Summary of Foreign Exchange Hedging Positions

At December 31, 2009, we had outstanding forward exchange and purchased option contracts with gross notional values of $2,093 which is reflective of the amounts that are normally outstanding at any point during the year.

The following is a summary of the primary hedging positions and corresponding fair values held as of December 31, 2009:

Currency Hedged (Buy/Sell)	Gross Notional Value	Fair Value Asset (Liability) [1]
U.K. Pound Sterling/Euro	$ 668	$ 6
Euro/U.S. Dollar	113	(2)
U.S. Dollar/Euro	225	3
Swedish Kronor/Euro	134	1
Swiss Franc/Euro	189	—
Japanese Yen/U.S. Dollar	237	(7)
Japanese Yen/Euro	186	1
Euro/U.K. Pound Sterling	24	—
U.S. Dollar/Canadian Dollar	20	—
All Other	297	(1)
Total Foreign Exchange Hedging	**$ 2,093**	**$ 1**

[1] Represents the net receivable (payable) amount included in the Consolidated Balance Sheet at December 31, 2009.

Foreign Currency Cash Flow Hedges

We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency denominated inventory purchases and sales. The changes in fair value for these contracts were reported in Accumulated other comprehensive loss and reclassified to Cost of sales and revenue in the period or periods during which the related inventory was sold to a third party. No amount of ineffectiveness was recorded in the Consolidated Statements of Income for these designated cash flow hedges and all components of each derivative's gain or loss was included in the assessment of hedge effectiveness. As of December 31, 2009, the net asset fair value of these contracts was $1.

Summary of Derivative Instruments Fair Values

The following table provides a summary of the fair value amounts of derivative instruments at December 31, 2009 and 2008, respectively.

Designation of Derivatives	Balance Sheet Location	Fair Value 2009		Fair Value 2008	
Derivatives Designated as Hedging Instruments	**Other current assets:**				
	Foreign exchange contracts - forwards	$	4	$	—
	Other long-term assets:				
	Interest rate swaps	$	10	$	53
	Total Assets	$	14	$	53
	Other current liabilities:				
	Interest rate swaps	$	—	$	2
	Foreign exchange contracts - forwards		3		1
	Total	$	3	$	3
	Other long-term liabilities:				
	Interest rate swaps	$	9	$	—
	Total Liabilities	$	12	$	3
Derivatives NOT Designated as Hedging Instruments	**Other current assets:**				
	Foreign exchange contracts - forwards	$	12	$	39
	Other current liabilities:				
	Foreign exchange contracts - forwards	$	12	$	131
Summary of Derivatives					
	Total Derivative Assets	**$**	**26**	**$**	**92**
	Total Derivative Liabilities		**24**		**134**
	Total Net Derivative Asset (Liability)	**$**	**2**	**$**	**(42)**

Summary of Derivative Instruments Gains (Losses)

The following table provides a summary of the gains and losses on derivative instruments for the three years ended December 31, 2009:

Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized In Income	Derivative Gain (Loss) Recognized in Income			Hedged Item Gain (Loss) Recognized in Income		
		2009	2008	2007	2009	2008	2007
Interest rate contracts	Interest expense	$ (18)	$ 206	$ 36	$ 18	$ (206)	$ (36)

Derivatives in Cash Flow Hedging Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Location of Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI to Income (Effective Portion)		
	2009	2008	2007		2009	2008	2007
Interest rate contracts	$ —	$ (2)	$ 9	Interest expense	$ —	$ —	$ 10
Foreign exchange contracts – forwards	(1)	4	—	Cost of sales	2	2	(1)
Total Cash Flow Hedges	$ (1)	$ 2	$ 9		$ 2	$ 2	$ 9

No amount of ineffectiveness was recorded in the Consolidated Statements of Income for these designated cash flow hedges and all components of each derivative's gain or loss was included in the assessment of hedge effectiveness.

Summary of Non-Designated Derivative Instruments Gains (Losses)

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

The following table provides a summary of gains (losses) on non-designated derivative instruments for the three years ended December 31, 2009:

Derivatives NOT Designated as Hedging Instruments	Location of Derivative Gain (Loss)	2009	2008	2007
Foreign exchange contracts – forwards	Other expense – Currency losses, net	$ 49	$ (143)	$ (10)
Foreign exchange contracts – options	Other expense – Currency losses, net	—	(4)	3
	Total Non Designated Derivatives	$ 49	$ (147)	$ (7)

During the three years ended December 31, 2009, we recorded Currency losses, net of $26, $34 and $8, respectively. Currency losses, net includes the mark-to-market of the derivatives not designated as hedging instruments and the related cost of those derivatives, as well as the re-measurement of foreign currency denominated assets and liabilities.

Accumulated Other Comprehensive Loss ("AOCL")

The following table provides a summary of the activity associated with all of our designated cash flow hedges (interest rate and foreign currency) reflected in AOCL for the three years ended December 31, 2009:

	Year Ended December 31,		
	2009	2008	2007
Beginning cash flow hedges balance, net of tax	$ —	$ —	$ 1
Changes in fair value gain (loss)	(1)	1	4
Reclass to earnings	2	(1)	(5)
Ending Cash Flow Hedges Balance, Net of Tax	**$ 1**	**$ —**	**$ —**

Fair Value of Financial Assets and Liabilities

The following table represents our assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2008 and the basis for that measurement:

	Total Fair Value Measurement December 31, 2009	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Assets:				
Foreign exchange contracts-forwards	$ 16	$ —	$ 16	$ —
Interest rate swaps	10	—	10	—
Total	**$ 26**	**$ —**	**$ 26**	**$ —**
Derivative Liabilities:				
Foreign exchange contracts-forwards	$ 15	$ —	$ 15	$ —
Interest rate swaps	9	—	9	—
Total	**$ 24**	**$ —**	**$ 24**	**$ —**

	Total Fair Value Measurement December 31, 2008	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Assets:				
Foreign exchange contracts-forwards	$ 39	$ —	$ 39	$ —
Interest rate swaps	53	—	53	—
Total	**$ 92**	**$ —**	**$ 92**	**$ —**
Derivative Liabilities:				
Foreign exchange contracts-forwards	$ 132	$ —	$ 132	$ —
Interest rate swaps	2	—	2	—
Total	**$ 134**	**$ —**	**$ 134**	**$ —**

In 2009 and 2008, we utilized the income approach to measure fair value for our derivative assets and liabilities. The income approach uses pricing models that rely on market observable inputs such as yield curves, currency exchange rates and forward prices, and therefore are classified as Level 2.

Summary of Other Financial Assets & Liabilities Not Measured at Fair Value on a Recurring Basis

The estimated fair values of our other financial assets and liabilities not measured at fair value on a recurring basis at December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 3,799	$ 3,799	$ 1,229	$ 1,229
Accounts receivable, net	1,702	1,702	2,184	2,184
Short-term debt	988	1,004	1,610	1,593
Long-term debt	8,276	8,569	6,774	5,918
Liability to subsidiary trust issuing preferred securities	649	814	648	555

The fair value amounts for Cash and cash equivalents and Accounts receivable, net approximate carrying amounts due to the short maturities of these instruments. The fair value of Short and Long-term debt, as well as our Liability to subsidiary trust issuing preferred securities, was estimated based on quoted market prices for publicly traded securities or on the current rates offered to us for debt of similar maturities. The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at such date.

Note 14 – Employee Benefit Plans

We sponsor numerous pension and other post-retirement benefit plans, primarily retiree health, in our domestic and international operations. December 31 is the measurement date for all of our other post-retirement benefit plans. Refer to Note 1 - "New Accounting Standards and Accounting Changes" section for additional information regarding recent accounting changes affecting our benefit plans.

	Pension Benefits		Retiree Health	
	2009	2008	2009	2008
Change in Benefit Obligation:				
Benefit obligation, January 1	$ 8,495	$ 10,458	$ 1,002	$ 1,501
Service cost	173	209	7	14
Interest cost	508	(5)	60	84
Plan participants' contributions	9	13	36	31
Plan amendments	4	1	1	(219)
Actuarial loss (gain)	209	(550)	124	(251)
Acquisitions	1	20	—	—
Currency exchange rate changes	373	(1,090)	15	(23)
Curtailments	—	3	—	—
Benefits paid/settlements	(578)	(657)	(143)	(135)
Other (1)	—	93	—	—
Benefit obligation, December 31	**$ 9,194**	**$ 8,495**	**$ 1,102**	**$ 1,002**
Change in Plan Assets:				
Fair value of plan assets, January 1	$ 6,923	$ 9,805	$ —	$ —
Actual return on plan assets	720	(1,527)	—	—
Employer contribution	122	299	107	105

	Pension Benefits 2009	Pension Benefits 2008	Retiree Health 2009	Retiree Health 2008
Plan participants' contributions	9	13	36	30
Acquisitions	—	20	—	—
Currency exchange rate changes	349	(1,049)	—	—
Benefits paid/settlements	(578)	(657)	(143)	(135)
Other (1)(3)	16	19	—	—
Fair value of plan assets, December 31	**$ 7,561**	**$ 6,923**	**$ —**	**$ —**
Net funded status at December 31(2)	**$ (1,633)**	**$ (1,572)**	**$ (1,102)**	**$ (1,002)**
Amounts recognized in the Consolidated Balance Sheets:				
Other long-term assets	$ 155	$ 61	$ —	$ —
Accrued compensation and benefit costs	(47)	(48)	(103)	(106)
Pension and other benefit liabilities	(1,741)	(1,585)	—	—
Post-retirement medical benefits	—	—	(999)	(896)
Net Amounts Recognized	**$ (1,633)**	**$ (1,572)**	**$ (1,102)**	**$ (1,002)**

(1) 2008 Other reflects adjustments associated with the change in measurement dates for several European countries as required by ASC Topic 715-30-35.
(2) Includes under-funded and non-funded plans.
(3) 2009 activity represents opening balance adjustment of $16.

