting by ACS's Directors and Executive Officers**

As of the ACS record date, ACS's directors and executive officers and certain of their affiliates beneficially owned 2,186,368 shares of ACS Class A common stock and 6,599,372 shares of ACS Class B common stock entitled to vote at the ACS special meeting. This represents approximately 43.34% in voting power of the outstanding shares of ACS common stock and approximately 0.05% of the outstanding shares of ACS Class A



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common stock (other than those shares of ACS Class A common stock held, directly or indirectly, by holders of ACS Class B common stock), in each case, entitled to be cast at the ACS special meeting. Each ACS director and executive officer and certain of their affiliates has indicated his or her present intention to vote, or cause to be voted, the shares of ACS common stock owned by him or her for the adoption of the merger agreement. As of the ACS record date, Xerox did not beneficially own any shares of ACS common stock.

Mr. Deason has entered into a voting agreement with Xerox pursuant to which Mr. Deason has agreed, subject to certain exceptions, to vote all of his shares of ACS common stock, or approximately 43.31% of the total voting power of the outstanding shares of ACS common stock as of the ACS record date, in favor of the proposal to adopt the merger agreement. See *The Voting Agreement* beginning on page 159.

## **How to Vote**

Stockholders of record can vote in person at the ACS special meeting or by proxy. There are three ways to vote by proxy:

**By Telephone** Stockholders of record located in the United States can submit a proxy by telephone by calling (800) 690-6903 and following the instructions on the Notice, or if you received a proxy card, by following the instructions on the proxy card;

**By Internet** Stockholders of record can submit a proxy over the Internet at [www.proxyvote.com](http://www.proxyvote.com) by following the instructions on the Notice, or if you received a proxy card, by following the instructions on the proxy card; or

**By Mail** Stockholders of record who received your proxy materials by mail can vote by mail by signing, dating and mailing the enclosed proxy card or voter instruction form.

Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day beginning on or about [ ], 2009 and will close at [ ] (eastern standard time) on [ ], 2009. Submitting a proxy over the Internet or by telephone is convenient, saves on postage and mailing costs and is recorded immediately, minimizing risk that postal delays may cause votes to arrive late and therefore not be counted. Stockholders who attend the ACS special meeting may vote in person, and any previously submitted proxies will be superseded by the vote cast at the ACS special meeting.

Stockholders who hold their shares in street name will need to obtain a voting instruction card from the institution that holds their shares and must follow the voting instructions given by that institution.

Shares represented by duly executed proxies in the accompanying form will be voted in accordance with the instructions indicated on such proxies or voter instruction forms, and, if no such instructions are indicated thereon, will be voted **FOR** the adoption of the merger agreement and **FOR** the approval of the proposal to adjourn the special meeting. Abstentions and broker non-votes will have the same effect as votes against the proposal to adopt the merger agreement.

## **Voting of Proxies**

If you vote by Internet, by telephone or by completing, signing, dating and mailing your proxy card or voting instruction card, your shares will be voted in accordance with your instructions. If you are a stockholder of record and you sign, date and return your proxy card but do not indicate how you want to vote or do not indicate that you wish to abstain, your shares will be voted **FOR** the adoption of the merger agreement.

## **Revoking Your Proxy**

If you are a stockholder of record, you may revoke your proxy at any time before it is voted at the ACS special meeting. To do this, you must:

enter a new vote by telephone, over the Internet, or by signing and returning another proxy card at a later date;



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provide written notice of the revocation to our Corporate Secretary or deliver another duly executed proxy or voter instruction form dated subsequent to the date thereof to the addressee named in the proxy or voter instruction form; or

attend the meeting and vote in person.

If your shares are held in street name, you must contact your broker or nominee to revoke and vote your proxy.

## **Stockholders Sharing an Address**

ACS may send a single set of stockholder documents to any household at which two or more stockholders reside. This process is called householding. This reduces the volume of duplicate information received at your household and helps us to reduce costs. Your materials may be householded based on your prior express or implied consent. If your materials have been householded and you wish to receive separate copies of these documents, or if you are receiving duplicate copies of these documents and wish to have the information householded, you may write or call our Investor Relations department at the following address or phone number: Affiliated Computer Services, Inc., 2828 N. Haskell Avenue, Dallas, Texas, 75204, Investor Relations, telephone number (214) 841-8281.

## **Proxy Solicitations**

ACS is soliciting proxies for the ACS special meeting from ACS stockholders. ACS has also retained MacKenzie Partners Inc. to solicit proxies for the special meeting from ACS stockholders for a fee of \$50,000 plus reasonable out-of-pocket expenses. ACS will bear the entire cost of soliciting proxies from ACS stockholders, except that Xerox and ACS will share equally the expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. In addition to this mailing, ACS's directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies. Solicitation of proxies will be undertaken through the mail, in person, by telephone, the Internet and videoconference.

ACS will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of ACS common stock.

## **Other Business**

The ACS board of directors is not aware of any other business to be acted upon at the special meeting. For additional information on how business can be brought before a meeting, see Bylaw 8 of ACS's bylaws.

## **Assistance**

If you need assistance in completing your proxy card or have questions regarding ACS's Special Meeting, please contact MacKenzie Partners Inc. by mail at 105 Madison Avenue, New York, NY 10016, by telephone at (800) 322-2885 (toll free) or (212) 929-5500 (collect), or by email at [acsproxy@mackenziepartners.com](mailto:acsproxy@mackenziepartners.com).

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**THE MERGER**

**General**

On September 27, 2009, the ACS board of directors (other than Mr. Deason, who was recused from the meeting), acting upon the unanimous recommendation of the Strategic Transaction Committee, and the Xerox board of directors each approved the merger agreement, which provides for the acquisition by Xerox of ACS through a merger of ACS with and into Boulder Acquisition Corp. After the merger, Boulder Acquisition Corp. will be the surviving corporation and will be a wholly-owned subsidiary of Xerox.

Upon completion of the merger, each share of ACS Class A common stock (other than excluded shares) will be converted into the right to receive (i) 4.935 shares of Xerox common stock, par value \$1.00 per share, and (ii) \$18.60 in cash, without interest, and each share of ACS Class B common stock (other than excluded shares) will be converted into the right to receive (i) 4.935 shares of Xerox common stock, par value \$1.00 per share, (ii) \$18.60 in cash, without interest, and (iii) a fraction of a share of Xerox Convertible Preferred Stock equal to (x) 300,000 divided by (y) the number of shares of ACS Class B common stock issued and outstanding as of the effective time of the merger.

**Background of the Merger**

The board of directors of ACS, together with senior management and ACS's advisors, has periodically reviewed and considered various strategic opportunities available to ACS, including whether the continued execution of ACS's strategy as a stand-alone company or the possible sale of ACS to, or a combination of ACS with, a third party offered the best avenue to maximize stockholder value. The board of directors has also considered from time to time the impact of ACS's dual class of common stock structure on the value of ACS's outstanding shares of Class A common stock, in light of the fact that Darwin Deason ( Mr. Deason ), ACS's founder and sole holder of ACS's Class B common stock, holds approximately 44% of the outstanding voting power of ACS's common stock.

In the past three years, these strategic opportunities have included consideration of, and negotiations with, potential acquirors of ACS. In January 2006, ACS disclosed that ACS had recently engaged in unsolicited discussions with a group of private-equity investors, which included Blackstone Management Partners, L.L.C. ( Blackstone Management Partners ), regarding a sale of ACS, but that these discussions had been terminated because of material changes in terms of the offer. In March 2007, Cerberus Capital Management, L.P. ( Cerberus ) and Mr. Deason made a public, written offer to ACS for \$59.25 per share in cash to the holders of ACS Class A common stock. Cerberus and Mr. Deason subsequently increased that offer to \$62 per share in cash in April 2007. Had this proposed transaction been completed, Mr. Deason would have rolled over a portion of his equity in ACS and held an equity ownership position in the acquiring entity and would have received consideration from Cerberus in exchange for an agreement to provide consulting services to ACS and to refrain from competing with ACS following the closing of the proposed transaction. Taken together, Mr. Deason estimated the value to him of this equity participation and additional payments to substantially exceed \$300 million. Cerberus and Mr. Deason terminated their offer on October 30, 2007, citing both deteriorating market conditions which impeded their ability to obtain the required financing and displeasure with the manner in which ACS's special committee of independent directors had conducted the transaction process. In connection with this proposed transaction Cravath, Swaine & Moore LLP ( Cravath ) and Citigroup Global Markets Inc. ( Citi ) were advisors to Mr. Deason, Skadden, Arps, Slate, Meagher & Flom LLP was advisor to ACS, and Weil, Gotshal & Manges LLP and Lazard Freres & Co. LLC were advisors to the special committee of the ACS board of directors.

In August 2008, a prominent private-equity firm (the Sponsor ) approached the ACS board with a written indication of interest regarding a potential acquisition of ACS at a range of between \$60 and \$62 per share in cash, provided that its due diligence investigation supported its valuation and it was able to obtain suitable

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financing for the transaction. Following deliberation and consideration, the ACS board of directors formed a special committee of independent directors to consider and oversee any further actions by ACS in respect of the Sponsor's offer with the understanding that the transaction proceed in a manner that minimized the risk to ACS and its stockholders of an uncertain offer which may create ownership instability and therefore harm ACS's relationships with its existing and potential customers and with its employees. The members of the special committee were Kurt R. Krauss, Paul E. Sullivan and Frank Varasano. Ropes & Gray LLP ( Ropes & Gray ) and Evercore Group L.L.C. ( Evercore ) were advisors to the special committee and Cravath and Citi were advisors to ACS. Evercore had not previously been engaged by ACS, the ACS board or any committee of the ACS board. Discussions between ACS and the Sponsor terminated in the fall of 2008 as deteriorating market conditions undermined the availability of financing for the proposed transaction.