Benefit plans pre-tax amounts recognized in Accumulated other comprehensive (income) loss:

	Pension Benefits		Retiree Health	
	2009	2008	2009	2008
Net actuarial loss (gain)	$ 1,834	$ 1,818	$ 40	$ (85)
Prior service (credit) cost	(169)	(192)	(144)	(186)
Total Pre-tax Loss (Gain)	**$ 1,665**	**$ 1,626**	**$ (104)**	**$ (271)**

The Accumulated benefit obligation for all defined benefit pension plans was $8,337 and $7,902 at December 31, 2009 and 2008, respectively.

Aggregate information for pension plans with an Accumulated benefit obligation in excess of plan assets is presented below:

	2009	2008
Projected benefit obligation	$ 5,134	$ 5,374
Accumulated benefit obligation	4,864	5,051
Fair value of plan assets	3,697	3,821

Our domestic retirement defined benefit plans provide employees a benefit, depending on eligibility, at the greater of (i) the benefit calculated under a highest average pay and years of service formula, (ii) the benefit calculated under a formula that provides for the accumulation of salary and interest credits during an employee's work life, or (iii) the individual account balance from the Company's prior defined contribution plan (Transitional Retirement Account or TRA).

	Pension Benefits			Retiree Health		
	2009	2008	2007	2009	2008	2007
Components of Net Periodic Benefit Cost:						
Service cost	$ 173	$ 209	$ 237	$ 7	$ 14	$ 17
Interest cost [1]	508	(5)	578	60	84	87
Expected return on plan assets [2]	(523)	(80)	(668)	—	—	—
Recognized net actuarial loss	25	36	75	—	—	10
Amortization of prior service credit	(21)	(20)	(20)	(41)	(21)	(12)
Recognized curtailment/settlement loss	70	34	33	—	—	—
Net periodic defined benefit cost	232	174	235	26	77	102
Defined contribution plans	38	80	80	—	—	—
Total Net Periodic Benefit Costs	**$ 270**	**$ 254**	**$ 315**	**$ 26**	**$ 77**	**$ 102**
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:						
Net actuarial loss (gain)	$ 8	$ 1,062	$ (499)	$126	$ (244)	$ (114)
Prior service cost (credit)	—	1	5	1	(219)	—
Amortization of net actuarial (loss) gain	(95)	(70)	(108)	—	—	(10)
Amortization of prior service (cost) credit	21	20	20	41	21	12
Total recognized in other comprehensive income [3]	**$ (66)**	**$ 1,013**	**$ (582)**	**$168**	**$ (442)**	**$ (112)**
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	**$ 204**	**$ 1,267**	**$ (267)**	**$194**	**$ (365)**	**$ (10)**

(1) Interest cost includes interest expense on non-TRA obligations of $390, $408 and $374 and interest expense (income) directly allocated to TRA participant accounts of $118, $(413) and $204 for the years ended December 31, 2009, 2008 and 2007, respectively.

(2) Expected return on plan assets includes expected investment income on non-TRA assets of $405, $493 and $464 and actual investment income (expense) on TRA assets of $118, $(413) and $204 for the years ended December 31, 2009, 2008 and 2007, respectively.

(3) Amount represents the pre-tax effect included within other comprehensive income. The net of tax amount and effect of translation adjustments, as well as our share of Fuji Xerox benefit plan changes is included within the Consolidated Statements of Common Shareholders' Equity. The net after-tax loss (gain) included in other comprehensive (loss) income for the three years ended December 31, 2009 was $169, $286 and $(382), respectively.

The net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $64 and $(20), respectively. The net actuarial loss and prior service credit for the retiree health benefit plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are zero and $(26), respectively.

Pension plan assets consist of both defined benefit plan assets and assets legally restricted to the TRA accounts. The combined investment results for these plans, along with the results for our other defined benefit plans, are shown above in the "actual return on plan assets" caption. To the extent that investment results relate to TRA, such results are charged directly to these accounts as a component of interest cost.

Plan Amendment

In December 2009, the UK Final Salary Pension Scheme was amended to close the plan to future accrual effective January 1, 2014. Benefits earned up to January 1, 2014 will not be affected; therefore, the amendment does not result in a material change to the projected benefit obligation at the re-measurement date, December 31, 2009. The amendment results in substantially all participants becoming inactive; therefore, the amortization period for actuarial gains and losses changes from the average remaining service period of active members (approximately 10 years) to the average remaining life expectancy of all members (approximately 27 years). As of December 31, 2009, the accumulated actuarial losses for our U.K. plan amounted to $678.

In October 2008, we amended our domestic retiree health benefit plan to eliminate the subsidy currently paid to current and future Medicare-eligible retirees effective January 1, 2010. The amendment resulted in a net decrease of approximately $225 in the benefit obligation and a corresponding after-tax increase to equity. The amendment decreased pre-tax net retiree health benefit expense by approximately $50 in 2009 and $15 in 2008.

Plan Assets

Current Allocation

As of the 2009 and 2008 measurement dates, the global pension plan assets were $7.6 billion and $6.9 billion, respectively. These assets were invested among several asset classes. None of the investments include debt or equity securities of Xerox Corporation.

The following table presents the defined benefit plans assets measured at fair value at December 31, 2009 and the basis for that measurement:

	Valuation Based On:				
Asset Class	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value December 31, 2009	% of Total
Cash and Cash Equivalents	$ 748	$ —	$ —	$ 748	10 %
Equity Securities:					
U.S. Large Cap	768	46	—	814	11 %
U.S. Mid Cap	31	—	—	31	— %
U.S. Small Cap	90	70	—	160	2 %
International Developed	1,292	493	—	1,785	24 %
Emerging Markets	299	—	—	299	4 %
Global Equity	12	—	—	12	— %
Total Equity Securities	$ 2,492	$ 609	$ —	$ 3,101	41 %
Debt Securities:					
U.S. Treasury Securities	4	185	—	189	3 %
Debt Security Issued by Government Agency	114	798	—	912	12 %
Corporate Bonds	145	1,570	—	1,715	23 %
Asset Backed Securities	3	23	—	26	— %
Total Debt Securities	$ 266	$ 2,576	$ —	$ 2,842	38 %
Common/Collective Trust	$ 2	$ 26	$ —	$ 28	— %
Derivatives:					
Interest Rate Contracts	—	52	—	52	— %
Foreign Exchange Contracts	15	(77)	—	(62)	(1)%
Equity Contracts	—	(24)	—	(24)	— %
Credit Contracts	—	(2)	—	(2)	— %
Other Contracts	—	(6)	—	(6)	— %
Total Derivatives	$ 15	$ (57)	$ —	$ (42)	(1)%
Hedge Funds	—	—	4	4	— %
Real Estate	62	119	237	418	6 %
Private Equity/Venture Capital	—	—	286	286	4 %
Guaranteed Insurance Contracts	—	—	130	130	2 %
Other	8	9	—	17	— %
Total Defined Benefit Plans Assets(1)	**$ 3,593**	**$ 3,282**	**$ 657**	**$ 7,532**	**100%**

(1) Total fair value assets exclude $29 of other net non-financial assets (liabilities) such as due to/from broker, interest receivables and accrued expenses.

The following table presents the defined benefit plans assets measured at fair value at December 31, 2008 and the basis for that measurement:

Asset Class	Valuation Based On: Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value December 31, 2008	% of Total
Cash and Cash Equivalents	$ 497	$ 367	$ —	$ 864	12%
Equity Securities:					
U.S. Large Cap	149	561	—	710	10%
U.S. Mid Cap	33	—	—	33	— %
U.S. Small Cap	26	60	—	86	1%
International Developed	866	740	—	1,606	22%
Emerging Markets	89	84	—	173	2%
Global Equity	8	106	—	114	2%
Total Equity Securities	$ 1,171	$ 1,551	$ —	$ 2,722	37%
Debt Securities:					
U.S. Treasury Securities	4	230	—	234	3%
Debt Security Issued by Government Agency	116	769	—	885	12%
Corporate Bonds	94	1,116	—	1,210	16%
Asset Backed Securities	1	338	—	339	5%
Total Debt Securities	$ 215	$ 2,453	$ —	$ 2,668	36%
Common/Collective Trust	$ —	$ 68	$ —	$ 68	1%
Derivatives:					
Interest Rate Contracts	—	77	—	77	1%
Foreign Exchange Contracts	—	(81)	—	(81)	(1)%
Equity Contracts	—	114	—	114	2%
Credit Contracts	—	3	—	3	— %
Other Contracts	—	7	—	7	— %
Total Derivatives	$ —	$ 120	$ —	$ 120	2%
Hedge Funds	—	—	3	3	— %
Real Estate	8	117	279	404	6%
Private Equity/Venture Capital	—	—	331	331	5%
Guaranteed Insurance Contracts	—	—	104	104	1%
Other	2	19	—	21	— %
Total Defined Benefit Plans Assets[1]	**$ 1,893**	**$ 4,695**	**$ 717**	**$ 7,305**	**100%**

(1) Total fair value assets exclude $(382) of other net non-financial assets (liabilities) such as due to/from broker, interest receivables and accrued expenses.