Over the last several years the board of directors of Xerox and Xerox's senior management have been exploring potential business opportunities in the services business. Xerox identified ACS as an attractive potential acquisition opportunity in light of ACS's strength in the business process outsourcing ( BPO ) industry and strong management team. Over that period, Xerox's senior management studied potential acquisitions in the BPO market, including ACS. In the spring of 2009, following meetings between Xerox's senior management and representatives of Blackstone Advisory Services L.P. ( Blackstone ), a regular financial advisor to Xerox, regarding a potential acquisition of ACS, Xerox's senior management requested that representatives of Blackstone contact Mr. Deason to determine if he would support a business combination between Xerox and ACS. In response to Xerox's request, a representative of Blackstone Management Partners, Blackstone's private equity affiliate, who had led Blackstone Management Partners' discussions with ACS regarding a potential acquisition of ACS by a consortium of private equity funds led by Blackstone Management Partners and another prominent private equity fund in late 2005 and who remained in contact with Mr. Deason from time to time to discuss, among other things, potential business transactions, contacted Mr. Deason about a potential transaction between Xerox and ACS. Mr. Deason stated to the representative of Blackstone Management Partners his standing position that he, as a stockholder of ACS, would only support a transaction involving ACS that provided for a price of at least \$62 per share for the ACS common stock and an aggregate of \$300 million in additional consideration for Class B common stock. The representative of Blackstone Management Partners suggested that he would attempt to arrange a meeting among Mr. Deason, Anne M. Mulcahy, Chairman of Xerox ( Ms. Mulcahy ), and Ursula M. Burns, Chief Executive Officer of Xerox ( Ms. Burns ), to discuss a potential transaction between Xerox and ACS. Mr. Deason declined to have a meeting arranged and instead suggested that Blackstone contact representatives of Citi, who had served as a financial advisor to ACS for some time, to discuss a potential transaction, as Mr. Deason would not discuss a transaction with any principals of Xerox prior to the offer being discussed and considered by ACS's board of directors. Mr. Deason further noted that if Xerox were to decide to pursue a transaction after discussions with Citi, then ACS's board of directors would need to consider any offer from Xerox. From late May 2009 through June 2009, Blackstone and Citi held preliminary discussions regarding a potential transaction between ACS and Xerox, including transaction structures that involved a potential investment by funds affiliated with Blackstone Management Partners and/or other potential investors. Based on knowledge of the previous offer by Mr. Deason and Cerberus, the analysis of Xerox management regarding ACS and the information relayed to Xerox from representatives of Blackstone regarding their conversations with Citi and Mr. Deason, Xerox determined that in order for any transaction to be considered by the ACS board of directors and Mr. Deason, Xerox would need to include at a minimum a price of at least \$62 per share for the ACS common stock and an aggregate of at least \$300 million in additional consideration for the Class B common stock. Given the market price of the ACS Class A common stock at this time, Xerox's knowledge regarding conversations between Blackstone and each of Citi and Mr. Deason led Xerox to make an offer for the Class A common stock at a significant premium.

In late June 2009, representatives of Blackstone and Citi set up meetings with Lawrence A. Zimmerman, Vice Chairman and Chief Financial Officer of Xerox ( Mr. Zimmerman ), Ms. Mulcahy, Ms. Burns and Lynn R. Blodgett, President and Chief Executive Officer of ACS ( Mr. Blodgett ), to discuss a strategic combination with ACS.

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The board of directors of ACS, on July 2, 2009, participated in an informational teleconference to discuss Xerox's interest in a strategic combination of the two companies. In addition to all members of the ACS board of directors, also present on the call were members of ACS's senior management team, Mr. Ben Druskin ( Mr. Ben Druskin ), Managing Director and Co-Head of Global Technology, Media and Telecommunications Investment Banking at Citi as well as other representatives from Citi, representatives from Cravath, counsel to ACS, and representatives from Ropes & Gray, which had represented the special committee of independent directors formed to consider and oversee ACS's response to the offer made by the Sponsor the previous August. Mr. Blodgett described the contacts between representatives of Xerox and ACS's management in the previous two weeks, including dinner meetings on June 23 and June 30 that included Mr. Blodgett and Mr. Zimmerman and Mr. Deason described how he had been contacted by a representative of Blackstone in the spring of 2009 and his response to that contact. ACS's board of directors discussed the negative effects of ownership uncertainty on ACS's relationships with its customers, employees and its businesses that management believed arose in previous, public transaction processes, as well as the potential for premature public disclosure of the discussions with Xerox and the risk of sharing confidential information with a potential strategic buyer. The board further discussed that if Xerox were to make a proposal to combine with ACS and were the board to decide to pursue it, management and ACS's advisors would need to employ a process that maximized certainty of closing in the event the companies entered into a merger agreement while minimizing the risks to ACS's stockholders of premature public disclosure. ACS's directors asked Cravath and Ropes & Gray to consider an appropriate process to maximize stockholder value and fulfill their fiduciary duties if ACS's board decided to pursue a Xerox transaction. ACS's board asked Cravath to request from Xerox a written proposal approved by Xerox's board of directors for a potential transaction that addressed all material terms, including price, certainty, timing, employee retention, financing and the strategic rationale for the combination. The ACS board also discussed the retention of Cravath and Citi and the historical role of Cravath as advisor to ACS, Mr. Deason and Xerox and the historical role of Citi as advisor to ACS and Mr. Deason, as well as the need for independent financial and legal advisors for the board or any special committee that might be formed. In addition, the ACS board discussed and considered the strategic negotiations with other potential acquirors in which ACS had previously been involved and the processes and procedures used in those negotiations.

On July 9, 2009, the board of directors of Xerox held a special telephonic meeting. In addition to all members of the Xerox board of directors, also present for all or portions of the meeting were members of Xerox's senior management team, representatives from Blackstone and a representative from Cravath, Xerox's long-time corporate counsel, who had not historically or currently advised ACS with respect to any matters. The Cravath representative disclosed the potential conflict posed by Cravath's historical role as advisor to ACS and did not participate in additional Xerox board meetings. Xerox's senior management team discussed the strategic rationale of a potential transaction, including how ACS would fit into Xerox's BPO strategy, and reviewed a potential valuation of ACS. The board of directors of Xerox authorized management to retain Blackstone and an additional financial advisor and Simpson Thacher & Bartlett LLP ( Simpson Thacher ) as legal advisors in connection with any proposed transaction with ACS.

The board of directors of Xerox held a special board meeting on July 15, 2009 in Greenwich, Connecticut. In addition to a quorum of the Xerox board of directors, also present at the meeting were members of Xerox's senior management team. Mr. Don H. Liu, General Counsel and Secretary for Xerox ( Mr. Liu ) advised the board of directors that J.P. Morgan had been hired as an additional financial advisor for the potential transaction. Xerox's senior management discussed with the board of directors the potential benefits of an acquisition of ACS, including anticipated cost and revenue synergies and the strength of ACS's BPO business, and the challenges associated with a potential transaction. The board of directors and senior management also discussed how ACS would be managed by Xerox's leadership and potential issues to be addressed in connection with integrating ACS into Xerox.

On July 16, 2009, the board of directors of Xerox held a board meeting in Norwalk, Connecticut. In addition to all members of the Xerox board of directors, also present at the meeting were members of Xerox's senior management team and representatives of Simpson Thacher. Xerox's senior management reviewed its valuation of a potential transaction with ACS. Representatives of Simpson Thacher reviewed the terms of a draft,

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non-binding proposal to be sent to ACS and discussed the fiduciary duties of the Xerox directors in connection with a potential transaction with ACS. Xerox's senior management reviewed with the board the advice received from Blackstone and J.P. Morgan with respect to the potential transaction and the board discussed the proposal with Xerox's senior management, Blackstone and J.P. Morgan. After a lengthy discussion, the Xerox board of directors approved the non-binding proposal letter to be sent to ACS.

On July 16, 2009, Mr. Liu and Mr. Mario A. Ponce ( Mr. Ponce ) of Simpson Thacher contacted Mr. James C. Woolery ( Mr. Woolery ) of Cravath, who involved Mr. David C. Chapin ( Mr. Chapin ) and Mr. John D. Donovan ( Mr. Donovan ), each of Ropes & Gray, in the conversation. Mr. Liu and Mr. Ponce explained that Xerox would deliver the following day a written, non-binding proposal to ACS outlining Xerox's proposal for a strategic combination of the companies. Messrs. Liu and Ponce emphasized that Xerox's proposal letter would set forth what was, in Xerox's view, a fully-priced proposal, and should not be viewed by ACS as an opening proposal subject to significant negotiation. Mr. Woolery and Mr. Chapin informed Mr. Liu and Mr. Ponce that, in addition to achieving the best price for ACS's stockholders, which remained to be determined following the investigation of synergies, diligence and other value drivers in any transaction, ACS's board was focused on certainty of completion in any transaction.

On July 17, 2009, ACS received Xerox's written, non-binding proposal. Among other things, Xerox proposed a purchase price of \$62.00 per share of ACS common stock, to be paid in approximately 50% cash and 50% Xerox common stock. Xerox expressed the necessity of maintaining its investment grade credit rating in connection with any transaction and its need to obtain financing for the cash portion of the consideration in a manner that achieved that objective. Xerox's proposal letter also indicated that Xerox would pay Mr. Deason an aggregate of \$300 million of additional consideration and would require that Mr. Deason agree to support the transaction.

On July 20, 2009, the board of directors of ACS held a special telephonic meeting to discuss the terms of Xerox's proposal. In addition to all members of the ACS board of directors, also present were members of ACS's senior management team and representatives from Citi, Ropes & Gray and Cravath. Citi and Cravath presented the board with an overview of the Xerox proposal. Citi included within its presentation its preliminary financial analysis of Xerox's proposal and its advice that the financial terms of the proposal were worthy of further exploration.

The board asked Mr. Deason his view of the proposal and whether he had any prior discussions with Xerox regarding the proposal. The board noted that Mr. Deason's control over approximately 44% of the outstanding vote of ACS's common stock meant that the transaction proposed by Xerox could likely not be effected without his approval, and that it would be important for the board to know his views on the Xerox proposal, including the proposed consideration for the Class A common stock, the proposed additional consideration for the Class B common stock and the degree to which Mr. Deason would be willing to preserve his right in the voting agreement to accept a superior proposal made following announcement of the transaction, before committing ACS's resources toward pursuing Xerox's proposal, particularly in light of the risks of premature public disclosure inherent with any discussions of this nature. Mr. Deason informed the board that he had not had any prior discussions with any principal of Xerox regarding the proposal and that in his view, Xerox's proposal was interesting and warranted further evaluation if it could be pursued in a manner that would not risk prematurely exposing the transaction to the public. Among other things, Mr. Deason shared his view that the strategic rationale for the transaction required more exploration and understanding. With respect to the additional consideration offered to him as the sole holder of ACS's Class B common stock, Mr. Deason reported that, in his view, the voting power of the Class B common stock had additional value for which he was entitled to be compensated in any change-of-control transaction involving ACS, and that the \$300 million of additional consideration offered by Xerox was less than he had been offered in previous transactions. In light of that, Mr. Deason reported to the board that the additional consideration offered to him in Xerox's proposal would be a starting point for negotiations with Xerox for his Class B common stock, and that he would not support the proposed transaction with Xerox, or any other change-in-control transaction involving ACS, that offered less than \$300 million in incremental consideration to him. In light of the additional consideration that would be paid

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to him in a transaction with Xerox, Mr. Deason informed the board that he would recuse himself from further board meetings at which Xerox's proposal would be discussed. With respect to any other transactions that might be considered by ACS, Mr. Deason indicated he would need to evaluate these as they were proposed and that he would retain and consult with his own advisors regarding the Xerox proposal and any other proposal for a change-of-control transaction involving ACS.

The board then solicited the views of Mr. Blodgett regarding the Xerox proposal. Mr. Blodgett presented his views to the board and his conclusion that the offer should be further explored. The members of the board questioned Mr. Blodgett regarding the strategic rationale for the combination and emphasized that the board would need to be convinced of the strategic merits of the proposed transaction before it would consider proceeding with it. Citi and Mr. Deason were then excused from the meeting, and the directors continued their discussion with Mr. Blodgett, other senior management of ACS, Ropes & Gray and Cravath regarding the views expressed by Mr. Deason, including Mr. Blodgett's reaction to those views, and the strategic merits of the proposed transaction.

Following this discussion, Mr. Blodgett and the other senior management of ACS were excused from the meeting and Ropes & Gray and Cravath remained. The remaining board members, all of whom were independent with respect to Xerox's proposed transaction, then further discussed the terms of Xerox's proposal. Representatives of Ropes & Gray discussed with the independent directors their fiduciary duties in connection with any strategic transaction and their options for responding to Xerox's offer letter. At the conclusion of the meeting, the independent directors recommended that a strategic transaction committee be formed comprised of the five independent directors to consider and oversee any further action by ACS with respect to Xerox's proposal or any alternative transaction with complete authority to oversee and direct the transaction, to retain outside advisors and to recommend the transaction to the full board of directors or to reject it. Mr. Blodgett was then invited to re-join the meeting. The full board (other than Mr. Deason who was recused) adopted resolutions consistent with the recommendation of the independent directors providing for the formation of a strategic transaction committee (the Strategic Transaction Committee), further resolved that the board would not proceed with the transaction proposed by Xerox or any alternative transaction absent the recommendation of the Strategic Transaction Committee in favor of the transaction, and approved the negotiation and execution of a mutual confidentiality agreement and the commencement of mutual diligence under the direction of the Strategic Transaction Committee. The Strategic Transaction Committee asked Mr. Blodgett to provide them with regular informational reports on the status of due diligence. The Strategic Transaction Committee also instructed Mr. Blodgett to work with his management team to continue to evaluate the strategic rationale of the proposed transaction and to evaluate potential synergies created by a combination with Xerox. Finally, the board and Strategic Transaction Committee deferred discussion of any additional compensation to be paid to members of the Strategic Transaction Committee for their service on the Strategic Transaction Committee until the next regularly scheduled board meeting. Following this meeting, ACS proceeded to formally retain Citi as its financial advisor.

On July 22, 2009, Xerox and ACS entered into a mutual confidentiality agreement. Over the next several days, various discussions and negotiations took place between advisors of Xerox and advisors of ACS and the Strategic Transaction Committee regarding the process for the transaction. At the same time, Xerox, Xerox's advisors, Mr. Deason, Citi and Proskauer Rose LLP (Proskauer), Mr. Deason's counsel, engaged in discussions regarding the terms of the additional consideration that Mr. Deason would receive for his shares of Class B common stock. Mr. Deason requested through Proskauer that Xerox issue convertible preferred stock to him rather than cash and stock as additional consideration for his shares of Class B common stock because of his desire to further invest in the business combination and to receive an annual rate of return for such investment. Xerox considered Mr. Deason's request, including that the issuance of preferred stock to Mr. Deason would reduce the amount of cash needed to consummate the merger, thereby helping Xerox maintain its investment grade credit rating, and the importance of receiving Mr. Deason's support for the proposed transaction. Xerox concluded that despite the fact that the preferred stock would provide Mr. Deason with a liquidation preference over Xerox common stockholders and require specified cash dividend payments, it was in the best interest of Xerox and its stockholders to pay the additional consideration on the ACS Class B common stock in the form of preferred stock.



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On or about August 2, 2009, Mr. Deason informed the Strategic Transaction Committee that he and Xerox had agreed that he would receive in the transaction as consideration for his shares of ACS Class B common stock, in addition to the consideration to be received by holders of ACS Class A common stock, a new series of Xerox convertible preferred stock with a face value of \$300 million, that would pay a dividend equal to 8% per year and that would be convertible at a 25% premium to the Xerox stock price at the time of the transaction. Mr. Deason explained to the Strategic Transaction Committee that, if upon further investigation the strategic rationale for the transaction proved compelling, receiving additional Xerox equity would be a good investment for him and the other ACS stockholders; however, if the strategic rationale did not prove compelling, he would not favor the transaction and would use his voting position in ACS to block it. Mr. Deason also informed the Strategic Transaction Committee that if he favored the transaction, he would agree to give Xerox a voting agreement in which he would agree to support the transaction at the ACS stockholder meeting called to consider it, subject to an appropriate exception in case of a superior alternative proposal.

On August 5, 2009, ACS provided a list to Xerox regarding the due diligence that ACS wished to perform on Xerox and shortly thereafter Xerox provided a similar list to ACS. Following the delivery of these lists, both ACS and Xerox commenced their respective due diligence investigations of each other, which generally consisted of, among other things, numerous meetings between the management and advisors of each company and the exchange of numerous documents and other information between the management and advisors of each company. Each party's due diligence investigation continued throughout the period leading to the execution of the merger agreement. Throughout the due diligence process, ACS's management and the Strategic Transaction Committee's legal and financial advisors provided regular reports and updates to the Strategic Transaction Committee, and Xerox's management and legal and financial advisors provided regular reports and updates to the Xerox board of directors.

On August 7, 2009, the Strategic Transaction Committee held a telephonic meeting to, among other things, discuss the transaction and the formal retention of Ropes & Gray and Evercore as advisors to the Strategic Transaction Committee. Present at the meeting were members of the Strategic Transaction Committee and representatives from Evercore, Ropes & Gray and Cravath. Evercore presented its preliminary analysis of the proposed transaction. This analysis included an overview of prior transactions involving companies with dual classes of common stock, one entitled to more votes per share than the other, and certain considerations the Strategic Transaction Committee might wish to take into account in negotiating a transaction with Xerox given ACS's dual class structure. The Strategic Transaction Committee discussed with Evercore the prior transactions involving companies with dual classes of common stock and the premium that was paid to holders of high-vote stock in such transactions. The Strategic Transaction Committee instructed Evercore that in light of the additional Xerox preferred stock proposed to be issued to Mr. Deason as consideration for his shares of ACS's Class B common stock, Evercore should perform further research and analysis of similar prior transactions, with a focus on the premium that was paid to the holders of the high-vote stock in such transactions. The Strategic Transaction Committee also discussed with Evercore the strategic rationale for the proposed transaction and its likely impact on the value of Xerox's common stock following the proposed combination. The Strategic Transaction Committee also instructed its advisors that given the risks and costs to ACS and its stockholders of a public, failed transaction, including the diversion of management and employee attention, potential employee attrition and the potential adverse effect on ACS's customer and other commercial relationships, discussions with Xerox would be terminated at any point in the process if the Strategic Transaction Committee determined that the terms of any proposed transaction by Xerox would not provide sufficient certainty of closing. At the conclusion of the meeting, the Strategic Transaction Committee authorized the formal retention of Evercore and Ropes & Gray as advisors to the Strategic Transaction Committee.

On August 11, 2009, representatives from J.P. Morgan and Blackstone, financial advisors to Xerox, discussed with Evercore and Citi various terms of the proposed transaction, including Xerox's proposed financing, the strategic rationale for and possible synergies arising from the transaction and the appropriate exchange ratio of ACS common stock for Xerox common stock (the Exchange Ratio) in light of a significant increase in Xerox's stock price since Xerox's offer letter on July 17th. The financial advisors also discussed the

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Strategic Transaction Committee's position on terms of the transaction that were important to the Strategic Transaction Committee, including the inclusion of provisions in the merger agreement and voting agreement that would permit the ACS board to consider and recommend potentially more favorable transactions proposed after the announcement of a transaction with Xerox, and if the ACS board changed its recommendation in favor of the Xerox deal to accept a superior transaction, provisions in the voting agreement that would permit Mr. Deason to vote some or all of his shares in favor of the superior transaction (referred to as the "fiduciary out"), the inclusion of a condition in the merger agreement that holders of a majority of the outstanding voting power of ACS other than Mr. Deason approve the Merger (referred to as a "majority of the minority requirement") and the need for a high degree of certainty with respect to Xerox's obligation to consummate a transaction.

The Xerox board of directors held a special telephonic board meeting on August 13. In addition to a quorum of the Xerox board of directors, also present at the meeting were members of Xerox's senior management team. Xerox's senior management team provided an update on the due diligence process to date and the meetings between Xerox and ACS with respect to potential business synergies and operational and integration issues. In addition, members of Xerox's senior management provided an update on the financing discussions with J.P. Morgan, including J.P. Morgan's willingness to provide a bridge loan, the unlikely need for a private equity investment and the likely need to pay the merger consideration in 30% cash and 70% stock in order to maintain Xerox's investment grade rating. Xerox had determined, based on discussions with its financial advisors, that the additional debt it would be required to incur if it paid the merger consideration in 50% cash and 50% stock would likely cause it to lose its investment grade status.

On August 17, 2009, the Strategic Transaction Committee held a telephonic meeting with representatives of Evercore and Ropes & Gray. Among other things, the Strategic Transaction Committee discussed with Evercore and Ropes & Gray the advantages and disadvantages of approaching the Sponsor to determine if the Sponsor had an interest in pursuing an acquisition of ACS, and if so, at what price. At the conclusion of the meeting, the Strategic Transaction Committee instructed Evercore to contact the Sponsor and inquire about the Sponsor's current interest in an acquisition of ACS.

On or about August 17, 2009, Evercore contacted the Sponsor and its financial advisor. The Sponsor indicated that its preliminary valuation was \$55 to \$57 per share of ACS common stock in cash, with the understanding that additional compensation for the Class B common stock would be determined, and that it would be unable to pay the \$62 per share that was at the top of its valuation range the previous fall. Further, the Sponsor indicated that arranging financing for a transaction at or above \$57 per share would likely prove challenging.

On August 20, 2009, the board of directors of ACS held a regular meeting in Dallas, Texas. Present at the meeting were members of the board of directors (except Mr. Deason who recused himself) and, for all or portions of the meeting, members of management of ACS and representatives from Citi, Evercore, Ropes & Gray and Cravath. The board addressed both ordinary business and the transaction proposed by Xerox. The board of directors, along with its advisors, discussed the compensation to be paid to members of the Strategic Transaction Committee and resolved that members of the Strategic Transaction Committee would be paid \$20,000 per month, while the chairman of the Strategic Transaction Committee would be paid \$25,000 per month, so long as a transaction process continued. Members of management of ACS and representatives from Citi each delivered a presentation to the board regarding Xerox, its business and the proposed transaction, the results to date of their due diligence and the strategic rationale for the proposed transaction.