The following table represents a roll-forward of the defined benefit plans assets measured using significant unobservable inputs (Level 3 assets):

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3): Hedge Funds	Real Estate	Private Equity/Venture Capital	Guaranteed Insurance Contracts	Other	Total
December 31, 2008	**$ 3**	**$ 279**	**$ 331**	**$104**	**$ —**	**$ 717**
Net Payments, Purchases and Sales	1	5	16	1	—	23
Net Transfers In (Out)	—	—	—	16	—	16
Realized Gains (Losses)	—	—	8	3	(1)	10
Unrealized Gains (Losses)	—	(66)	(69)	2	1	(132)
Currency Translation	—	19	—	4	—	23
December 31, 2009	**$ 4**	**$ 237**	**$ 286**	**$130**	**$ —**	**$ 657**

Our pension plan assets at December 31, 2009 were as follows: U.S. $3.1 billion; U.K. $2.7 billion; Canada $0.5 billion and Other $1.3 billion. Our benefit obligations at December 31, 2009 were as follows: U.S. $4.4 billion; U.K. $2.7 billion; Canada $0.6 billion and Other $1.5 billion.

Investment Strategy
The target asset allocations for our worldwide plans for 2009 and 2008 were:

	2009	2008
Equity investments	41%	47%
Fixed income investments	45%	42%
Real estate	7%	7%
Private equity	4%	3%
Other	3%	1%
Total Investment Strategy	100%	100%

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by exceeding the interest growth in long-term plan liabilities. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. This consideration involves the use of long-term measures that address both return and risk. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Other assets such as real estate, private equity, and hedge funds are used to improve portfolio diversification. Derivatives may be used to hedge market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risks and returns are measured and monitored on an ongoing basis through annual liability measurements and quarterly investment portfolio reviews.

Expected Long-term Rate of Return
We employ a "building block" approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term relationships between equities and fixed income are assessed. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established giving consideration to investment diversification and rebalancing. Peer data and historical returns are reviewed periodically to assess reasonableness and appropriateness.

Contributions

Our 2009 contributions for our worldwide benefit plans were $122 for pensions and $107 for our retiree health. In 2010 we expect to make contributions of approximately $260 to our worldwide defined benefit pension plans and $103 to our retiree health benefit plans in 2010. Once the January 1, 2010 actuarial valuations are finalized for our U.S. qualified pension plans, we will reassess the need for additional contributions for these plans. No additional contributions were made in 2009, due to the ERISA funded status of our U.S. qualified pension plans and the availability of a credit balance that had resulted from funding in prior periods in excess of minimum requirements. In 2008, we made additional contributions above what was disclosed in the 2007 Annual Report of $165 to our U.S. qualified pension plans.

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the following years:

	Pension Benefits	Retiree Health
2010	$ 721	$ 103
2011	640	101
2012	664	100
2013	679	100
2014	677	98
Years 2015-2019	3,643	457

Assumptions

Weighted-average assumptions used to determine benefit obligations at the plan measurement dates:

	Pension Benefits			Retiree Health		
	2009	2008	2007	2009	2008	2007
Discount rate	5.7%	6.3%	5.9%	5.4%	6.3%	6.2%
Rate of compensation increase	3.6%	3.9%	4.1%	— (1)	— (1)	— (1)

(1) Rate of compensation increase is not applicable to the retiree health benefits as compensation levels do not impact earned benefits.

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits				Retiree Health			
	2010	2009	2008	2007	2010	2009	2008	2007
Discount rate	5.7%	6.3%	5.9%	5.3%	5.4%	6.3%	6.2%	5.8%
Expected return on plan assets	7.3%	7.4%	7.6%	7.6%	— (1)	— (1)	— (1)	— (1)
Rate of compensation increase	3.6%	3.9%	4.1%	4.1%	— (2)	— (2)	— (2)	— (2)

(1) Expected return on plan assets is not applicable to retiree health benefits as these plans are not funded.
(2) Rate of compensation increase is not applicable to retiree health benefits as compensation levels do not impact earned benefits.

Assumed health care cost trend rates at December 31,

	2009	2008
Health care cost trend rate assumed for next year	9.8%	9.4%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.9%	5.0%
Year that the rate reaches the ultimate trend rate	2017	2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total service and interest cost components	$ 5	$ (4)
Effect on post-retirement benefit obligation	$ 71	$ (61)

Note 15 – Income and Other Taxes

Income (loss) before income taxes for the three years ended December 31, 2009 was as follows:

	2009	2008	2007
Domestic income (loss)	$ 45	$ (622)	$ 691
Foreign income	582	543	777
Income (Loss) Before Income Taxes	**$ 627**	**$ (79)**	**$1,468**

Provisions (benefits) for income taxes for the three years ended December 31, 2009 was as follows:

	2009	2008	2007
Federal income taxes			
Current	$ (50)	$ (26)	$ 30
Deferred	109	(285)	92
Foreign income taxes			
Current	84	118	144
Deferred	11	4	120
State income taxes			
Current	(2)	1	2
Deferred	—	(43)	12
Total Provision (Benefits)	**$ 152**	**$ (231)**	**$ 400**

A reconciliation of the U.S. federal statutory income tax rate to the consolidated effective income tax rate for the three years ended December 31, 2009 was as follows:

	2009	2008	2007
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
Nondeductible expenses	3.2	(19.5)	0.9
Effect of tax law changes	—	16.1	1.1
Change in valuation allowance for deferred tax assets	(1.7)	(21.0)	0.9
State taxes, net of federal benefit	(0.2)	36.7	1.2
Audit and other tax return adjustments	(8.7)	84.4	(4.1)
Tax-exempt income	(0.5)	8.5	(0.6)
Other foreign, including earnings taxed at different rates	(3.7)	148.9	(7.3)
Other	0.8	3.3	0.1
Effective Income Tax Rate	**24.2%**	**292.4%**	**27.2%**

On a consolidated basis, we paid a total of $78, $194, and $104 in income taxes to federal, foreign and state jurisdictions during the three years ended December 31, 2009, 2008 and 2007, respectively.

Total income tax expense (benefit) for the three years ended December 31, 2009 was allocated as follows:

	2009	2008	2007
Pre-tax income	$ 152	$ (231)	$ 400
Common shareholders' equity:			
Changes in defined benefit plans	(61)	(183)	222
Stock option and incentive plans, net	21	(2)	(22)
Translation adjustments and other	(13)	10	24
Total Income Tax Expense (Benefit)	**$ 99**	**$ (406)**	**$ 624**

Unrecognized Tax Benefits and Audit Resolutions

Due to the extensive geographical scope of our operations, we are subject to ongoing tax examinations in numerous jurisdictions. Accordingly, we may record incremental tax expense based upon the more-likely-than-not outcomes of any uncertain tax positions. In addition, when applicable, we adjust the previously recorded tax expense to reflect examination results when the position is effectively settled. Our ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease our effective tax rate, as well as impact our operating results. The specific timing of when the resolution of each tax position will be reached is uncertain. As of December 31, 2009, we do not believe that there are any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2009	2008	2007
Balance at January 1	**$ 170**	**$ 303**	**$ 287**
Additions from acquisitions	—	—	4
Additions related to current year	6	12	33
Additions related to prior years positions	27	13	78
Reductions related to prior years positions	(33)	(65)	(33)
Settlements with taxing authorities (1)	(7)	(28)	(66)
Reductions related to lapse of statute of limitations	(29)	(45)	(14)
Currency	14	(20)	14
Balance at December 31	**$ 148**	**$ 170**	**$ 303**

(1) Majority of settlements did not result in the utilization of cash.

Included in the balances at December 31, 2009, 2008 and 2007 are $67, $67 and $137, respectively, of tax positions that are highly certain of realizability but for which there is uncertainty about the timing or may be reduced through an indirect benefit from other taxing jurisdictions. Because of the impact of deferred tax accounting, other than for the possible incurrence of interest and penalties, the disallowance of these positions would not affect the annual effective tax rate.

We have filed claims in certain jurisdictions to assert our position should the law be clarified by judicial means. At this point in time, we believe it is unlikely that we will receive any benefit from these types of claims but we will continue to analyze as the issues develop. Accordingly, we have not included any benefit for these types of claims in the amount of unrecognized tax benefits.

We recognized interest and penalties accrued on unrecognized tax benefits, as well as interest received from favorable settlements within income tax expense. We had $13, $22 and $23 accrued for the payment of interest and penalties associated with unrecognized tax benefits at December 31, 2009, 2008 and 2007, respectively.

We file income tax returns in the U.S. federal jurisdiction and various foreign jurisdictions. In the U.S. we are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2007. With respect to our major foreign jurisdictions, we are no longer subject to tax examinations by tax authorities for years before 2000.

Deferred Income Taxes

In substantially all instances, deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries and other foreign investments carried at equity. The amount of such earnings included in consolidated retained earnings at December 31, 2009 was approximately $8.0 billion. These earnings have been indefinitely reinvested and we currently do not plan to initiate any action that would precipitate the payment of income taxes thereon. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings. Our 2001 sale of half of our ownership interest in Fuji Xerox resulted in our investment no longer qualifying as a foreign corporate joint venture. Accordingly, deferred taxes are required to be provided on the undistributed earnings of Fuji Xerox, arising subsequent to such date, as we no longer have the ability to ensure indefinite reinvestment.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes at December 31, 2009 and 2008 were as follows:

	2009	2008
Tax Effect of Future Tax Deductions:		
Research and development	$ 752	$ 930
Post-retirement medical benefits	421	392
Depreciation	246	249
Net operating losses	576	486
Other operating reserves	261	249
Tax credit carryforwards	525	552
Deferred compensation	233	248
Allowance for doubtful accounts	93	84
Restructuring reserves	16	88
Pension	403	373
Other	132	182
Subtotal	3,658	3,833
Valuation allowance	(672)	(628)
Total	**$ 2,986**	**$ 3,205**
Tax Effect of Future Taxable Income:		
Unearned income and installment sales	$ (996)	$ (1,119)
Intangibles and goodwill	(154)	(160)
Other	(38)	(53)
Total	$ (1,188)	$ (1,332)
Total Deferred Taxes, Net	**$ 1,798**	**$ 1,873**

The above amounts are classified as current or long-term in the Consolidated Balance Sheets in accordance with the asset or liability to which they relate or, when applicable, based on the expected timing of the reversal. Current deferred tax assets at December 31, 2009 and 2008 amounted to $290 and $305, respectively.

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more-likely-than-not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2009 and 2008 was an increase of $44 and a decrease of $119, respectively. The valuation allowance relates primarily to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which we have concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.

Although realization is not assured, we have concluded that it is more-likely-than-not that the deferred tax assets, for which a valuation allowance was determined to be unnecessary, will be realized in the ordinary course of operations based on the available positive and negative evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

At December 31, 2009, we had tax credit carryforwards of $525 available to offset future income taxes, of which $146 are available to carryforward indefinitely while the remaining $379 will expire 2010 through 2027 if not utilized. We also had net operating loss carryforwards for income tax purposes of $556 that will expire 2010 through 2029, if not utilized, and $2.5 billion available to offset future taxable income indefinitely.

Note 16 – Contingencies

Brazil Tax and Labor Contingencies

Our Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax matters, which comprise a significant portion of the total contingencies, principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our position. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows. The labor matters principally relate to claims made by former employees and contract labor for the equivalent payment of all social security and other related labor benefits, as well as consequential tax claims, as if they were regular employees. As of December 31, 2009, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of any related interest, amounted to approximately $1,225, with the increase from December 31, 2008 balance of approximately $839 primarily related to currency and current year interest indexation. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute. As of December 31, 2009 we had $240 of escrow cash deposits for matters we are disputing and there are liens on certain Brazilian assets with a net book value of $19 and additional letters of credit of approximately $137. Generally, any escrowed amounts would be refundable and any liens would be removed to the extent the matters are resolved in our favor. We routinely assess all these matters as to probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

Legal Matters

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

The following is a summary of 2009 significant developments in litigation matters:

- In re Xerox Corp. ERISA Litigation – settlement reached, approved by district court and paid.
- Arbitration between MPI Technologies, Inc. and MPI Tech S.A. and Xerox Canada Ltd. and Xerox Corporation – settlement reached and paid.

Litigation Against the Company

In re Xerox Corporation Securities Litigation: A consolidated securities law action (consisting of 17 cases) is pending in the United States District Court for the District of Connecticut. Defendants are the Company, Barry Romeril, Paul Allaire and G. Richard Thoman. The consolidated action is a class action on behalf of all persons and entities who purchased Xerox Corporation common stock during the period October 22, 1998 through October 7, 1999 inclusive ("Class Period") and who suffered a loss as a result of misrepresentations or omissions by Defendants as alleged by Plaintiffs (the "Class"). The Class alleges that in violation of Section 10(b) and/or 20(a) of the Securities Exchange Act of 1934, as amended ("1934 Act"), and SEC Rule 10b-5 thereunder, each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of the Company's common stock during the Class Period by disseminating materially false and misleading statements and/or concealing material facts relating to the defendants' alleged failure to disclose the material negative impact that the April 1998 restructuring had on the Company's operations and revenues. The complaint further alleges that the alleged scheme: (i) deceived the investing public regarding the economic capabilities, sales proficiencies, growth, operations and the intrinsic value of the Company's common stock; (ii) allowed several corporate insiders, such as the named individual defendants, to sell shares of privately held common stock of the Company while in possession of materially adverse, non-public information; and (iii) caused the individual plaintiffs and the other members of the purported class to purchase common stock of the Company at inflated prices. The complaint seeks unspecified compensatory damages in favor of the plaintiffs and the other members of the purported class against all defendants, jointly and severally, for all damages sustained as a result of defendants' alleged wrongdoing, including interest thereon, together with reasonable costs and expenses incurred in the action, including counsel fees and expert fees. In 2001, the Court denied the defendants' motion for dismissal of the complaint. The plaintiffs' motion for class certification was denied by the Court in 2006, without prejudice to refiling. In February 2007, the Court granted the motion of the International Brotherhood of Electrical Workers Welfare Fund of Local Union No. 164, Robert W. Roten, Robert Agius ("Agius") and Georgia Stanley to appoint them as additional lead plaintiffs. In July 2007, the Court denied plaintiffs' renewed motion for class certification, without prejudice to renewal after the Court holds a pre-filing conference to identify factual disputes the Court will be required to resolve in ruling on the motion. After that conference and Agius's withdrawal as lead plaintiff and proposed class representative, in February 2008 plaintiffs filed a second renewed motion for class certification. In April 2008, defendants filed their response and motion to disqualify Milberg LLP as a lead counsel. On September 30, 2008, the Court entered an order certifying the class and denying the appointment of Milberg LLP as class counsel. Subsequently, on April 9, 2009, the Court denied defendants' motion to disqualify Milberg LLP. The parties have filed motions to exclude certain expert testimony. On November 6, 2008, the defendants filed a motion for summary judgment. Briefing with respect to each of these motions is complete. On April 22, 2009, the Court denied plaintiffs' motions to exclude the testimony of two of defendants' experts. The Court has not yet rendered decisions regarding the other pending motions. The individual defendants and we deny any wrongdoing and are vigorously defending the action. In the course of litigation, we periodically engage in discussions with plaintiffs' counsel for possible resolution of this matter. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or a settlement for a significant amount, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment or settlement occurs.

Merger Agreement Between Xerox and Affiliated Computer Services, Inc.: In late September and early October 2009, nine purported class action complaints were filed by Affiliated Computer Services, Inc. ("ACS") shareholders challenging ACS's proposed merger with Xerox. (See Note 3- Acquisitions) Two actions were filed in the Delaware Court of Chancery which subsequently were consolidated into one action. Seven actions were filed in state courts in Texas, which subsequently were consolidated into one action in the Dallas County Court at Law No. 3. The operative complaints in the Delaware and Texas actions name as defendants ACS and/or the members of ACS's board of directors (the "Individual Defendants") and Xerox Corporation and/or Boulder Acquisition Corp., a wholly owned subsidiary of Xerox (the "Xerox Defendants"). On October 22, 2009, a class of ACS shareholders was certified in the Delaware action. Pursuant to a stipulation entered into by all parties in the Delaware and Texas actions on November 20, 2009, the Texas plaintiffs agreed to stay prosecution of the Texas action until agreed otherwise by the defendants and ordered by the Texas court, and all plaintiffs agreed that any further prosecution of the Delaware and Texas actions, or any claims that could have been brought in those actions, would proceed in the Delaware action. The Texas court has calendared a trial date of November 29, 2010, for administrative purposes in the event that all issues are not resolved in the Delaware proceedings.

On December 11, 2009, plaintiffs in the Delaware action filed an amended complaint alleging, among other things, that (i) the Individual Defendants breached their fiduciary duties to ACS and its shareholders by authorizing the sale of ACS to Xerox for what plaintiffs deem inadequate consideration and pursuant to inadequate process, and the Xerox Defendants aided and abetted these alleged breaches; (ii) the Individual Defendants breached their fiduciary duties to ACS and its shareholders by agreeing to the provisions of the merger agreement relating to the consideration to be paid to the holders of Class B shares which the Delaware plaintiffs allege violates the ACS certificate of incorporation and is, therefore, void, and the Xerox Defendants aided and abetted these alleged breaches; and (iii) the Individual Defendants breached their fiduciary duties by failing to disclose material facts in the October 23, 2009 Form S-4 filed with the SEC in connection with the merger. The amended complaint seeks, among other things, to enjoin the defendants from consummating the merger on the agreed-upon terms, and unspecified compensatory damages, together with the costs and disbursements of the action.

On December 16, 2009, the Delaware court so ordered a stipulation between Xerox, ACS and certain Individual Defendants and the plaintiffs in the Delaware action providing, among other things, that in exchange for modifying certain provisions of the merger agreement and other consideration, the plaintiffs would not seek to enjoin any shareholder vote on the closing of the merger, nor take any action for the purpose of preventing or delaying the closing of the merger. On January 20, 2010, the Delaware court so ordered a stipulation by all parties in the Delaware action providing, among other things, for a trial to take place May 10-14, 2010 on the claims for damages asserted in the action. On January 29, 2010, defendants moved to dismiss the amended complaint and on February 8, 2010, plaintiffs moved for partial summary judgment.

The merger between ACS and Xerox closed on February 5, 2010. We deny any wrongdoing and are vigorously defending the actions.

Other Matters

It is our policy to promptly and carefully investigate, often with the assistance of outside advisers, allegations of impropriety that may come to our attention. If the allegations are substantiated, appropriate prompt remedial action is taken. When and where appropriate, we report such matters to the U.S. Department of Justice and to the SEC, and/or make public disclosure.

India

We became aware of a number of matters at our Indian subsidiary, Xerox India Ltd. (formerly Xerox Modicorp Ltd.), much of which occurred over several years before we obtained majority ownership of these operations in mid-1999. These matters include misappropriations of funds and payments to other companies that may have been inaccurately recorded on the subsidiary's books, certain alleged improper payments in connection with sales to government customers and allegations that Xerox India's then senior officers were aware of such activities. These transactions were not material to the Company's financial statements. In 2002, we reported these transactions to the Indian authorities, the U.S. Department of Justice and to the SEC. As previously disclosed, following these reports, Indian authorities have advanced the position that Xerox India violated the Indian Company Law by means of alleged improper payments and alleged defaults/failures of the Xerox India, Ltd. board of directors.

Xerox India has asserted that the alleged violations are generally unsubstantiated and without any basis in law. We believe that any fines or penalties that might be imposed in connection with such ongoing matters would not be material to the Company.