Also on August 20, 2009, the Strategic Transaction Committee held a meeting in Dallas, Texas. Present at the meeting were members of the Strategic Transaction Committee and, for portions of the meeting, Mr. Blodgett and representatives from Evercore, Ropes & Gray and Cravath. Evercore updated the Strategic Transaction Committee on the status of the proposed transaction with Xerox, including Xerox's progress in obtaining financing and negotiations that Evercore had conducted with Xerox's advisors at the request of the Strategic Transaction Committee concerning the Exchange Ratio and other key terms, including the inclusion of "fiduciary

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out provisions in the merger agreement and voting agreement, and inclusion of a majority of the minority approval condition in the merger agreement. In response to the presentation of Evercore, the Strategic Transaction Committee reiterated its position that deal certainty was very important to it given the potential significant, negative effects that a failed deal could have on ACS's customers, employees and business. In addition, the Strategic Transaction Committee discussed the importance that fiduciary out provisions in both the merger agreement and voting agreement be structured such that a potential topping bidder would be able to offer incremental consideration to ACS stockholders commensurate with or in excess of that proposed by Xerox (including consideration payable to Mr. Deason for his shares of ACS Class B common stock), and that the voting agreement would permit any topping proposal to have a reasonable chance of consummation and not unreasonably discourage any topping proposal to be made in the first instance.

Evercore updated the Strategic Transaction Committee on the results of its conversation with the Sponsor and the Sponsor's valuation of ACS. Ropes & Gray relayed to the Strategic Transaction Committee a conversation with a representative of Proskauer, counsel to Mr. Deason, regarding, among other things, Mr. Deason's views on the Exchange Ratio. Evercore outlined certain considerations the Strategic Transaction Committee might wish to take into account because a component of the consideration being offered by Xerox was Xerox stock, including the possible use of collars or other devices to protect ACS stockholders from declines in the price of Xerox common stock. Evercore also presented an analysis that had been previously requested by the Strategic Transaction Committee of precedent transactions involving companies with dual classes of common stock, the premium paid to holders of high-vote stock in these transactions, the dilution in value to other holders of common stock as a result of these premiums, and how Xerox's proposal compared to those precedent transactions. The Strategic Transaction Committee and their advisors continued to discuss the strategic rationale for a combination with Xerox and the likely impact on Xerox's common stock. Evercore also presented its analysis of the effects of the announcement of strategic transactions on acquirors' share prices, including recently announced transactions in technology industries and the possible effects of the announcement of this transaction on Xerox's stock price. The Strategic Transaction Committee discussed that, based on Xerox's then stock price, and assuming an Exchange Ratio established based on Xerox's stock price at the time Xerox delivered its written proposal, the value of the proposed transaction had increased to approximately \$69.08 per share of ACS common stock. The Strategic Transaction Committee instructed Evercore, in its negotiations with J.P. Morgan and Blackstone, to establish \$62 per share as the lowest amount the Strategic Transaction Committee would accept, and to pursue both a higher price per ACS share through an Exchange Ratio closer to that implied by the Xerox stock price on the date of Xerox's written proposal than that implied by Xerox's then current stock price and a collar to protect the value per ACS share of the transaction from decreasing if Xerox's stock price decreased following announcement of the transaction. The Strategic Transaction Committee then instructed Evercore to advise the Sponsor that the Strategic Transaction Committee was not interested in pursuing a transaction with the Sponsor unless the Sponsor was willing to increase its proposed valuation. At the conclusion of the meeting, all persons other than the members of the Strategic Transaction Committee excused themselves from the meeting, and the Strategic Transaction Committee held an executive session.

On August 21, 2009, representatives of Evercore contacted J.P. Morgan and Blackstone to discuss the Strategic Transaction Committee's concerns regarding Xerox's proposal. In particular, the parties discussed the status of Xerox's financing and the Strategic Transaction Committee's position on the Exchange Ratio, the importance to the Strategic Transaction Committee of closing certainty and the other aspects of the proposal discussed by the Strategic Transaction Committee with Evercore at its meeting on August 20. During these discussions, J.P. Morgan and Blackstone shared with Evercore Xerox's view that the recent increase in the value of Xerox's common stock had no impact on the value of ACS and that its offer to combine with ACS remained at \$62 per share. Also on August 21, 2009, representatives of Evercore contacted the Sponsor and informed the Sponsor that the Strategic Transaction Committee would be interested in pursuing a potential transaction with the Sponsor, but only if the Sponsor could substantially increase its proposed valuation.

On August 28, 2009, the Strategic Transaction Committee held a telephonic meeting. At the commencement of the meeting, only members of the Strategic Transaction Committee and Ropes & Gray were present. Representatives

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from Ropes & Gray provided an overview to the Strategic Transaction Committee of their fiduciary duties under Delaware law. Mr. Robert Druskin then noted that his son, Mr. Ben Druskin, was serving as an investment banker for Citi with respect to the proposed transaction with Xerox. Mr. Druskin inquired whether his son's involvement might be perceived to raise questions concerning his independence under Delaware law in the context of the proposed transaction. At the conclusion of this discussion, Mr. Robert Druskin and the other members of the Strategic Transaction Committee agreed that any decision regarding Mr. Robert Druskin's future service on the Strategic Transaction Committee should await a formal analysis by Ropes & Gray.

Representatives from Evercore and Cravath then joined the meeting. Evercore presented an update on events of the past week, including conversations it had with J.P. Morgan and Blackstone regarding the Exchange Ratio and Xerox's focus on maintaining its investment grade credit rating. The Strategic Transaction Committee instructed Evercore to obtain more information regarding Xerox's proposed financing of the transaction. Evercore also addressed its continued analysis of precedent transactions involving companies with dual classes of common stock and how Xerox's proposal compared to those precedent transactions. Following Evercore's presentation regarding precedent dual class of stock transactions, the Strategic Transaction Committee discussed whether the Xerox convertible preferred stock to be issued to Mr. Deason as incremental consideration, which Mr. Deason had earlier indicated was a non-negotiable minimum amount he was willing to accept, was acceptable in light of the value that the holders of the ACS Class A common stock would receive in the proposed transaction with Xerox and whether this incremental consideration was within the range of amounts other stockholders similarly situated to Mr. Deason had required and received in previous transactions. The Committee concluded, based on the following factors, that it would be willing to proceed with a transaction with Xerox that would provide Mr. Deason the convertible preferred stock that Xerox had offered: Mr. Deason's clear position that he was unwilling to accept less incremental consideration in the proposed transaction with Xerox, and the Committee's view that therefore further negotiation with Mr. Deason on this aspect of the transaction would be fruitless; Mr. Deason would not likely approve a future transaction without receiving similar incremental consideration; the implied premium offered to Mr. Deason by Xerox was within the range of implied premiums paid to high vote holders in precedent transactions (evaluated both as a percentage of equity value offered to the low vote holders as well as a percentage of total equity value) as demonstrated by the Evercore analysis; and the value being offered by Xerox to the holders of Company's Class A common stock was compelling.

Representatives of Evercore provided the Strategic Transaction Committee with an overview of the due diligence process to date and responded to questions from the Strategic Transaction Committee. As had been previously requested by the Strategic Transaction Committee, Evercore also presented an overview of all prior contacts between Evercore and/or Citi and potential acquirors and business combination partners of ACS over the preceding year. During that period, Evercore and/or Citi had discussions with approximately 22 potential acquirors/partners, which potential acquirors/partners Evercore and/or Citi believed may have had an interest in expanding into the BPO industry generally or pursuing a strategic transaction with ACS specifically. Evercore confirmed that based upon these discussions, in Evercore's view, none seemed likely interested in an acquisition of or business combination with ACS in the near term. The Strategic Transaction Committee proceeded to consider whether a pre-signing market check would likely prove fruitful. The Strategic Transaction Committee discussed and concluded, based in part on advice from Evercore, that the Sponsor's view on valuation and the challenges associated with arranging financing for any acquisition of ACS at a higher price would likely be consistent with other potential private equity firm buyers. The Strategic Transaction Committee further discussed and concluded that the following factors, taken together, indicated that a pre-signing market check was unlikely to produce an offer to purchase or combine with ACS that was superior to Xerox's proposal: (1) the recent discussions with the Sponsor, (2) the fact that previous potential transactions involving ACS, some of which had been publicly disclosed, likely indicated to potential acquirors and business combination partners during the previous several years that ACS would consider offers to acquire or combine with ACS at \$62 per share, and (3) the discussions with potential strategic acquirors that Evercore and Citi had held over the previous year. In light of the risks of premature public disclosure associated with a pre-signing market check and the risk that Xerox would discontinue discussions if ACS proceeded to conduct a formal, pre-signing market check, as it had indicated that it would, the Strategic Transaction Committee concluded that so long as ACS was able to negotiate acceptable fiduciary output provisions with Xerox, it was in the best interests of ACS stockholders to forego a

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pre-signing market check and instead rely on effective fiduciary out provisions in the merger agreement to verify that Xerox's proposal was the best available to ACS stockholders.

On September 2, 2009, J.P. Morgan and Blackstone contacted Evercore and Citi and presented Evercore and Citi with a revised proposal from Xerox. J.P. Morgan and Blackstone explained that Xerox remained willing to offer consideration valued at \$62 per share of ACS stock, but that in order to maintain its investment grade rating and in light of its available financing options, it now proposed to pay the merger consideration in 30% cash and 70% stock (as compared to Xerox's original proposal of approximately 50% cash and 50% stock). Xerox reiterated that it was not prepared to fix the Exchange Ratio as of July 17th or provide a collar, as the Strategic Transaction Committee requested. J.P. Morgan and Blackstone also explained that Xerox was not prepared to agree to the majority of the minority approval condition in the merger agreement that the Strategic Transaction Committee had also requested. Further, Xerox proposed that Mr. Deason would be required to vote all of his ACS common stock in favor of the Xerox proposal and against any alternative transaction, except that if the ACS board elected to accept a superior proposal, Mr. Deason would only be required to vote the shares of his ACS stock representing 30% of the total voting power of ACS in favor of the Xerox transaction and against the alternative transaction. Xerox would also have prohibited Mr. Deason from voting any of his shares in favor of any other transaction involving ACS for the ensuing two years. In a subsequent conversation, J.P. Morgan offered to Citi that, if Citi requested, J.P. Morgan would discuss with Xerox whether Xerox would be willing to consider alternatives to the consideration mix to be received by Mr. Deason.

Also on September 2, 2009, Simpson Thacher circulated drafts of a proposed merger agreement and voting agreement that reflected the revised Xerox proposal. From September 2, 2009 until the execution of definitive documents on September 27, 2009, the parties and their respective financial and legal advisors exchanged numerous drafts of the merger agreement, voting agreement and the other transaction documents, including the commitment letter between Xerox and J.P. Morgan (in its capacity as a financing source to Xerox) providing for a bridge loan facility to Xerox to finance the proposed transaction, and engaged in negotiations and discussions regarding the terms of the transaction documents.

On September 3, 2009, Citi received from Mr. Deason and, after discussion with Evercore, delivered to J.P. Morgan and Blackstone Mr. Deason's counterproposal to the revised Xerox proposal. Mr. Deason rejected the suggestion that he would receive a cash/stock mix of consideration that is different from the mix received by other ACS stockholders, other than with respect to the additional consideration for his Class B common stock. Further, Mr. Deason proposed that the exchange ratio be fixed at 5.800x, a level that was between the ACS position that the exchange ratio should be fixed on the date Xerox submitted its written proposal and Xerox's position that the exchange ratio should be fixed presently or at signing, and that the exchange ratio have a collar that would protect ACS stockholders against a decrease in the Xerox stock price down to \$6.84, which was the level of Xerox's stock price on the date Xerox delivered its written proposal. Mr. Deason instructed Citi to, and Citi did, alert J.P. Morgan that it was delivering a proposal from Mr. Deason in his individual capacity as a stockholder, and not on behalf of ACS or the Strategic Transaction Committee, and that J.P. Morgan would need to learn separately from the Strategic Transaction Committee its views on Xerox's most recent proposal. Mr. Deason also deferred to the Strategic Transaction Committee with respect to the proposed majority of the minority condition and fiduciary out provisions.