Other Contingencies

Guarantees, Indemnifications and Warranty Liabilities

Guarantees and claims arise during the ordinary course of business from relationships with suppliers, customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract could trigger an obligation of the Company. These potential claims include actions based upon alleged exposures to products, real estate, intellectual property such as patents, environmental matters, and other indemnifications. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of these claims. However, while the ultimate liabilities resulting from such claims may be significant to results of operations in the period recognized, management does not anticipate they will have a material adverse effect on the Company's consolidated financial position or liquidity. As of December 31, 2009, we have accrued our estimate of liability incurred under our indemnification arrangements and guarantees.

Indemnifications Provided as Part of Contracts and Agreements

We are a party to the following types of agreements pursuant to which we may be obligated to indemnify the other party with respect to certain matters:

- Contracts that we entered into for the sale or purchase of businesses or real estate assets, under which we customarily agree to hold the other party harmless against losses arising from a breach of representations and covenants, including obligations to pay rent. Typically, these relate to such matters as adequate title to assets sold, intellectual property rights, specified environmental matters and certain income taxes arising prior to the date of acquisition.
- Guarantees on behalf of our subsidiaries with respect to real estate leases. These lease guarantees may remain in effect subsequent to the sale of the subsidiary.
- Agreements to indemnify various service providers, trustees and bank agents from any third party claims related to their performance on our behalf, with the exception of claims that result from third-party's own willful misconduct or gross negligence.

- Guarantees of our performance in certain sales and services contracts to our customers and indirectly the performance of third parties with whom we have subcontracted for their services. This includes indemnifications to customers for losses that may be sustained as a result of the use of our equipment at a customer's location.

In each of these circumstances, our payment is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow us to challenge the other party's claims. In the case of lease guarantees, we may contest the liabilities asserted under the lease. Further, our obligations under these agreements and guarantees may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments we made.

Patent Indemnifications
In most sales transactions to resellers of our products, we indemnify against possible claims of patent infringement caused by our products or solutions. These indemnifications usually do not include limits on the claims, provided the claim is made pursuant to the procedures required in the sales contract.

Indemnification of Officers and Directors
Our corporate by-laws require that, except to the extent expressly prohibited by law, we must indemnify Xerox Corporation's officers and directors against judgments, fines, penalties and amounts paid in settlement, including legal fees and all appeals, incurred in connection with civil or criminal action or proceedings, as it relates to their services to Xerox Corporation and our subsidiaries. Although the by-laws provide no limit on the amount of indemnification, we may have recourse against our insurance carriers for certain payments made by us. However, certain indemnification payments may not be covered under our directors' and officers' insurance coverage. In addition, we indemnify certain fiduciaries of our employee benefit plans for liabilities incurred in their service as fiduciary whether or not they are officers of the Company.

Product Warranty Liabilities
In connection with our normal sales of equipment, including those under sales-type leases, we generally do not issue product warranties. Our arrangements typically involve a separate full service maintenance agreement with the customer. The agreements generally extend over a period equivalent to the lease term or the expected useful life under a cash sale. The service agreements involve the payment of fees in return for our performance of repairs and maintenance. As a consequence, we do not have any significant product warranty obligations including any obligations under customer satisfaction programs. In a few circumstances, particularly in certain cash sales, we may issue a limited product warranty if negotiated by the customer. We also issue warranties for certain of our lower-end products in the Office segment, where full service maintenance agreements are not available. In these instances, we record warranty obligations at the time of the sale. Aggregate product warranty liability expenses for the three years ended December 31, 2009 were $34, $39 and $40, respectively. Total product warranty liabilities as of December 31, 2009 and 2008 were $20 and $27, respectively.

Note 17 – Shareholders' Equity

Preferred Stock
As of December 31, 2009, we had no preferred stock shares or preferred stock purchase rights outstanding. We are authorized to issue approximately 22 million shares of cumulative preferred stock, $1.00 par value.

In connection with the acquisition of ACS in February 2010 (see Note 3 – Acquisitions for further information), we issued 300,000 shares of Convertible Preferred Stock with an aggregate liquidation preference of $300 to the holders of ACS Class B common stock. The 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 Convertible Preferred Stock will be convertible at any time, at the option of the holder, into 89.8876 shares of common stock for a total of 26,966 thousand shares (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 conversion price in the ACS merger agreement), subject to customary anti-dilution adjustments. On or after the fifth anniversary of the issue date, we will have the right to cause, under certain circumstances, any or all of the Convertible Preferred Stock to be converted into shares of common stock at the then applicable conversion rate. The holders of 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 our 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 Convertible Preferred Stock will have the right to require us to redeem any or all of the 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 Convertible Preferred Stock will be classified as temporary equity (i.e., apart from permanent equity) as a result of the contingent redemption feature.

Common Stock

We have 1.75 billion authorized shares of common stock, $1 par value. At December 31, 2009, 79 million shares were reserved for issuance under our incentive compensation plans, 48 million shares were reserved for debt to equity exchanges and 2 million shares were reserved for the conversion of convertible debt.

In connection with the acquisition of ACS in February 2010 (see Note 3 – Acquisitions for further information), we issued approximately 489,800 thousand shares of common stock to holders of ACS Class A and Class B common stock.

Treasury Stock

Our Board of Directors has authorized programs for repurchase of the Company's common stock. During the year ended December 31, 2009, we did not purchase any common stock and we have no immediate plans for further share repurchases.

The following provides cumulative information relating to our share repurchase programs from their inception in October 2005 through December 31, 2009 (shares in thousands):

Authorized share repurchase	$ 4,500
Share repurchases	$ 2,941
Share repurchase fees	$ 4
Number of shares repurchased	194,093

The following table reflects the changes in Common stock and Treasury stock shares for the three years ended December 31, 2009 (shares in thousand):

	Common Stock Shares	Treasury Stock Shares
Balance at December 31, 2006	**954,568**	**(8,363)**
Stock option and incentive plans, net	7,588	—
Acquisition of Treasury stock	—	(36,638)
Cancellation of Treasury stock	(43,165)	43,165
Other	22	—
Balance at December 31, 2007	**919,013**	**(1,836)**
Stock option and incentive plans, net	4,442	—
Acquisition of Treasury stock	—	(56,842)
Cancellation of Treasury stock	(58,678)	58,678
Balance at December 31, 2008	**864,777**	—
Stock option and incentive plans, net	4,604	—
Balance at December 31, 2009	**869,381**	—

Stock-Based Compensation

We have a long-term incentive plan whereby eligible employees may be granted restricted stock units ("RSUs"), performance shares ("PSs") and non-qualified stock options.

We grant PSs and RSUs in order to continue to attract and retain employees and to better align employee interest with those of our shareholders. Each of these awards is subject to settlement with newly issued shares of our common stock. At December 31, 2009 and 2008, 15 million shares were available for grant of awards.

Stock-based compensation expense for the three years ended December 31, 2009 was as follows:

	2009	2008	2007
Stock-based compensation expense, pre-tax	$ 85	$ 85	$ 89
Stock-based compensation expense, net of tax	52	52	55

Restricted stock units: Compensation expense is based upon the grant date market price for most awards and a Monte Carlo simulation pricing model for a fiscal 2009 grant that included a market condition; the expense is recorded over the vesting period, which ranges from three to five years from the date of grant. A summary of the activity for RSUs as of December 31, 2009, 2008 and 2007, and changes during the years then ended, is presented below (shares in thousands):

	2009		2008		2007	
Nonvested Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1	14,037	$ 15.43	11,696	$ 16.78	8,635	$ 15.71
Granted	15,268	6.69	5,923	13.63	4,444	18.17
Vested	(3,764)	15.17	(3,350)	16.92	(935)	13.65
Cancelled	(414)	13.94	(232)	15.98	(448)	16.42
Outstanding at December 31	**25,127**	**10.18**	**14,037**	**15.43**	**11,696**	**16.78**

At December 31, 2009, the aggregate intrinsic value of RSUs outstanding was $213. The total intrinsic value and actual tax benefit realized for the tax deductions for vested RSUs for the three years ended December 31, 2009 were as follows:

Vested Restricted Stock Units	2009	2008	2007
Total intrinsic value of vested RSUs	$ 19	$ 54	$ 16
Tax benefit realized for vested RSUs tax deductions	6	18	3

At December 31, 2009, there was $129 of total unrecognized compensation cost related to nonvested RSUs, which is expected to be recognized ratably over a remaining weighted-average contractual term of 1.9 years.

Performance shares: We grant officers and selected executives PSs that vest contingent upon meeting pre-determined Diluted Earnings per Share ("EPS") and Core Cash Flow from Operations targets. These shares entitle the holder to one share of common stock, payable after a three-year period and the attainment of the stated goals. If the cumulative three-year actual results for EPS and Core Cash Flow from Operations exceed the stated targets, then the plan participants have the potential to earn additional shares of common stock. This overachievement can not exceed 50% for officers and 25% for non-officers of the original grant.

A summary of the activity for PSs as of December 31, 2009, 2008 and 2007, and changes during the years then ended, is presented below (shares in thousands):

	2009		2008		2007	
Nonvested Performance Shares	**Shares**	**Weighted Average Grant Date Fair Value**	**Shares**	**Weighted Average Grant Date Fair Value**	**Shares**	**Weighted Average Grant Date Fair Value**
Outstanding at January 1	7,378	$ 15.39	6,585	$ 16.16	4,571	$ 15.04
Granted	718	15.17	3,696	13.67	2,160	18.48
Vested	(3,075)	15.17	(2,734)	14.87	—	—
Cancelled	(147)	15.52	(169)	16.05	(146)	15.41
Outstanding at December 31	**4,874**	**15.49**	**7,378**	**15.39**	**6,585**	**16.16**

At December 31, 2009, the aggregate intrinsic value of PSs outstanding was $41. The total intrinsic value of PSs and the actual tax benefit realized for the tax deductions for vested PSs for the two years ended December 31, 2009 was as follows:

Vested Performance Shares	**2009**	**2008**
Total intrinsic value of vested PSs	$ 15	$ 41
Tax benefit realized for vested PSs tax deductions	6	13

We account for PSs using fair value determined as of the grant date. If the stated targets are not met, any recognized compensation cost would be reversed. As of December 31, 2009, there was $16 of total unrecognized compensation cost related to nonvested PSs; this cost is expected to be recognized ratably over a remaining weighted-average contractual term of 1.1 years.

Stock options: Stock options generally vest over a period of three years and expire between eight and ten years from the date of grant. We have not issued any new stock options since 2004 and all options currently outstanding are fully vested and exercisable. The following table provides information relating to the status of, and changes in, outstanding stock options for each of the three years ended December 31, 2009 (stock options in thousands):

	2009		2008		2007	
Employee Stock Options	**Stock Options**	**Weighted Average Option Price**	**Stock Options**	**Weighted Average Option Price**	**Stock Options**	**Weighted Average Option Price**
Outstanding at January 1	45,185	$ 15.49	52,424	$ 19.73	60,480	$ 18.56
Cancelled/Expired	(16,676)	24.68	(6,559)	50.08	(922)	24.18
Exercised	(146)	5.88	(680)	8.89	(7,134)	9.22
Outstanding and Exercisable at December 31	**28,363**	**10.13**	**45,185**	**15.49**	**52,424**	**19.73**

All outstanding stock options at December 31, 2009 were exercisable, with an aggregate intrinsic value of $13, a weighted-average remaining contractual life of 2.17 years and a weighted-average exercise price of $10.13.

The following table provides information relating to stock option exercises for the three years ended December 31, 2009:

	2009	**2008**	**2007**
Total intrinsic value of stock options	$ —	$ 4	$ 61
Cash received	1	6	65
Tax benefit realized for stock option tax deductions	—	2	22

In connection with the acquisition of ACS in February 2010 (see Note 3 – Acquisitions for further information), we issued approximately 96,700 thousand options in exchange for ACS options.

Note 18 – Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share of common stock for the three years ended December 31, 2009 (shares in thousands):

	2009	2008	2007
Basic Earnings per Share:			
Net income attributable to Xerox	$ 485	$ 230	$ 1,135
Weighted average common shares outstanding	869,979	885,471	934,903
Basic Earnings per Share	**$ 0.56**	**$ 0.26**	**$ 1.21**
Diluted Earnings per Share:			
Net income attributable to Xerox	$ 485	$ 230	$ 1,135
Interest on Convertible securities, net	1	—	1
Adjusted net income available to common shareholders	**$ 486**	**$ 230**	**$ 1,136**
Weighted average common shares outstanding	869,979	885,471	934,903
Common shares issuable with respect to:			
Stock options	462	3,885	8,650
Restricted stock and performance shares	7,087	6,186	7,396
Convertible securities	1,992	—	1,992
Adjusted weighted average shares outstanding	**879,520**	**895,542**	**952,941**
Diluted Earnings per Share	**$ 0.55**	**$ 0.26**	**$ 1.19**
Dividends Declared per Common Share	**$ 0.17**	**$ 0.17**	**$ 0.0425**

The 2009, 2008 and 2007 computation of diluted earnings per share did not include the effects of 39 million, 29 million and 23 million stock options, respectively, because their respective exercise prices were greater than the corresponding market value per share of our common stock. In addition, the common shares issuable with respect to convertible securities were not included in the 2008 computation of diluted EPS because to do so would have been anti-dilutive.

Note 19 – Subsequent Events

On January 20, 2010, we acquired Irish Business Systems ("IBS") for approximately $31. This acquisition expands our reach into the small and mid-sized business market in Ireland. IBS has eight offices located throughout Ireland and is a managed print services provider and the largest independent supplier of digital imaging and printing solutions in Ireland.

On February 5, 2010, we completed the acquisition of ACS. Refer to Note 3-Acquisitions, Note 11-Debt and Note 17-Shareholders' Equity for further information regarding the acquisition and funding associated with it.

On February 25, 2010, we provided notice of termination for convenience of the Amended and Restated Program Agreement dated as of October 27, 2005 (as amended to date, the "Program Agreement") by and among General Electric Capital Corporation ("GECC"), Xerox, Xerox Lease Funding LLC, and Xerox Lease Equipment LLC. The Program

Agreement will terminate effective no later than August 25, 2010. Termination of the Program Agreement will result in the termination of other agreements relating to our vendor finance relationship with GECC, including the Amended and Restated Loan Agreement dated as of October 21, 2002 (as amended to date the "Loan Agreement") between Xerox Lease Funding LLC and GECC. As of December 31, 2009, approximately $2 was outstanding under the Loan Agreement and as of February 16, 2010 all amounts outstanding under the Loan Agreement had been repaid.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

Our management is responsible for the integrity and objectivity of all information presented in this annual report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the independent auditors, PricewaterhouseCoopers LLP, the internal auditors and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors and internal auditors have free access to the Audit Committee.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the rules promulgated under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *"Internal Control – Integrated Framework"* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the above evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2009.

/s/ Ursula M. Burns	/s/ Lawrence A. Zimmerman	/s/ Gary R. Kabureck
Chief Executive Officer	**Chief Financial Officer**	**Chief Accounting Officer**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Xerox Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Xerox Corporation and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP
Stamford, Connecticut
February 26, 2010

QUARTERLY RESULTS OF OPERATIONS (Unaudited)

(in millions, except per-share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2009					
Revenues	$ 3,554	$ 3,731	$ 3,675	$ 4,219	$ 15,179
Costs and Expenses (1)	3,476	3,534	3,517	4,025	14,552
Income before Income Taxes and Equity Income	78	197	158	194	627
Income tax expenses (2)	19	59	44	30	152
Equity in net (loss) income of unconsolidated affiliates (3)	(10)	9	15	27	41
Net Income	49	147	129	191	516
Less: Net income - noncontrolling interests	7	7	6	11	31
Net Income Attributable to Xerox	$ 42	$ 140	$ 123	$ 180	$ 485
Basic Earnings per Share	$ 0.05	$ 0.16	$ 0.14	$ 0.21	$ 0.56
Diluted Earnings per Share	$ 0.05	$ 0.16	$ 0.14	$ 0.20	$ 0.55
2008					
Revenues	$ 4,335	$ 4,533	$ 4,370	$ 4,370	$ 17,608
Costs and Expenses (1)	4,844	4,279	4,123	4,441	17,687
(Loss) Income before Income Taxes and Equity Income	(509)	254	247	(71)	(79)
Income tax (benefits) expenses (2)	(246)	59	15	(59)	(231)
Equity in net income of unconsolidated affiliates (3)	28	29	35	21	113
Net (Loss) Income	(235)	224	267	9	265
Less: Net income - noncontrolling interests	9	9	9	8	35
Net (Loss) Income Attributable to Xerox	$ (244)	$ 215	$ 258	$ 1	$ 230
Basic (Loss) Earnings per Share (4)	$ (0.27)	$ 0.24	$ 0.30	$ —	$ 0.26
Diluted (Loss) Earnings per Share (4)	$ (0.27)	$ 0.24	$ 0.29	$ —	$ 0.26

(1) Costs and expenses include acquisition-related costs of $9 and $63 for the third and fourth quarters of 2009, respectively. Costs and expenses include charges for restructuring and asset impairments and an equipment write-off of $63, $14 and $388 for the second, third and fourth quarters of 2008, respectively. In addition, the first and fourth quarters of 2008 include $795 and $(21) for litigation matters.

(2) The third and fourth quarters of 2009 include $1 and $22, respectively, of tax benefits for acquisition-related costs. The first, second, third and fourth quarters of 2008 include $304, $20, $5 and $124 of tax benefits, respectively, from the above noted charges. Third quarter 2008 also included a $41 income tax benefit from the settlement of certain previously unrecognized tax benefits.

(3) The first, second, third and fourth quarters of 2009 include $22, $9, $9 and $6 of charges, respectively, for our share of Fuji Xerox restructuring charges. The first, second, third and fourth quarters of 2008 include $10, $3, $2 and $1 of charges, respectively, for our share of Fuji Xerox restructuring charges.

(4) The sum of quarterly earnings per share may differ from the full-year amounts due to rounding, or in the case of diluted earnings per share, because securities that are anti-dilutive in certain quarters may not be anti-dilutive on a full-year basis.