On September 4, 2009, the Strategic Transaction Committee held a telephonic meeting. At the commencement of the meeting, only members of the Strategic Transaction Committee and Ropes & Gray were present. Mr. Kurt Krauss, Chairman of the Strategic Transaction Committee, opened the meeting by relaying to the Strategic Transaction Committee that Mr. Robert Druskin had previously informed him that Mr. Druskin had considered the benefits of his remaining on the Strategic Transaction Committee and although he felt he could serve as an effective, independent committee member, he determined that it was in the best interests of ACS and its stockholders for him to resign from the Strategic Transaction Committee in order to avoid any appearance of a conflict of interest. The other members of the Strategic Transaction Committee deliberated on the matter and then accepted Mr. Druskin's resignation.

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Ropes & Gray proceeded to provide the Strategic Transaction Committee with an update on the terms of Xerox's revised proposal, including Xerox's proposal to pay consideration valued at \$62 per share in a consideration mix of 30% cash and 70% stock consideration, Xerox's unwillingness to fix the Exchange Ratio as of July 17th, Xerox's rejection of the Strategic Transaction Committee's request for inclusion of a condition that the transaction be approved by a majority of the minority and Xerox's continued insistence on a strong voting agreement from Mr. Deason. Ropes & Gray also described to the Strategic Transaction Committee the conversations that had taken place between Evercore, Citi, and J.P. Morgan regarding Mr. Deason's position on Xerox's revised proposal, and details of Mr. Deason's counterproposal.

At this point, representatives from Evercore and Cravath joined the meeting. Evercore updated the Strategic Transaction Committee on, among other things, the events of the past several days and presented a financial analysis of Xerox's revised proposal. The Strategic Transaction Committee and the others participating in the meeting discussed at length how, when and in what manner the Strategic Transaction Committee should respond to Xerox's most recent revised proposal. The Strategic Transaction Committee instructed Evercore to continue to negotiate for inclusion of a collar and a majority of the minority approval condition in the merger agreement and reiterated the importance that both the merger agreement and the voting agreement needed to include effective fiduciary out provisions. Based on advice from Evercore and the others participating in the meeting, the Strategic Transaction Committee determined to seek an Exchange Ratio of 5.800x, with a collar that protected ACS stockholders against a decrease in Xerox's common stock down to \$6.51 per share, or 5% below the level on the date Xerox delivered its written proposal. The Strategic Transaction Committee instructed Evercore to provide a written counterproposal to Xerox's advisors containing these terms.

On September 8, 2009, Evercore delivered to J.P. Morgan and Blackstone the Strategic Transaction Committee's written counterproposal setting forth proposed consideration of cash of \$18.60 per share and a fixed exchange ratio of 5.800x, which had an aggregate value as of the last trading day preceding delivery of the Strategic Transaction Committee's written counterproposal of \$66 per share, an asymmetrical collar that would protect the ACS stockholders against a decline in Xerox's common stock down to \$6.51 or 5% below its level on the date Xerox delivered its written proposal, a majority of the minority condition and effective fiduciary out provisions.

On September 9, 2009, J.P. Morgan and Blackstone contacted Evercore and Citi to reject the Strategic Transaction Committee's proposal and share with them Xerox's view that the parties' respective positions were too far apart to believe that continued discussions would result in mutually acceptable transaction terms. Access to due diligence materials was subsequently terminated by both parties.

On September 11, 2009, the Strategic Transaction Committee held a telephonic meeting with representatives of Evercore, Ropes & Gray and Cravath. Evercore opened the meeting by providing the Strategic Transaction Committee with an update on the recent discussions with Xerox, including Xerox's position that negotiations should cease. After discussion among the Strategic Transaction Committee members regarding Xerox's response, the merits of Xerox's most recent proposal and how the Strategic Transaction Committee might proceed, Mr. Deason, Mr. Blodgett and Mr. Robert Druskin joined the meeting. Mr. Deason informed the Strategic Transaction Committee of his willingness to accept Xerox's most recent proposal if the Strategic Transaction Committee was unable to negotiate more favorable terms in light of the consideration being offered by Xerox, ACS's long-term growth prospects as a stand-alone entity and the expected synergies and strategic fit with Xerox. Mr. Blodgett shared his views, which were consistent with those of Mr. Deason, with the Strategic Transaction Committee. Finally, Mr. Robert Druskin expressed his view to the Strategic Transaction Committee that if the Strategic Transaction Committee was unable to negotiate more favorable terms with Xerox they should not risk losing the current offer and should continue to pursue a transaction in accordance with Xerox's most recent proposal. Following additional discussion, Mr. Deason, Mr. Blodgett and Mr. Robert Druskin were excused from the meeting. After further discussion, the Strategic Transaction Committee instructed Evercore to contact J.P. Morgan and Blackstone to attempt to obtain a counterproposal from Xerox to the Strategic Transaction Committee's most recent proposal, and if necessary to do so, to request Xerox's best and final offer.

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During the second week of September, Xerox's senior management had a number of discussions with, and provided updates with respect to the negotiation of the transaction to, members of Xerox's board of directors.

On September 15, 2009, J.P. Morgan and Blackstone delivered to Evercore a revised proposal from Xerox that they characterized as Xerox's best and final offer. The economic terms of the offer were a fixed Exchange Ratio at 4.935 Xerox shares for each ACS share and cash of \$18.60 per share. The best and final offer did not include a collar. The offer had an economic value at the time it was delivered of approximately \$65.48 per share of Class A common stock of ACS. Xerox's best and final offer also included a refusal by Xerox to agree to a majority of the minority approval condition in the merger agreement, although Xerox did agree to negotiate fiduciary out provisions in good faith.

Also on September 15, 2009, the Strategic Transaction Committee held a telephonic meeting with representatives of Evercore, Ropes & Gray and Cravath. Evercore provided an overview of the terms of Xerox's best and final offer. The Strategic Transaction Committee discussed the fact that although Xerox's best and final offer did not include a majority of the minority approval condition or a collar, the proposed transaction did offer substantial value to ACS's stockholders and that Xerox would negotiate in good faith the terms of fiduciary out provisions. The Strategic Transaction Committee also discussed the potential impact of the announcement of this deal on Xerox's stock price, particularly given the lack of a collar in Xerox's best and final offer. Following discussion, the Strategic Transaction Committee decided to continue negotiations with Xerox based on the terms of Xerox's best and final offer. Following the conclusion of the meeting, Evercore contacted J.P. Morgan and Blackstone and shared with them the Strategic Transaction Committee's willingness to proceed with a transaction on the terms contained in Xerox's best and final offer. The Strategic Transaction Committee also informed members of ACS management that it would be appropriate at this time for them to commence discussions with Xerox regarding changes to employment and change in control agreements that Xerox had indicated would be a condition to its willingness to proceed with a combination with ACS.

On September 18, 2009, the Strategic Transaction Committee held a telephonic meeting with representatives of Evercore, Ropes & Gray and Cravath. Ropes & Gray and Evercore provided the Strategic Transaction Committee with an update on negotiations with Xerox since the Strategic Transaction Committee's agreement to proceed on the basis of Xerox's best and final offer, including the status of negotiations on the fiduciary out provisions in the merger agreement and voting agreement and other deal protection provisions. The representatives of Ropes & Gray and Evercore also provided an update on the status of the ongoing diligence process. The Strategic Transaction Committee along with the representatives of Ropes & Gray and Evercore discussed the strategic rationale of the proposed transaction and the resulting value of Xerox's common stock.

Between September 18, 2009 and September 25, 2009, Ropes & Gray and Cravath continued to negotiate the fiduciary out provisions in the voting agreement with Simpson Thacher. Xerox ultimately agreed to proceed without the prohibition in the voting agreement against Mr. Deason voting in favor of any alternative transaction after a termination of the merger agreement and to require that only half of Mr. Deason's shares would be required to be voted in favor of the proposed Xerox transaction in the event that the ACS board changed its recommendation in favor of the Xerox transaction, with Mr. Deason free to vote the other half in any manner Mr. Deason chose in the event that the change in recommendation was precipitated by an unsolicited superior proposal for ACS. Ropes & Gray advised the Strategic Transaction Committee that this framework should provide sufficient flexibility for a topping bid to be made following execution of the merger agreement and announcement of the transaction, for the Strategic Transaction Committee to give serious consideration to a topping bid and for a topping bid to have a reasonable chance of consummation in the event the Strategic Transaction Committee and the board changed their recommendations in favor of the proposed transaction with Xerox.

On September 22, 2009, the finance committee of the Xerox board of directors held a special meeting in New York City to discuss the proposed transaction. In addition to all members of the finance committee, present for all or portions of the meeting were members of Xerox's senior management team and representatives from Blackstone, J.P. Morgan and Simpson Thacher. Members of Xerox's senior management team provided an

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update on results of their due diligence investigation of ACS and their final analysis of the cost and revenue synergies expected to result from a combination of Xerox and ACS. Representatives of Blackstone and J.P. Morgan presented a financial analysis of the proposed transaction and described the terms of the proposed financing for the transaction. Representatives from Simpson Thacher reviewed the terms of the draft merger agreement and voting agreement and provided the members of the committee with an update regarding the status of negotiations with Ropes & Gray, Cravath and Proskauer. The finance committee discussed the transaction and asked questions of Xerox's senior management and legal and financial advisors.

On September 23, 2009, ACS and Xerox met with each of Standard & Poor's Ratings Group (S&P) and Moody's Investors Service (Moody's) regarding the proposed merger. Subsequent to such meetings, Xerox received indications from each of S&P and Moody's that Xerox would retain its investment grade rating in connection with the merger.

On September 24, 2009, members of the board of directors of ACS (other than Mr. Deason, who did not attend), as well as several representatives from Ropes & Gray and Cravath, met for dinner in Dallas, Texas. At the dinner, Mr. Lynn Blodgett discussed with those assembled management's view of the proposed combination with Xerox and the status of management's negotiations with Xerox.

The following day, the board of directors of ACS held a special meeting in Dallas, Texas. In addition to all members of the ACS board of directors (other than Mr. Deason, who was recused from the entirety of the meeting), present for all or portions of the meeting were members of ACS's senior management team and representatives from Citi, Evercore, Ropes & Gray and Cravath. Members of ACS's senior management team presented the final results of their due diligence investigation of Xerox and their final analysis of the synergies expected to result from a combination of Xerox and ACS. Representatives of Ropes & Gray presented the final results of its due diligence investigation of Xerox and provided the board with a summary of the then current terms of the merger agreement, voting agreement, Certificate of Amendment containing the terms of the Xerox convertible preferred stock that would be issued to the holder of ACS's outstanding Class B common stock and other relevant documents, as well as a summary of the key outstanding matters still being negotiated. Evercore presented, among other things, its financial analysis of the proposed transaction. At the conclusion of the board meeting, the Strategic Transaction Committee held a brief meeting separately, at which representatives of Evercore, Ropes & Gray and Cravath were present, to confirm whether there were any other matters that the members of the Strategic Transaction Committee wanted to discuss. Upon confirmation by all the members that there were none, the meeting was concluded.

Throughout the weekend of September 25<sup>th</sup> through September 27<sup>th</sup>, the parties and their respective financial and legal advisors, exchanged drafts of the transaction documents and continued to engage in discussions and negotiations regarding the terms of such documents, including the terms of the employment related agreements with ACS's executive officers.

On September 26, 2009, the board of directors of ACS held a special telephonic meeting. In addition to all members of the ACS board of directors (other than Mr. Deason, who was recused from the entirety of the meeting), present for all or portions of the meeting were members of ACS's senior management team and representatives from Citi, Evercore, Ropes & Gray and Cravath. Representatives of Ropes & Gray and Cravath provided the board members with an update on recent negotiations of the documentation for the proposed transaction with Simpson Thacher. Representatives from Citi presented a financial analysis of the proposed Xerox transaction and delivered Citi's oral opinion that the proposed Class A merger consideration was fair, from a financial point of view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates). Representatives from Evercore provided an updated financial analysis of the proposed Xerox transaction and confirmed that Evercore was prepared to deliver an opinion, addressed to the Strategic Transaction Committee, that the Class A merger consideration was fair, from a financial point of view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock) entitled to receive such Class A merger consideration.



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During the afternoon of September 27, 2009, the board of directors of ACS held a special telephonic meeting. In addition to all members of the ACS board of directors (other than Mr. Deason, who was recused from the entirety of the meeting), present for all or portions of the meeting were members of ACS's senior management team and representatives from Citi, Evercore, Ropes & Gray and Cravath. Ropes & Gray and Cravath provided the board members with an update regarding the current status of negotiations with Simpson Thacher, as well as negotiations between Mr. Deason and Xerox regarding the terms of the Xerox convertible preferred stock he would receive in the transaction. Mr. Blodgett updated the board regarding negotiations between members of management and Xerox regarding changes to their employment and change of control arrangements being required by Xerox. Additionally, representatives from Citi orally reconfirmed Citi's opinion that the proposed Class A merger consideration was fair, from a financial point of view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates). Representatives from Evercore reconfirmed that Evercore was prepared to deliver an opinion, addressed to the Strategic Transaction Committee, that the Class A merger consideration was fair, from a financial point of view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock) entitled to receive such Class A merger consideration. The board of directors scheduled another meeting for the evening of September 27, 2009.

The board of directors of Xerox held a special meeting in Norwalk, Connecticut during the evening of September 27, 2009. In addition to all members of the Xerox board of directors, present for portions of the meeting were members of Xerox's senior management team and representatives from Blackstone, J.P. Morgan and Simpson Thacher. Members of Xerox's senior management team discussed the strategic rationale for the proposed transaction. In addition, members of Xerox's senior management team and Xerox's advisors discussed specific business issues and risks that the proposed transaction could present and steps that could be taken to manage those risks. Representatives of Blackstone and J.P. Morgan presented a financial analysis of the proposed transaction and described the terms of the proposed financing for the transaction. Representatives from Simpson Thacher reviewed with Xerox's board its fiduciary duties under New York law in relation to the proposed transaction, and reviewed the terms of the proposed merger agreement and voting agreement. In addition, Xerox's advisors and members of management reviewed the terms of the changes to the employment and change of control agreements with senior management and the agreements with Mr. Deason, including the terms of the Xerox convertible preferred stock Mr. Deason would receive in the transaction and the estimated value thereof. Representatives from Blackstone and J.P. Morgan each delivered their oral opinion (each subsequently confirmed in writing) to the effect that the aggregate consideration to be paid by Xerox in the merger was fair, from a financial point of view, to Xerox. The management participants and advisors then left the meeting and the directors met in executive session. Following the discussion in executive session, the Xerox board of directors unanimously adopted resolutions that, among other things, (a) declared the proposed transaction advisable and in the best interests of Xerox and its stockholders, (b) approved the merger agreement, voting agreement, the agreements with Mr. Deason and the changes to the employment and change of control agreements with ACS's senior management and (c) recommended the approval of the issuance of the shares of Xerox common stock required to be issued pursuant to the merger agreement by Xerox.

The board of directors of ACS held a special telephonic meeting during the evening of September 27, 2009. In addition to all members of the ACS board of directors (other than Mr. Deason, who was recused from the entirety of the meeting), present for all or portions of the meeting were members of ACS's senior management team and representatives from Citi, Evercore, Ropes & Gray and Cravath. Ropes & Gray and Cravath provided the board members with an update regarding the final negotiations with Simpson Thacher, as well as final negotiations between Mr. Deason and Xerox regarding the terms of the Xerox convertible preferred stock Mr. Deason would receive in the transaction and negotiations between Xerox and J.P. Morgan regarding the contents of the J.P. Morgan commitment letter. Additionally, representatives from Citi reconfirmed its opinion that the proposed Class A merger consideration was fair, from a financial point of view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates) Representatives from Evercore delivered an oral opinion (subsequently confirmed in writing) to the members of the Strategic Transaction Committee that the Class A merger consideration was fair, from a financial point of

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view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock) entitled to receive such Class A merger consideration. At that point, the board meeting was adjourned, and a meeting of the Strategic Transaction Committee was convened to consider the proposed transaction with Xerox. The Strategic Transaction Committee unanimously adopted a resolution that, among other things, recommended that the board of directors (a) accept the proposed transaction as being advisable and in the best interests of ACS and the holders of Class A common stock of ACS, (b) approve the merger agreement and voting agreement and (c) recommend adoption and approval of the merger agreement, the merger and the other transactions contemplated by the merger agreement by the stockholders of ACS. The Strategic Transaction Committee meeting was then adjourned and the previously adjourned meeting of the ACS board of directors reconvened. The ACS board of directors (other than Mr. Deason who was recused from the entirety of the meeting) unanimously adopted a resolution that, among other things, (a) declared the proposed transaction advisable and in the best interests of ACS and the holders of common stock of ACS, (b) approved the merger agreement and voting agreement and (c) recommended the adoption and approval of the merger agreement, the merger and the other transactions contemplated by the merger agreement by the stockholders of ACS. At the time of board approval, the implied value of the proposed transaction was \$63.11 per share of Class A common stock of ACS, based on the closing price of Xerox common stock as of Friday, September 25, 2009.

Following the unanimous approval of the proposed transaction by both the boards of directors of Xerox and ACS (with Mr. Deason recused from the meeting), Simpson Thacher, J.P. Morgan (in its capacity as a financing source for Xerox), Cahill Gordon & Reindel LLP, counsel to J.P. Morgan in such capacity, Ropes & Gray, Proskauer, Cravath and members of management of each of Xerox and ACS finalized the documentation for the proposed transaction and, thereafter, all applicable documents were executed and delivered and the transaction was announced via a joint press release on September 28, 2009.

In connection with the Stipulation entered into by Xerox, ACS and certain of the individual defendants and the plaintiffs in *In re ACS Shareholder Litigation*, Consolidated C.A. No. 4940-VCP, Xerox and ACS agreed to amend the merger agreement to add a non-waivable condition to the closing of the merger requiring the affirmative vote of holders of a majority of the outstanding shares of ACS Class A Common Stock that are not held, directly or indirectly, by holders of ACS Class B Common Stock, voting as a single, separate class. Xerox had previously resisted requests from the Strategic Transaction Committee to include a majority of the minority condition given the desire to minimize the uncertainty that a transaction would be completed if such a condition were included.

On December 9, 2009, at a regularly scheduled board meeting in Norwalk, Connecticut, the board of directors of Xerox approved the amendment to the merger agreement. On December 11, 2009, during a special telephonic meeting, the board of directors of ACS, upon the recommendation of the Strategic Transaction Committee, approved the amendment to the merger agreement. On December 13, 2009, Amendment No. 1 to the merger agreement was executed and delivered.

**Recommendation of the ACS Board of Directors; ACS's Reasons for the Merger**

The ACS board of directors and the Strategic Transaction Committee believe that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of ACS and its stockholders. Accordingly, the ACS board of directors (other than Mr. Deason, who was recused from the meeting), acting upon the unanimous recommendation of the Strategic Transaction Committee, has approved the merger agreement and the transactions contemplated thereby, and unanimously recommends that ACS stockholders vote FOR adoption of the merger agreement and the transactions contemplated thereby, including the merger.

As described above under Background of the Merger, the ACS board of directors, prior to and in reaching its decision at its meeting on September 27, 2009 to approve the merger agreement and the transactions contemplated thereby, consulted with ACS's management and both ACS's and the Strategic Transaction

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Committee's financial and legal advisors and considered a variety of factors weighing positively in favor of the merger, including, but not limited to, the following:

the strategic and transformative nature of the transaction, which will combine ACS's and Xerox's respective businesses to create a new type of company which will be one of the leading global enterprises for document and business process management, with pro forma combined revenues of over \$22 billion;

the value to be received by holders of ACS common stock in the merger, including the fact that, based on the closing price of ACS common stock and Xerox common stock on September 25, 2009 (the last trading day before the announcement of the signing of the merger agreement), the merger consideration to be received by ACS's Class A stockholders represented a premium of approximately 33.6% over the closing price of ACS Class A common stock on September 25, 2009 and 37.9% over the average closing price of ACS Class A common stock for the 30 trading days ending September 25, 2009;

the fact that the approximately 30% cash / 70% stock split in the merger consideration to be paid to ACS's Class A stockholders affords ACS stockholders both the opportunity to participate in the growth and opportunities of the combined company through the stock component and to receive some cash for the value of their shares through the cash component;

the fact that ACS stockholders as a group would own approximately 36.3% of the outstanding Xerox common stock immediately following the merger and would no longer be part of a public company in which Mr. Deason or any other stockholder owned a substantial voting stake;

because the stock portion of the merger consideration is a fixed number of shares of Xerox common stock, the opportunity for the ACS stockholders to benefit from any increase in the trading price of Xerox common stock between the announcement of the merger and the completion of the merger;

the fact that the entry into the merger agreement and Xerox's implied valuation creates a floor for any bids by other potential acquirors of ACS going forward;

the ACS board of directors' consideration of Evercore's analysis of premiums paid in prior transactions involving companies with dual classes of common stock and that in arriving at its opinion as to the fairness, from a financial point of view, of the Class A merger consideration to the holders of the Class A common stock (other than such holders who also hold ACS Class B common stock), Evercore took into account, among other things, the incremental consideration being paid to the holders of ACS Class B common stock;

the ACS board of directors' consideration of the impact on ACS's Class A stockholders of the incremental consideration paid to ACS's Class B stockholders, including the economic dilution to ACS's Class A stockholders from the incremental consideration paid to ACS's Class B stockholders, and that in the view of the board of directors, the benefits to ACS's Class A stockholders of the proposed transaction with Xerox outweighed the impact of such dilution on ACS's Class A stockholders;

the ACS board of directors' analysis of (i) proposed transactions involving ACS over the previous four years and (ii) other strategic alternatives for ACS, including continued growth as an independent company and the potential to acquire, be acquired or combine with third parties;