FIVE YEARS IN REVIEW

(in millions, except per-share data)

	2009	2008	2007[(2)]	2006	2005
Per-Share Data					
Income from continuing operations					
Basic	$ 0.56	$ 0.26	$ 1.21	$ 1.25	$ 0.91
Diluted	0.55	0.26	1.19	1.22	0.90
Earnings					
Basic	$ 0.56	$ 0.26	$ 1.21	$ 1.25	$ 0.96
Diluted	0.55	0.26	1.19	1.22	0.94
Common stock dividends declared	$ 0.17	$ 0.17	$ 0.0425	$ —	$ —
Operations					
Revenues	$ 15,179	$ 17,608	$ 17,228	$ 15,895	$ 15,701
Sales	6,646	8,325	8,192	7,464	7,400
Service, outsourcing and rentals	7,820	8,485	8,214	7,591	7,426
Finance income	713	798	822	840	875
Income from continuing operations	516	265	1,165	1,232	948
Income from continuing operations – Xerox	485	230	1,135	1,210	933
Net income	516	265	1,165	1,232	993
Net income - Xerox	485	230	1,135	1,210	978
Financial Position					
Working capital	$ 5,270	$ 2,700	$ 4,463	$ 4,056	$ 4,390
Total Assets	24,032	22,447	23,543	21,709	21,953
Consolidated Capitalization					
Short-term debt and current portion of long-term debt	988	1,610	525	1,485	1,139
Long-term debt	8,276	6,774	6,939	5,660	6,139
Total Debt	9,264	8,384	7,464	7,145	7,278
Liabilities to subsidiary trusts issuing preferred securities[(1)]	649	648	632	624	724
Series C mandatory convertible preferred stock	—	—	—	—	889
Xerox shareholders' equity	7,050	6,238	8,588	7,080	6,319
Noncontrolling interests	141	120	103	108	90
Total Consolidated Capitalization	**$ 17,104**	**$ 15,390**	**$ 16,787**	**$ 14,957**	**$ 15,300**
Selected Data and Ratios					
Common shareholders of record at year-end	44,792	46,541	48,261	40,372	53,017
Book value per common share	$ 8.11	$ 7.21	$ 9.36	$ 7.48	$ 6.79
Year-end common stock market price	$ 8.46	$ 7.97	$ 16.19	$ 16.95	$ 14.65
Employees at year-end	53,600	57,100	57,400	53,700	55,220
Gross margin	39.7%	38.9%	40.3%	40.6%	41.2%
Sales gross margin	33.9%	33.7%	35.9%	35.7%	36.6%
Service, outsourcing and rentals gross margin	42.6%	41.9%	42.7%	43.0%	43.3%
Finance gross margin	62.0%	61.8%	61.6%	63.7%	62.7%

(1) For 2005, the amount includes $98 reported in other current liabilities.
(2) 2007 results include the acquisition of GIS.

CORPORATE INFORMATION

Stock Listed and Traded

Xerox common stock (XRX) is listed on the New York Stock Exchange and the Chicago Stock Exchange. It is also traded on the Boston, Cincinnati, Pacific Coast, Philadelphia and Switzerland exchanges.

Xerox Common Stock Prices and Dividends

New York Stock Exchange composite prices *	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
High	$ 9.10	$ 7.25	$ 9.57	$ 8.66
Low	4.17	4.70	6.05	7.25
Dividends Paid per Share	0.0425	0.0425	0.0425	0.0425
2008				
High	$ 15.82	$ 15.36	$ 14.39	$ 11.30
Low	13.10	13.28	11.05	5.25
Dividends Paid per Share	0.0425	0.0425	0.0425	0.0425

* Prices as of close of business

SUBSIDIARIES OF XEROX CORPORATION

The following companies are subsidiaries of Xerox Corporation as of December 31, 2009. Unless otherwise noted, a subsidiary is a company in which Xerox Corporation or a subsidiary of Xerox Corporation holds 50% or more of the voting stock. The names of other subsidiaries have been omitted as they would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary:

Name of Subsidiary	Incorporated In
Boulder Acquisition Corp.	Delaware
FairCopy Services Inc.	Canada
Global Imaging Systems, Inc.	Delaware
American Photocopy Equipment Company of Pittsburgh, LLC	Delaware
Arizona Office Technologies, Inc.	Arizona
Berney Office Solutions, LLC	Alabama
N&L Enterprises, LLC	Alabama
Capitol Office Solutions, LLC	Delaware
Carolina Office Systems, Inc.	South Carolina
Carr Business Systems, Inc.	New York
Comdoc, Inc.	Ohio
Consolidated, Inc.	Ohio
Information Works, Inc.	Ohio
Metropolitan Business Machines, Incorporated	Ohio
OEM Supplyco, Inc.	Ohio
Connecticut Business Systems, LLC	Delaware
Blackstone Valley Office Systems, Inc.	Rhode Island
Conway Office Products, LLC	New Hampshire
Business Equipment Unlimited	Maine
Cameron Office Products, LLC	Massachusetts
Eastern Copy Products, Inc.	New York
Northeast Copier Systems, LLC	Massachusetts
CopyCo Office Solutions, Inc.	Indiana
MRSCO, Inc.	Indiana
CTX Business Solutions, Inc.	Oregon
Global Operations Texas, L.P. d/b/a Dahi`ll	Texas (34)
Denitech Corporation	Texas
Chicago Office Technology Group, Inc.	Illinois
Electronic Systems, Inc.	Virginia
TML Enterprises, Inc.	Virginia
ImageQuest, Inc.	Kansas
Image Technology Specialists, Inc.	Massachusetts
Inland Business Machines, Inc.	California
Precision Copier Service, Inc. d/b/a/ Sierrra Office Solutions	Nevada
Lucas Business Systems, Inc.	Delaware
Lewan & Associates, Inc.	Colorado
Imaging Concepts of New Mexico, Inc.	New Mexico
Michigan Office Solutions, Inc.	Michigan
Minnesota Office Technology Group, Inc.	Minnesota
Mr. Copy, Inc.	California
MWB Copy Products, Inc.	California
SoCal Office Technologies, Inc.	California
Quality Business Systems, Inc.	Washington
Boise Office Equipment, Inc.	Idaho
Saxon Business Systems, Inc.	Florida
Stewart Business Systems, LLC	New Jersey
Xerox Audio Visual Soclutions, Inc.	Georgia
Daniel Communications, Inc.	Alabama
GroupFire, Inc.	California
Gyricon, LLC	Delaware

Infotonics Technology Center Inc.	New York (15)
Institute for Research on Learning	Delaware
NewPARC LLC	Delaware
Pacific Services and Development Corporation	Delaware
Palo Alto Research Center Incorporated	Delaware
Proyectos Inverdoco, C.A.	Venezuela
SCC Burton Corporation	Delaware
STHQ Realty LLC	Delaware
The Xerox Foundation	Delaware
Xerox Argentina Industrial y Comercial, I.C.S.A.	Argentina (1)
Xerox Canada Capital Ltd.	Canada
Xerox Canada Inc.	Ontario
Xerox (Barbados) SRL	Barbados (14)
Approximo Limited	Ireland
Mega Colour Limited	Ireland
Oriel Star Limited	Ireland
Topspeed Limited	Ireland
Xerox (Barbados) Leasing SRL	Barbados
Xerox Finance (Luxembourg) Sarl	Luxembourg
Xerox Canada Facilities Management Ltd.	Ontario
Xerox Canada Finance Inc.	Ontario
Xerox Canada Leasing Partnership	Ontario (16)
Xerox Canada Ltd.	Canada (4)
Ionographic Operations Partnership	Massachusetts (18)
Xerox Canada Leasing Company	Nova Scotia
Xerox Capital, LLC	Turks & Caicos Islands (9)
Xerox Capital Services LLC	Delaware (17)
Xerox Capital Trust I	Delaware (11)
Xerox de Chile S.A.	Chile (40)
Xerox de Colombia S.A.	Colombia (29)
Xerox Developing Markets Limited	Bermuda
Sidh Securities Limited	Mauritius
Xerox del Ecuador, S.A.	Ecuador (32)
Xerox Engineering Systems NV	Belgium
Xerox Export, LLC	Delaware
Xerox Europe Finance Limited Partnership	Scotland (20)
Xerox European Funding LLC	Delaware
Xerox Finance, Inc.	Delaware
Xerox Investments Holding (Bermuda) Limited	Bermuda
Xerox Financial Services, Inc.	Delaware
Talegen Holdings, Inc.	Delaware
Xerox Credit Corporation	Delaware
Xerox Foreign Sales Corporation	Barbados
Xerox d'Haiti, S.A.	Haiti
Xerox de Honduras, S.A.	Honduras
Xerox Imaging Systems, Inc.	Delaware
Xerox International Joint Marketing, Inc.	Delaware
Xerox International Partners	California (10)
Xerox Investments Europe B.V.	Netherlands
XC Global Trading B.V.	Netherlands
XC Trading Singapore Pte Ltd.	Singapore
XC Trading Hong Kong Limited	Hong Kong
XC Trading Japan G.K.	Japan
XC Trading Korea VH	Korea
XC Trading Malaysia	Malaysia
XC Trading Shenzhen Co., Ltd.	China
Xerox Holdings (Ireland) Limited	Ireland
Xerox (Europe) Limited	Ireland
Bipolar Limited	Ireland
Monocolour Limited	Ireland

Pirrup Limited	Ireland
Toblersong Limited	Ireland
Xerox XF Holdings (Ireland) Limited	Ireland
Xerox Finance (Ireland) Limited	United Kingdom
Xerox Leasing Ireland Limited	Jersey
Xerox Israel Ltd.	Israel
Xerox Middle East Investments (Bermuda) Limited	Bermuda
Bessemer Insurance Limited	Bermuda
Reprographics Egypt Limited	Egypt
Xerox Egypt S.A.E.	Egypt
Xerox Finance Leasing S.A.E.	Egypt
Xerox Equipment Limited	Bermuda
Xerox Maroc S.A.	Morocco (2)
Xerox Products Limited	Bermuda
Xerox UK Holdings Limited	United Kingdom
Triton Business Finance Limited	United Kingdom
Xerox Trading Enterprises Limited	United Kingdom
Xerox Overseas Holdings Limited	United Kingdom
Xerox Business Equipment Limited	United Kingdom
Xerox Computer Services Limited	United Kingdom
Xerox Mailing Systems Limited	United Kingdom
Xerox Holding (Nederland) B.V.	Netherlands
Xerox Manufacturing (Nederland) B.V.	Netherlands
Xerox Office Printing Distribution B.V.	Netherlands
Xerox Limited	United Kingdom (6)
Continua Limited	United Kingdom
Continua Sanctum Limited	United Kingdom
Limited Liability Company Xerox (C.I.S.)	Russia
The Xerox (UK) Trust	United Kingdom
Xerox AG	Switzerland
Xerox A/S	Denmark
Xerox Financial Services Danmark A/S	Denmark
Xerox AS	Norway
Xerox Austria GmbH	Austria
Xerox Global Services GmbH	Austria
Xerox Leasing GmbH	Austria
Xerox Office Supplies GmbH	Austria
Xerox Bulgaria EOOD	Bulgaria
Xerox Buro Araciari Ticaret ve Servis A.S.	Turkey
Xerox Capital (Europe) Limited	United Kingdom (12)
Veenman B.V.	Netherlands
Veenman Financial Services B.V.	Netherlands
Xerox AG	Switzerland
Xerox A/S	Denmark
Xerox Financial Services Danmark A/S	Denmark
Xerox Finance AG	Switzerland
Xerox Sverige AB	Sweden
Xerox (UK) Limited	United Kingdom
Bessemer Trust Limited	United Kingdom
Inserco Manufacturing Limited	United Kingdom
Xerox Finance Limited	United Kingdom
Xerox Office Supplies Limited	United Kingdom
Xerox (R & S) Limited	United Kingdom
Xerox Channels Limited	United Kingdom
XEROX CZECH Republic s r.o.	Czech Republic
Xerox Direct Rhein-Main GmbH	Germany
Xerox Espana, S.A.U.	Spain
Xerox Fabricacion S.A.U.	Spain
Xerox Renting S.A.U.	Spain
Xerox Office Supplies S.A.U.	Spain