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the advantages that the combined entity will have over ACS as a standalone company, especially in the current uncertain economic environment, and the opportunity for ACS to use Xerox's business structure and expertise as a platform to scale its business globally by leveraging Xerox's brand strength, global account management, deep sales relationships with governments and large enterprises and by applying Xerox's intellectual property in document solutions to its business process outsourcing offerings and thereby achieving significant incremental revenue growth;

the belief that the terms of the merger agreement, taken as a whole, provide a significant degree of certainty that the merger will be completed, including the facts that (i) the conditions required to be satisfied prior to completion of the merger, such as the receipt of both ACS's and Xerox's stockholder approvals and antitrust clearance, are expected to be fulfilled, (ii) there are limited conditions to be met

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for Xerox to obtain financing to fund the cash portion of the merger consideration and the Xerox's obligations to use significant efforts to obtain the proceeds of the financing on the terms and conditions described in the commitment letter received by Xerox from J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. and (iii) there are limited circumstances in which the Xerox board of directors may terminate the merger agreement or change or modify its recommendation that its stockholders approve the issuance of Xerox common stock in connection with the merger;

the belief that the terms of the merger agreement, including the parties' representations, warranties and covenants and the conditions to their respective obligations, are reasonable;

the fact that the terms of the merger agreement provide that, under certain circumstances, and subject to certain conditions more fully described in the section entitled "The Merger Agreement - Covenants and Agreements - No Solicitation" beginning on page 144, ACS is permitted to furnish information to and conduct negotiations with a third party in connection with an unsolicited proposal for a business combination or acquisition of ACS that constitutes or could reasonably be expected to lead to a superior proposal (as defined in the merger agreement) and that the ACS board of directors may change its recommendation that its stockholders adopt the merger agreement in certain circumstances;

the fact that a vote of ACS's stockholders on the merger is required under Delaware law, and that stockholders who do not vote in favor of the adoption of the merger agreement will have the right to demand appraisal of the fair value of their shares under Delaware law;

the fact that, in the event of a superior proposal or an intervening event (as defined in the merger agreement), the ACS board of directors could change its recommendation and the percentage of Mr. Deason's shares that he would be required to vote in favor of adoption of the merger agreement would be reduced to 21.8% of the total voting power of the outstanding shares of ACS common stock;

the fact that upon the termination of the merger agreement under specified circumstances, including a change in the recommendation of the Xerox board of directors, Xerox will owe ACS a cash termination fee of \$235 million; upon the termination of the merger agreement due to Xerox's failure to obtain the required stockholder approval at the Xerox stockholders' meeting, Xerox will owe ACS a cash termination fee of \$65 million; and Xerox is also obligated to pay a cash termination fee of \$323 million if the merger agreement is terminated because the merger is not completed on or before June 27, 2010 and on such date, all closing conditions except the financing condition are satisfied; each as more fully described in the section entitled "The Merger Agreement - Termination Fees" beginning on page 155;

the expected qualification of the merger as a reorganization within the meaning of Section 368(a) of the Code, which generally allows ACS stockholders to defer the recognition of any gain from the receipt of the share portion of the merger consideration, as described in the section entitled "Material U.S. Federal Income Tax Consequences" beginning on page 127;

the anticipated cost savings and operating synergies available to the combined company from the merger through consolidation and integration of certain functions and the adoption of best practices from both Xerox and ACS across the combined company, which is expected to positively enhance the combined company's earnings and create value for the combined company's stockholders;

the financial presentation of Citi and its written opinion, dated September 27, 2009, to the effect that, as of such date and based on and subject to the matters described in the opinion, the Class A merger consideration was fair, from a financial point of view, to holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates). The full text of the written opinion of Citi, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached as Annex C hereto and is incorporated herein by reference in its entirety. A discussion of the presentation and opinion of Citi appears in the section below entitled "Opinion of Financial Advisor to

ACS ; and

the financial presentation of Evercore and its written opinion addressed to the Strategic Transaction Committee, dated September 27, 2009, to the effect that, as of such date and based upon and subject to

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the factors, limitations, and assumptions set forth in the opinion, the Class A merger consideration was fair, from a financial point of view, to holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock) entitled to receive such Class A merger consideration. The Strategic Transaction Committee also considered that, in arriving at its opinion, Evercore took into account, among other things, the additional merger consideration to be received by the holders of ACS Class B common stock in the merger. The full text of the written opinion of Evercore, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex D hereto and is incorporated herein by reference in its entirety. A discussion of the presentation and opinion of Evercore appears in the section below entitled **Opinion of Financial Advisor to the Strategic Transaction Committee**. In addition to these factors, the ACS board of directors also considered the potential adverse impact of other factors weighing negatively against the merger, including, without limitation, the following:

because the stock portion of the merger consideration is a fixed number of shares of Xerox common stock, the ACS stockholders could be adversely affected by a decrease in the trading price of Xerox common stock after the date of execution of the merger agreement, and the merger agreement does not provide ACS with a price-based termination right or other similar protection for ACS or its stockholders, such as a collar with respect to Xerox's stock price;

the fact that the merger might not be completed in a timely manner or at all, due to a failure of certain conditions, including in particular (i) the financing condition and the difficulty Xerox would have completing the merger if the financing outlined in the commitment letter received by Xerox from J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. was not disbursed and (ii) the approval by Xerox's stockholders of the issuance of Xerox common stock in connection with the merger;

the risks and costs to ACS if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential adverse effect on ACS's customer and other commercial relationships;

the fact that some of ACS's directors and executive officers may have interests in the merger that are different from, or in addition to, those of ACS's stockholders generally, including (i) the premium to be paid on the shares of ACS Class B common stock which are owned entirely by Mr. Deason and (ii) those interests that are a result of employment and compensation arrangements with Mr. Deason and ACS's executive officers and the manner in which they would be affected by the merger, as described more fully in the section entitled **Interests of ACS's Directors and Executive Officers in the Transaction** beginning on page 119;

the restrictions on ACS's ability to solicit or participate in discussions or negotiations regarding alternative business combination transactions, subject to specified exceptions, and the requirement that ACS pay a \$194 million termination fee in certain circumstances specified in the merger agreement, which the ACS board of directors understood, while potentially having the effect of discouraging third parties from proposing a competing business combination transaction, were conditions to Xerox's willingness to enter into the merger agreement and were reasonable in light of, among other things, the benefits of the merger to ACS's stockholders;

the requirement that ACS submit the merger agreement to its stockholders even if the ACS board of directors changes its recommendation;

the restrictions on the conduct of ACS's business prior to the completion of the merger, which may delay or prevent ACS from undertaking business opportunities that may arise during the term of the merger agreement, whether or not the merger is completed;

the fact that the receipt of the cash portion of the merger consideration will be taxable to ACS's stockholders for U.S. federal income tax purposes;





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the challenges of combining the businesses, operations and workforces of Xerox and ACS and realizing the anticipated cost savings and operating synergies;

the fact that Xerox will incur indebtedness of approximately \$3.5 billion in connection with the merger, which debt may adversely impact Xerox's operations following the merger;

the risks that the financial results and the stock price of the combined company might decline, including the possible adverse effects on the stock price and financial results of the combined company if the benefits and synergies expected of the merger are not obtained on a timely basis or at all; and

the risks described in the section entitled "Risk Factors" beginning on page 27.

The foregoing discussion of the factors considered by the ACS board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the ACS board of directors. In reaching its decision to declare the merger agreement advisable and that the merger is in the best interests of ACS and ACS's stockholders, and, in approving the merger agreement, the merger and the other transactions contemplated by the merger agreement, the ACS board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The ACS board of directors considered all these factors as a whole, including discussions with, and questioning of, ACS's management and both ACS's and the Strategic Transaction Committee's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its decision.

For the reasons set forth above, the ACS board of directors (other than Mr. Deason, who was recused from the meeting), acting upon the unanimous recommendation of the Strategic Transaction Committee, unanimously declared the merger agreement advisable and determined that the merger is in the best interests of ACS and its stockholders, unanimously approved (other than Mr. Deason, who was recused from the meeting) the merger agreement, the merger and the other transactions contemplated by the merger agreement and unanimously recommended (other than Mr. Deason, who was recused from the meeting) that ACS's stockholders adopt the merger agreement.

This explanation of ACS's reasons for the merger and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors described under "Special Note Concerning Forward-Looking Statements" beginning on page 51.

**Opinion of Financial Advisor to ACS**

Citi was retained to act as financial advisor to ACS in connection with the merger. In connection with this engagement, ACS requested Citi to evaluate the fairness, from a financial point of view, of the Class A merger consideration to be received in the merger by holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates). On September 26, 2009, at a meeting of the ACS board of directors, Citi rendered to the ACS board of directors an oral opinion, which was reaffirmed orally at two subsequent meetings of the ACS board of directors on September 27, 2009 and confirmed by delivery of a written opinion dated September 27, 2009, to the effect that, as of that date and based on and subject to the matters described in its opinion, the Class A merger consideration was fair, from a financial point of view, to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates).

**The full text of Citi's written opinion, dated September 27, 2009, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this joint proxy statement/prospectus as Annex C and is incorporated by reference in its entirety into this joint proxy statement/prospectus. You are urged to read the opinion in its entirety. Citi's opinion was provided to the ACS board of directors in connection with its evaluation of the Class A merger consideration from a financial point of view. Citi's opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such**

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**stockholder should vote or act on any matters relating to the proposed merger. Citi's opinion does not address the relative merits of the merger as compared to any alternative business strategies that might exist for ACS or the underlying business decision of ACS to effect the merger. The following is a summary of Citi's opinion and the methodology that Citi used to render its opinion.**

In arriving at its opinion, Citi, among other things:

reviewed the merger agreement and the voting agreement;

held discussions with certain senior officers, directors and other representatives and advisors of ACS and certain senior officers and other representatives and advisors of Xerox concerning the businesses, operations and prospects of ACS and Xerox;

examined certain publicly available business and financial information relating to ACS and Xerox;

examined certain financial forecasts and other information and data relating to ACS and Xerox which were provided to or otherwise discussed with Citi by the respective managements of ACS and Xerox, including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the managements of ACS and Xerox to result from the merger;

reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things, current and historical market prices and trading volumes of ACS Class A common stock and Xerox common stock, the historical and projected earnings and other operating data of ACS and Xerox and the capitalization and financial condition of ACS and Xerox;

considered, to the extent publicly available, the financial terms of certain other transactions which Citi considered relevant in evaluating the merger;

analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citi considered relevant in evaluating those of ACS and Xerox;

evaluated certain potential pro forma financial effects of the merger on Xerox; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

In rendering its opinion, Citi assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citi and upon the assurances of the managements of ACS and Xerox that they were not aware of any relevant information that was omitted or that remained undisclosed to Citi. With respect to financial forecasts and other information and data relating to ACS and Xerox provided to or otherwise reviewed by or discussed with Citi, Citi was advised by the respective managements of ACS and Xerox that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of ACS and Xerox as to the future financial performance of ACS and Xerox, the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated to result from the merger and the other matters covered thereby.