Xerox Exports Limited	United Kingdom
Xerox Financial Services Belux NV	Belgium
Xerox Financial Services Norway AS	Norway
Xerox Financial Services Sverige AB	Sweden
Xerox GmbH	Germany
Xerox Capital Services Verwaltungs GmbH	Germany
Xerox Capital Services GmbH & Co. KG	Germany (19)
Xerox Dienstleistungsgesellschaft GmbH	Germany
Xerox Leasing Deutschland GmbH	Germany
Xerox Reprographische Services GmbH	Germany
Xerox Hellas AEE	Greece
Xerox Hungary Trading Limited	Hungary
Xerox (Ireland) Limited	Ireland
Xerox India Limited	India (8)
Xerox Kazakhstan Limited Liability Partnership	Kazakhstan (38)
Xerox Management Services N.V.	Belgium
Xerox N.V.	Belgium
Xerox Luxembourg S.A.	Luxembourg (27)
Xerox (Nederland) BV	Netherlands
"Veco" Beheer Onroerend Goed BV	Netherlands
Xerox Document Supplies BV	Netherlands
Xerox Financial Services B.V.	Netherlands
Xerox Rentalease BV	Netherlands
Xerox Services BV	Netherlands
Xerox Oy	Finland
Xerox Financial Services Finland Oy	Finland
Xerox Pensions Limited	United Kingdom
Xerox Polska Sp.zo.o	Poland
Xerox Portugal Equipamentos de Escritorio, Limitada	Portugal (21)
CREDITEX—Aluguer de Equipamentos S.A.	Portugal
Xerox Professional Services Limited	United Kingdom
Xerox Property Services Limited	United Kingdom
Xerox (Romania) Echipmante Si Servici S.A.	Romania
Xerox Slovenia d.o.o.	Slovenia
Xerox S.p.A.	Italy
Xerox Italia Rental Services S.r.l.	Italy
Xerox Telebusiness GmbH	Germany
Xerox (Ukraine) Ltd LLC	Ukraine
XWA Limited	United Kingdom
Xexco Trading Limited	United Kingdom
Xerox S.A.S.	France (22)
Xerobail SAS	France
Xerox Financial Services SAS	France (23)
Xerox Document Supplies SNC	France (24)
Xerox Global Services SAS	France
Xerox General Services SAS	France
Xerox XHB Limited	Bermuda (6)
Xerox XIB Limited	Bermuda (6)
XRO Limited	United Kingdom
Nemo (AKS) Limited	United Kingdom
XRI Limited	United Kingdom
RRXH Limited	United Kingdom
RRXO Limited	United Kingdom
RRXIL Limited	United Kingdom (6)
Xerox Latinamerican Holdings, Inc.	Delaware
XGUA Servicios, Ltda.	Guatemala (39)
Xerox Lease Funding LLC	Delaware
Xerox Lease Equipment LLC	Delaware
Xerox Mexicana, S.A. de C.V.	Mexico (28)
Xerox Mortgage Services, Inc.	Delaware

Xerox Overseas, Inc.	Delaware
XC Asia LLC	Delaware
Xerox Serviços e Participacoes Ltda.	Brazil
Xerox Comercio e Industria Ltda	Brazil
Xerox del Peru, S.A.	Peru (30)
Xerox Realty Corporation	Delaware
Xerox Trinidad Limited	Trinidad
Xerox de Venezuela, C.A.	Venezuela (5)
Xerox XBS Warehouse Holding LLC	Delaware
Xerox XBS Warehouse Funding II LLC	Delaware
Xerox XBS Warehouse Funding LLC	Delaware
XESystems Foreign Sales Corporation	Barbados
XMPie Inc.	Delaware
Nuvisio, Inc.	New York
Nuvisio, Ltd.	Israel
XMPie, Ltd.	Israel

(1) Xerox Corporation owns 90% of the shares of Xerox Argentina; the remaining 10% is owned by Pacific Services and Development Corporation, a wholly-owned subsidiary of Xerox Corporation.
(2) Owned 99.9% by XMEIBL and .1% by several individuals.
(3) [Reserved]
(4) Owned 65% by Xerox Canada Inc. and 35% by Xerox Canada Finance Inc.
(5) Owned 86.75% by Xerox Corporation, and 13.25% by Pacific Services and Development Corporation.
(6) Includes indirect holdings.
(7) [Reserved]
(8) Xerox Corporation indirectly owns 89.3% and 10.7% is privately held.
(9) Owned 99.9% by Xerox Corporation and .1% by Pacific Services and Development Corporation, a wholly-owned subsidiary of Xerox Corporation.
(10) Xerox International Partners is a California general partnership between FX Global, Inc. (49%) and Xerox International Joint Marketing, Inc. (51%).
(11) Xerox Capital Trust I is a Delaware statutory business trust which is 100% beneficially owned by Xerox Corporation. The Trust is a special purpose financing vehicle.
(12) [Reserved]
(13) [Reserved]
(14) Owned 88.27% by Xerox Canada Inc. and 11.73% by Xerox Corporation.
(15) This is a not-for-profit corporation which will act as a research and development consortium of businesses and universities. The initial members are Xerox, Corning, Kodak, University of Rochester, RIT and Cornell.
(16) Xerox Canada Leasing Partnership is an Ontario general partnership between Xerox Canada Inc. (99%) and Xerox Canada Finance Inc. (1%).
(17) Owned 19% by Xerox Corporation and 81% by GE Capital Information Technology Solutions, Inc. [Included in Xerox Corporation's consolidated financial statements.]
(18) Owned 66.995% by Xerox Canada Ltd. and 33.005% by Xerox Canada Inc. It was formerly known as Delphax Systems Partnership but changed to Ionographic Operations Partnership on 2/12/02. This name was registered under the Business Names Act in Ontario on 2/13/02.
(19) [Reserved]
(20) Xerox Europe Finance Limited Partnership is owned 99.9% by Xerox Export LLC and .1% by Xerox Corporation.
(21) Owned 74% by Xerox Limited and 26% by Xerox Property Services Limited.
(22) Remaining shares transferred in Xerox SAS to Xerox Overseas Holding Limited after share capital reduction exercise.
(23) Owned 87.5% by Xerobail SAS and 12.5% by Xerox SAS.
(24) Owned 99.99% by XEROX S.A.S. and .01% by Xerobail SAS.
(25) [Reserved]
(26) [Reserved]
(27) Owned 99% by NV Xerox SA and 1% by Xerox Financial Services Belux NV.
(28) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation.
(29) Owned 94.24% by Xerox Corporation, 5.56% by Pacific Services and Development Corporation and .20% by a Minority owner.
(30) Owned 95.73% by Xerox Corporation and 4.27% by Pacific Services and Development Corporation.
(31) [Reserved]
(32) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation. (PSDC owns only one share)
(33) [Reserved]
(34) Owned 99% by Conway Office Products, LLC (limited partner) and 1% by Global Imaging Systems, Inc. (general partner).

(35) [Reserved]
(36) [Reserved]
(37) [Reserved]
(38) Owned 99% by Xerox Limited and 1% by Xerox Property Services Limited.
(39) Owned 50% by Xerox Latinamerican Holdings, Inc. and 50% by Pacific Services and Development Corporation.
(40) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-155743 and 333-142900) and Form S-8 (Nos. 333-162639, 333-164766, 333-160264, 333-142417, 333-125250, 333-93269, 333-09821, 333-22313, 33-65269 and 33-44314) of Xerox Corporation of our report dated February 26, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 26, 2010 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Stamford, CT
February 26, 2010

CEO CERTIFICATIONS

I, Ursula M. Burns, certify that:

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

February 26, 2010

/s/ URSULA M. BURNS

Ursula M. Burns
Principal Executive Officer

EXHIBIT 31(b)

CFO CERTIFICATIONS

I, Lawrence A. Zimmerman, certify that:

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

February 26, 2010

/s/ LAWRENCE A. ZIMMERMAN

Lawrence A. Zimmerman
Principal Financial Officer

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

In connection with the Form 10-K of Xerox Corporation, a New York corporation (the "Company"), for the year ending December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ursula M. Burns, Chief Executive Officer of the Company, and Lawrence A. Zimmerman, Vice Chairman and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ URSULA M. BURNS
Ursula M. Burns
Chief Executive Officer
February 26, 2010

/s/ LAWRENCE A. ZIMMERMAN
Lawrence A. Zimmerman
Chief Financial Officer
February 26, 2010

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

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