Citi assumed, with ACS's consent, that the merger would be completed in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement, including, among other things, that Xerox would obtain financing for the merger in accordance with the terms set forth in the Commitment Letter (as defined in the merger agreement), and that, in the course of

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obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on ACS, Xerox or the contemplated benefits of the merger. Citi also assumed, with ACS's consent, that the merger would be treated as a tax free reorganization for U.S. federal income tax purposes. Citi expressed no opinion as to what the value of Xerox common stock or Xerox convertible preferred stock (issuable as part of the Class B merger consideration)

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actually would be when issued pursuant to the merger or the price at which ACS Class A common stock or Xerox common stock would trade at any time subsequent to the announcement of the merger.

Citi did not make, and it was not provided with, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of ACS or Xerox, and Citi did not make any physical inspection of the properties or assets of ACS or Xerox. Citi's opinion does not address ACS's underlying business decision to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for ACS or the effect of any other transaction in which ACS might engage. Citi expressed no view as to, and its opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the Class A merger consideration. Further, ACS did not ask Citi to comment on, Citi expressed no view as to, and Citi's opinion does not address, the fairness from a financial point of view to holders of ACS Class B common stock of the Class B merger consideration to be received in the merger by holders of ACS Class B common stock or the fairness to the holders of ACS Class A common stock (other than those holders who are also holders of ACS Class B common stock and their affiliates) of the payment of the Class B merger consideration by Xerox or Merger Sub in connection with the merger to, or any arrangements entered into by Xerox or Merger Sub, including, without limitation, the voting agreement, in connection with the merger with, the holders of ACS Class B common stock or their affiliates. Citi's opinion was necessarily based upon information available to Citi, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

In preparing its opinion, Citi performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying Citi's opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Citi arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Citi believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion. Results of analyses where the merger consideration is lower in some instances than the implied ratios or values should be evaluated in combination with those instances in which the merger consideration is greater than the implied ratios or values.

In its analyses, Citi considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of ACS and Xerox. No company, business or transaction used in those analyses as a comparison is identical or directly comparable to ACS, Xerox or the merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in Citi's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Citi's analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the merger was determined through negotiations between ACS, Xerox and, with respect to the Class B merger consideration, Mr. Deason, and the decision to enter into the

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merger was solely that of the ACS board of directors. Citi's opinion was only one of many factors considered by the ACS board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the ACS board of directors or ACS management with respect to the merger or the merger consideration.

The following is a summary of the material financial analyses presented to the ACS board of directors in connection with the delivery of Citi's opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand Citi's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Citi's financial analyses.

**Stock Trading History and Implied Premiums**

Citi calculated the implied deal value of the Class A merger consideration by multiplying the closing price of Xerox common stock on September 25, 2009 (\$9.02) by the exchange ratio of 4.935 and adding the per share cash consideration of \$18.60. Citi considered the result of this calculation (\$63.11) and calculated the implied premiums represented relative to the closing prices of ACS Class A common stock and Xerox common stock on September 25, 2009 and the average closing stock prices of ACS Class A common stock and Xerox common stock for the 10-day, 30-day, 90-day, 180-day, one-year and two-year periods ended September 25, 2009. The results of this analysis are set forth below:

Prices / Periods	Implied Premium
Prices on September 25, 2009	33.6%
10-Day Averages as of September 25, 2009	37.9%
30-Day Averages as of September 25, 2009	37.9%
90-Day Averages as of September 25, 2009	28.6%
180-Day Averages as of September 25, 2009	17.0%
One-Year Averages as of September 25, 2009	19.7%
Two-Year Averages as of September 25, 2009	53.9%

*Selected Precedent Transactions Analysis.* Citi reviewed and compared premiums paid in selected precedent transactions, not including those deemed to be hostile.

In analyzing 110 selected global technology transactions with deal values over \$1 billion occurring between 2002 and 2009, Citi found the median one-day and one-week transaction premiums paid in each year to be as follows:

	2002	2003	2004	2005	2006	2007	2008	2009 YTD	02 09 YTD
One-day	29.7%	16.2%	27.3%	18.5%	18.0%	26.4%	24.7%	48.6%	25.6%
One-week	23.3%	26.0%	29.1%	25.8%	21.6%	26.7%	27.8%	43.3%	26.4%

In analyzing 615 selected acquisitions of U.S. companies with deal values over \$1 billion (excluding financial services and REIT transactions) occurring between 2002 and 2009, Citi found the median one-day and one-week transaction premiums paid in each year to be as follows:

	2002	2003	2004	2005	2006	2007	2008	2009 YTD	02 09 YTD
One-day	31.1%	21.8%	21.5%	19.2%	20.6%	21.8%	28.7%	30.4%	21.8%
One-week	28.1%	23.7%	23.3%	22.8%	22.2%	23.3%	28.0%	33.3%	23.5%

Citi noted that the implied one-day and one-week (based on the average closing stock prices of ACS Class A common stock and Xerox common stock for the 5-day period ended September 25, 2009) premiums of

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the Class A merger consideration relative to the closing price of ACS Class A common stock on September 25, 2009 were 33.6% and 36.6%, respectively, and that these premiums were above the median one-day and one-week premiums for both the selected global technology transactions and selected U.S. acquisitions both (i) over the total period between 2002 and 2009 and (ii) in each individual year between 2002 and 2009, with the exception of global technology transactions in 2009.

**Trading Multiples Analysis**

Using the closing prices of ACS Class A common stock and Xerox common stock on September 25, 2009 and public filings and financial projections by the managements of ACS and Xerox, Citi calculated and analyzed various trading multiples for ACS and Xerox. First, Citi calculated and analyzed each company's ratio of its firm value (calculated as equity value plus straight debt, minority interest, straight preferred stock and out-of-the-money convertibles, less cash and long term investments) to its EBIT (calculated as earnings before interest and taxes) as estimated for calendar years 2009 and 2010. In addition, Citi calculated and analyzed each company's ratio of its current stock price to its earnings per share (EPS) as estimated for calendar years 2009 and 2010. Citi also calculated and analyzed each company's ratio of its equity value (calculated as fully diluted shares outstanding multiplied by the current stock price less any option proceeds using the treasury stock method) to its free cash flow (FCF, calculated as operating cash flow less capital expenditures, acquired software and addition to intangibles) as estimated for calendar years 2009 and 2010. Citi also calculated these multiples for ACS based on the implied deal value as of September 25, 2009 of \$63.11. The results of this analysis are set forth below:

	Trading Multiples Using Closing Prices on September 25, 2009		
	The Company	Implied Deal Value	Xerox
Firm Value /			
EBIT CY 2009 (estimated)	8.8x	11.4x	15.1x
EBIT CY 2010 (estimated)	7.9x	10.1x	12.2x
Stock Price /			
EPS CY 2009 (estimated)	12.1x	16.2x	17.5x
EPS CY 2010 (estimated)	10.7x	14.3x	12.1x
Equity Value /			
FCF CY 2009 (estimated)	10.2x	14.1x	7.0x
FCF CY 2010 (estimated)	9.0x	12.5x	6.7x

**Valuation Analyses of ACS**

Citi analyzed the value of ACS Class A common stock utilizing four different methodologies: a review of ACS's historical trading prices, a comparable companies analysis, a comparable transaction analysis and two discounted cash flow analyses, one using the management plan and the other using a historical average organic growth model. The results of Citi's valuation analyses of ACS are set forth below.

*Historical Trading Range.* Citi observed that during the 52-week period ended September 25, 2009, ACS Class A common stock traded in a range of \$35.72 to \$52.19 per share, the average per share price of ACS Class A common stock was \$44.97 and the closing price per share of ACS Class A common stock on September 25, 2009 was \$47.25. Citi noted that the implied deal value of the Class A merger consideration, using both the per share price of Xerox common stock on September 25, 2009 and the 10-day average price of Xerox common stock as of September 25, 2009, was above the 52-week trading range of ACS Class A common stock.

52-Week Trading Range of the				Implied Deal Value Using	
Company's Class A Common Stock				Recent Xerox Trading Prices	
Low	Average	9/25/09	High	As of 9/25/09	10-Day Average
\$35.72	\$44.97	\$47.25	\$52.19	\$63.11	\$64.79

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*Selected Public Company Trading Multiples.* Citi reviewed financial and stock market information and public market trading multiples of ACS and the following nine selected publicly held IT services companies:

Accenture Ltd.

Atos Origin SA

Capgemini SA

CGI Group, Inc.

Computer Sciences Corp.

Convergys Corp.

Hewitt Associates, Inc.

Perot Systems Corp.

TeleTech

As part of its selected comparable company analysis, Citi calculated and analyzed each selected company's ratio of its firm value to its EBITDA (calculated as earnings before interest, taxes, depreciation and amortization) and to its EBIT, each as estimated for calendar years 2009 and 2010. In addition, Citi calculated and analyzed each selected company's ratio of its current stock price to its earnings per share as estimated for calendar years 2009 and 2010. Citi also calculated and analyzed each selected company's ratio of its equity value to its free cash flow as estimated for calendar years 2009 and 2010. Based on these comparable company metrics analyzed by Citi, Citi selected a multiple range for ACS for each of the metrics and calculated valuation ranges for ACS based on the selected multiple ranges. Estimated financial data of the selected companies was based on research analysts' estimates, public filings and other publicly available information (financial data for Perot Systems Corp. was shown unaffected as of September 18, 2009, the last trading day before the announcement of its acquisition by Dell Inc.). Estimated financial data of ACS was based on internal estimates of ACS's management. The results of this selected publicly traded comparable companies analysis are summarized below:

	Comparable Company Multiple Range		Selected Multiple Range		Valuation Range	
	Low	High	Low	High	Low	High
Firm Value /						
EBITDA CY 2009 (estimated)	4.3x	7.2x	5.0x	6.5x	\$ 40.87	\$ 56.53
EBITDA CY 2010 (estimated)	4.1x	7.1x	4.5x	6.5x	\$ 40.96	\$ 63.74
Firm Value /						
EBIT CY 2009 (estimated)	7.8x	13.1x	7.5x	9.5x	\$ 37.79	\$ 51.55
EBIT CY 2010 (estimated)	7.3x	10.2x	7.0x	9.0x	\$ 40.39	\$ 55.30
Stock Price /						

